

REPORT TITLE: Annual Governance Statement and Local Code of Governance

To:

Civic Affairs Committee

Report by:

Jonathan Tully, Head of Shared Internal Audit Service

Email: jonathan.tully@cambridge.gov.uk

Wards affected:

All

1. Recommendations

1.1 It is recommended that the Civic Affairs Committee:

1. approve the Annual Governance Statement (AGS) attached at Appendix A in advance of the Statement of Accounts. Noting the arrangements for compiling, reporting on and signing the AGS;

- the progress made on issues reported in the previous year;
- the current review of effectiveness
- the issues considered for inclusion in the current AGS;

2. note and endorse the amendments to the updated Local Code of Corporate Governance attached at Appendix B;

2. Purpose and reason for the report

2.1 This report presents the Annual Governance Statement (AGS) for 2022/2023, and the Local Code of Corporate Governance, for consideration by the Civic Affairs Committee.

The purpose of this report is to report the annual review of effectiveness, provide updates on the progress from the previous year, communicate any new governance issues, and provide an update of the Local Code of Corporate Governance.

The Accounts and Audit Regulations require the Council to review its governance arrangements and prepare an AGS to accompany the Statement of Accounts.

The legislation requires that the AGS must be approved in advance of the Statement of Accounts.

3. Alternative options considered

- 3.1 Members of the Committee can consider suggesting amendments to the contents of the Annual Governance Statement, prior to approval.

4. Background and key issues

4.1 Scope of the AGS

Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:

- the Council's policies are implemented in practice;
- high quality services are delivered efficiently and effectively;
- the Council's values and ethical standards are met;
- laws and regulations are complied with;
- required processes are adhered to;
- financial statements and other published information are accurate and reliable; and
- human, financial and other resources are managed efficiently and effectively.

4.2 Arrangements for compiling the AGS

The Accounts and Audit Regulations require the Council to review its governance arrangements and prepare an AGS to accompany the Statement of Accounts. The AGS should demonstrate how we comply with our Local Code of Governance.

The Chartered Institute of Public Finance and Accountancy (CIPFA), in conjunction with the Society of Local Authority Chief Executives (SOLACE), have produced a framework for delivering good governance in local government. The framework guidance "Delivering Good Governance in Local Government Framework 2016" is used as a guide in compiling the AGS. We also take into account continuous best practice issued throughout the year that supplements the framework guidance.

Arrangements for compiling the AGS have been coordinated through Internal Audit, with input from stakeholders and colleagues. The AGS should communicate how we are complying with our Local Code of Governance.

4.3 Financial Management Code

The latest guidance from CIPFA requires that we evaluate our compliance with the Financial Management Code. This is a new requirement, and we added a section in the previous AGS report to highlight this. Internal Audit have completed an independent review in 2022/2023 to help support this statement.

4.4 Arrangements for reporting and approving the AGS

The Accounts and Audit regulations require the Committee to approve the AGS in advance of the Statement of Accounts.

Completing the AGS enables the Council to document what has happened in the financial year, through the Review of Effectiveness, and conclude how we have complied with our Code of Governance.

The draft AGS was prepared with the Statement of Accounts and published on our [website](#).

The draft AGS was then issued to the External Auditors to review as part of the draft Statement of Accounts. No further amendments have been requested prior to the publication of this report.

As the AGS and Committee report is published prior to the external auditor's work being concluded, we may need to reflect any updates requested between the publication date and the meeting, although these would be expected to be minor.

Members of the Committee should approve the AGS in advance of the Statement of Accounts, and we have included a separate agenda item to reflect this.

In October 2023 the [Public Sector Audit Appointments](#) highlighted a cumulative backlog of 918 delayed audit opinions in the Local Government sector. CIPFA has published its [Bulletin 18 Local audit backlog in England | CIPFA](#) following [legislation](#) bringing into effect backstop dates for authorities in England to publish final accountability statements. The first backstop will help clear the backlog and enable a focus on recent accounts.

The AGS should reflect the governance matters from the relevant financial year, plus up to the date when the accounts are signed. In February 2024 CIPFA published [Bulletin 16 Local audit delays and the publication of the annual governance statement](#). This provided clarity on reporting significant governance matters where authorities have a set of unaudited financial statements for prior years. An example of this approach is that we have reflected the Housing rents correction in 2022/2023, in addition to 2023/2024. We had already adopted this approach locally for the previous year's AGS, with the pandemic, and the format of our AGS is the same.

The final, and formatted, version of the AGS will also be included with the approved and published Statement of Accounts.

4.5 Local Code of Corporate Governance

The preparation of the AGS and the Local Code of Governance is undertaken in accordance with the guidance published by CIPFA.

The framework is intended to assist authorities in ensuring their own governance arrangements are suitably resourced, there is sound and inclusive decision making and there is clear accountability for the use of resources to achieve the desired outcomes for stakeholders.

Guidance suggests each local authority should develop and maintain a Code of Corporate Governance based on seven core principles, supported by sub-principles that should underpin the governance structure for the whole Council. The Code stands as the overall statement of the Councils corporate governance principles and commitments.

The Council first adopted a Code of Corporate Governance on 25 April 2002. Significant changes were made in 2017, following revised international guidance being issued in 2016. The Code is continually reviewed as good practice. We have attached the current version of the code, and it includes tracked changes to highlight the updates. A final “clean” version will be published on our website.

We have included a diagram to illustrate our assurance channels. This is a high-level assurance map, based on the professionally recognised “three lines of defense” model. Both the LGA and CIPFA are developing guidance on assurance mapping and we will probably reflect this in future versions of our Code of Governance.

The Code includes the Seven principles of public life, as it applies to anyone who works for local government and supports good governance.

5. Corporate plan

- 5.1 The Councils [Corporate plan 2022-27: our priorities for Cambridge - Cambridge City Council](#) is a component of our Code of Governance and is reflected in our Annual Governance Statement.

6. Consultation, engagement and communication

- 6.1 The AGS is coordinated through Internal Audit, with input from the Senior Officers of the Council. The draft AGS is published on our website and reviewed by our externally appointed auditors.

7. Anticipated outcomes, benefits or impact

- 7.1 Continued review of our Code of Governance through the AGS helps provide assurance that the Council is maintaining good governance.

8. Implications

8.1 Relevant risks

This is a statutory requirement and there are no significant risks from approving the AGS.

Should a significantly material governance issue from the 2022/2023 financial year be identified at a later date, it could be recognised in the AGS being prepared at that time.

Financial Implications

- 8.2 There are no financial implications. The AGS is compiled using existing resources.

Legal Implications

- 8.3 There are no legal implications as completing the AGS is a statutory requirement.

Equalities and socio-economic Implications

- 8.4 The AGS is a statutory report. We have used Microsoft tools to check for accessibility of the document.

Net Zero Carbon, Climate Change and Environmental implications

- 8.5 The AGS is a statutory report. There are no relevant implications.

Procurement Implications

- 8.6 The AGS is a statutory report. There are no relevant implications.

Community Safety Implications

- 8.7 The AGS is a statutory report. There are no relevant implications.

9. Background documents

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 9.1
 - Delivering Good Governance in Local Government (CIPFA 2016)
 - Accounts and Audit (England) Regulations 2015 and subsequent Amendment Regulations
 - CIPFA good practice guidance on AGS presentation
 - CIPFA Bulletin 16
 - CIPFA Bulletin 18

10. Appendices

- 10.1
 - a) Annual Governance Statement
 - b) Local Code of Governance

To inspect the background papers or if you have a query on the report please contact Jonathan Tully, Head of Shared Internal Audit Service, email: jonathan.tully@cambridge.gov.uk.