



**Annual Governance Statement  
2016/17**

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# Annual Governance Statement (AGS) 2016/17

## 1. Scope of Responsibility

1.1 As a local authority, the Council is required by law to review its governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) (the Framework) fulfils this requirement. The Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations
- public money is safeguarded and properly accounted for
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

1.2 The Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE framework '*Delivering Good Governance*' (and any subsequent guidance issued). A copy of the Local Code can be obtained from:-

website: [www.pendle.gov.uk](http://www.pendle.gov.uk)

or by writing to: Financial Services Manager  
Town Hall  
Market Street  
Nelson  
Lancashire  
BB9 7LG

1.3 This statement explains how the Council has complied with the seven principles set out in the CIPFA/SOLACE Framework during 2016/17. The preparation of this statement also fulfils the requirement under Regulation 6(1b) of the Accounts and Audit Regulations 2015 to produce and publish an Annual Governance Statement.

## 2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and the achievement of value for money.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; **it can, therefore, only provide reasonable and not absolute assurance of effectiveness.**

- 2.3 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.
- 2.4 The governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2017 and up to the date of approval of the Statement of Accounts for the 2016/17 financial year.

### 3. The Council's Governance Framework

**Principle A** - *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.*

- 3.1 The Council has a formal Constitution which is reviewed annually and made publicly available on our website [here](#). The Constitution sets out how we operate, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for us to choose.
- 3.2 The Constitution includes the following documents which provide guidance for officers and Councillors on the standards of behaviour expected to ensure integrity:
- Code of Conduct for Members (Councillors)
  - Code of Conduct for Employees
  - Guidance on the role of a Councillor
- 3.3 The Council's Monitoring Officer maintains the Codes of Conduct up to date and investigates any suspected breaches. Alleged breaches of the Members Code of Conduct are conducted in accordance with an agreed protocol and may involve the Independent Person appointed for this purpose with some matters considered by a Hearings Panel. Councillors sign a formal declaration agreeing to abide by the Code of Conduct. For staff, the Employee Handbook sets out the requirements and standards expected and this forms part of the staff induction process.
- 3.4 The Council also has established a set of core values which are intended to underpin all that we do. These are published annually as part of our Strategic Plan and include the following ethical values:
- To always act with fairness, integrity and courtesy;
  - To ensure equality of opportunity for all our citizens by striving to create a community that values diversity and is socially inclusive, cohesive and tolerant to the needs of others;
  - To act in the interests of the whole community by working in partnership with citizens, businesses and other organisations;
  - To promote sustainable development, whilst protecting, enhancing and celebrating Pendle's unique natural environment.
- 3.5 Staff and Councillors are also made aware of other policies relevant to this principle of the framework including the Council's Anti-Fraud and Corruption, Bribery and Whistleblowing Policies. These arrangements are reviewed and reported on via the Council's Accounts and Audit Committee being the Committee charged with oversight of the governance arrangements at the Council. At the heart of these policies is the requirement for all relevant parties to act with integrity.

- 3.6 All Councillors have to register and declare certain pecuniary interests such as employment, land holdings and contracts with the Council. The register of interests is available on our website [here](#). Councillors must declare such interests at meetings which they attend. There are also procedures laid down for staff and councillors relating to the receipt of gifts and hospitality.
- 3.7 All Council decisions have to consider legal implications. These are set out in reports to Councillors and are published on the Council's website. Article 13 of Council's Constitution sets out the responsibility for decision-making. Certain decisions are reserved to the full Council with others delegated to the Executive or other Committee each acting in accordance with parameters set out in the Constitution.
- 3.8 A number of areas are delegated to officers for the purposes of decision-making; however, limits on the exercise of delegation are laid down in an approved Scheme of Delegation to Officers within the Constitution. The Council's legal team will advise on the legal implications of proposed decisions and where necessary will engage external legal advisors. The Council's Monitoring Officer and Section 151 Officer have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to councillors.

**PRINCIPLE B - Ensuring openness and comprehensive stakeholder engagement.**

- 3.9 One of the Council's 4 strategic objectives is "working with partners and the community to sustain services of good value" – included within this objective of reference to the operation of decision-making structures that are open, transparent and accountable. It is an important principle for how the Council conducts itself.
- 3.10 All decisions of the Council are made in accordance with principles laid down in the Constitution and include the following:
- A presumption in favour of openness;
  - With due explanation as to what options were considered and giving clear reasons for the decision.

All meetings of the Council, the Executive and Committees are open to the public. Agenda papers and reports together with the Minutes of all meetings are publicly available on the Council's website unless they are exempt from publication. Examples of the latter are rare at Pendle Council. All Council meetings have an opening section which includes public participation with an opportunity to raise questions at the meeting. Guidance on this is also available on our website.

- 3.11 The Council operates a total of 5 Area Committees covering all parts of the Borough with defined terms of reference and the ability generally to determine local matters. These meet monthly and provide a valuable tool in promoting engagement with the local community.
- 3.12 The Council's guidance on 'The role of a Councillor' contains the following which reinforces the importance of openness requiring Councillors to:

*...contribute constructively to open government and democratic renewal through actively encouraging the community to participate in the Council's decision making processes; and, to this end, seek to involve the community in decisions that affect them by ensuring they have full information and then by helping them make their views known...*

- 3.13 The Council undertakes consultation on specific topics (examples in 2016/17 included consultation on changes to the local scheme of council tax support and proposals for selective licensing in part of the borough). The bi-annual Pendle Perception Survey was undertaken in late 2016 providing residents with the opportunity to have their say on a range of issues affecting their locality and quality of life. The Council also makes use of social media via Facebook and Twitter.
- 3.14 The Council is committed to publishing information freely and to develop further our culture of openness and transparency and publishes information in accordance with the Local Authorities (Data Transparency) Code. The Council's Freedom of Information Publication Scheme provides a general guide for the public in terms of what information should routinely be available to them by either accessing our website or upon request.
- 3.15 Partnership working is important and the Council has in place a wide range of arrangements ranging from small scale local groups (e.g. Parks Friends Groups) to larger and more formal partnerships (e.g. public/private partnership with Liberata and joint venture arrangements with Barnfield Investment Properties).

**PRINCIPLES C & D – *Defining outcomes in terms of sustainable benefits (economic, social and environmental) and determining the interventions necessary to achieve them.***

- 3.16 The Council's strategic vision for the Borough is set out in our Strategic Plan. Our vision is to work with our partners to ensure that:
- Pendle is a place where quality of life continues to improve and where people respect one another and their neighbourhoods;
  - Pendle is a place where everyone aspires to reach their full potential;
  - Pendle is recognised locally, regionally and nationally as a great area to live, learn, work, play and visit.
- 3.17 Underpinning the Council's Strategic Plan are a number of other strategic plans and documents that outline their contributions to achieving the Council's vision and objectives. Examples include, but are not limited to:
- Core Strategy (Planning)
  - Jobs and Growth Strategy
  - Housing Strategy
  - Economic Development Strategy
  - Human Resources, Information Technology and Financial Strategies
- 3.18 Each service area of the Council prepares an annual service plan setting out its contributions to the delivery of strategic objectives and outcomes. Services are required to set and monitor agreed targets for performance. Performance against and achievement of expected outcomes is monitored regularly via the Council's corporate performance management system and reported quarterly to Councillors and the Management Team. Where the expected performance is not being met then potential intervention measures are considered and implemented where appropriate.
- 3.19 In relation to the buying of goods and services, staff must comply with the Council's Contract Procedure Rules. These set out relevant considerations when reaching decisions on award of contracts and include relevant environmental and sustainability aspects including the achievement of 'social value' in addition to cost.

3.20 Decisions on the overall level of resources allocated are taken by the Council following consideration by the all-party Budget Working Group and recommendations from the Executive. Specific matters may be subject to more detailed review where selected by the Council's Scrutiny Management Team. Resources and spending plans are critically reviewed to optimise their use and level of fit with the Council's objectives. Financial planning arrangements are well established and underpinned by a three year forward projection as part of the Council's medium-term financial planning arrangements. This includes both capital and revenue budgets.

**PRINCIPLE E – *Developing the Council's capacity including the capability of council leadership and staff.***

3.21 At the heart of this principle is the Council's fourth strategic objective which is "Maintaining a sustainable, resilient and efficient organisation which is Digital by Default". The aim is to ensure that, as an organisation, we are suitably placed to deliver the priorities identified for Pendle and its residents. To do this we will employ the right people with the right skills in the right job. We will maintain robust financial processes, standards and systems optimising the technology and resources we have available to us, making us more efficient and effective in our service delivery and becoming Digital by Default.

3.22 In recent years the Council has invested in training programmes to enhance organisational development, develop leadership skills and promote a coaching culture with staff at all levels encouraged to be innovative and challenge the normal way of doing things. All staff take part in annual performance management reviews which include consideration of their individual training and development needs. A range of training methods and resources are applied and feedback is actively encouraged to assess the benefit of investment in training. The Council has developed a workforce plan, organisational development strategy and a learning and development strategy. Training is available for Councillors including induction and topic specific matters in addition to what is available from organisations such as the Local Government Association.

3.23 Capacity is enhanced via a range of partnerships and collaborative arrangements, as well as our commissioning and procurement processes through which the Council operates a mixed economy approach to delivering services in the most effective and efficient way. Service delivery models include, in-house, external outsourced, transfers to external parties and joint venture arrangements. On a regional and sub-regional basis the Council works closely with the Lancashire Economic Partnership and Pennine Lancashire bodies notably in areas such as economic development, regeneration and skills/training.

3.24 Leadership roles are well defined at the Council for staff and Councillors, distinguishing for example the role of Council Leader and the officer being the Head of Paid Service (i.e. the Strategic Director). A protocol is included in the Council's Constitution which reflects the principles underlying the respective Codes of Conduct which apply to Members and Employees. The shared object of these codes is to enhance and maintain the integrity of local government and therefore, demands high standards of personal conduct.

3.25 The Council is committed to a culture of continuous improvement and has a focus on service delivery and effective performance management. Peer learning is encouraged and in the past 2 years the Council has undertaken a Peer Challenge review led by the Local Government Association to provide an assessment and feedback on, amongst other things, our organisational capacity and capability from best practice in the local government sector. Investors in People provide another

form of external review and assessment and the Council is currently assessed at Gold, being the highest possible grade under the current Standard.

- 3.26 Sustaining organisational resilience is increasingly challenging at a time when headcount is reducing in response to ongoing resource constraints. Set against this, the importance of supporting staff health and well-being is acknowledged and a suite of policies and procedures are in place to support staff maintain their own physical and mental well-being. Examples include the annual health and well-being programme, work/life balance policy and the operation of flexible working for most staff.

**PRINCIPLE F – Managing risks and performance through robust internal control and strong public financial management.**

- 3.27 The maintenance of systems and processes to identify and manage the key strategic and operational risks to the achievement of the Council's objectives. The Council's **risk management framework** continues to evolve and presently includes the following arrangements:-

- Risk Management Policy and Strategy;
- Arrangements for Strategic and Operational Risk Registers comprising corporate and operational risks respectively, assigned to designated officers, with appropriate counter-measures and an action plan established for each key risk;
- Officer Working Groups (The Corporate Governance Group and the Risk Management Working Group) dedicated to maintaining risk management arrangements under review;
- periodic review of risks in-year with regular reports to the Council's Management Team and the Executive;
- the use by Internal Audit of a risk based approach in the preparation and delivery of the internal audit plan;
- the requirement for Officers of the Council to consider risk management issues when submitting reports to Committee for consideration by Councillors;
- a suite of policies and procedures in relation to Whistleblowing, Anti-Fraud Theft and Corruption, Bribery and Anti-Money Laundering.

- 3.28 Councillors and officers have previously been trained in risk management and the Leader of the Council has been briefed on the strategic risks faced by the Council. Managers have the responsibility for the effective control of risk, and all service plans have a section on risk management.

- 3.29 Corporate Governance including risk management, including the key strategic risks for the Council, are the subject of periodic reports to the Executive and the Accounts and Audit Committee.

- 3.30 The Corporate Governance Working Group reviews the Strategic Risk Register to ensure that risks are being actively monitored and managed and target risk scores have been introduced for all identified strategic risks as a means of providing much greater focus on those areas where risk management can be effective. Details of changes are reported to Management Team and the Accounts and Audit Committee.

- 3.31 The Strategic Director, as the Council's Head of Paid Service, is responsible for the corporate management of the Council, taking an active role in the corporate governance arrangements, including the organisation of the Council's staff and ensuring that appropriate internal control mechanisms are in place to achieve the Council's objectives in the most economical, efficient and effective way.
- 3.32 The Corporate Director is appointed the Council's Monitoring Officer. The appointment of a Monitoring Officer is required in accordance with Section 5 of the Local Government and Housing Act 1989. It is the function of the Monitoring Officer to report to Members upon any contravention of any enactment or rule of law or any maladministration by the Authority. The Monitoring Officer also has responsibilities under the Council's Ethical Framework relating to the Members' Code of Conduct and the Standards Regime.
- 3.33 The Financial Services Manager is designated as the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with the Section 151 of the Local Government Act 1972.
- 3.34 The three statutory officers referred to above have unfettered access to information and to Councillors on the Council so that they can discharge their responsibilities effectively. The functions of these Officers and their roles are clearly set out in the Council's Constitution. In particular, the role of the Financial Services Manager (as Chief Finance Officer) at the Council accords with the principles set out in CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- 3.35 An established **financial management framework** comprising:
- Financial and Contract Procedure Rules as part of the Constitution;
  - Medium-term financial planning using a three-year cycle, updated annually, to align resources to corporate priorities;
  - Service and financial planning integrated within the corporate performance management cycle;
  - Annual budget process involving scrutiny, challenge and consultation;
  - Regular monitoring by management of revenue and capital budgets with reports to Management Team and the Executive;
  - Annual reports to councillors on both the final revenue and capital outturns compared to the approved;
  - Continuous challenge of the scope for securing efficiencies and service improvements;
  - Production of an annual Statement of Accounts compliant with the requirements of local authority accounting practice;
  - Compliance with the requirements established by CIPFA, the public sector accountancy body.
  - A regular review of the Council's Financial Management arrangements.

- 3.36 A **performance management framework** which provides an explicit link between the corporate priorities and personal objectives of staff and their training and development needs. Performance is reported to Councillors and the Management Team on a systematic basis with areas of poor performance investigated proactively. Key features of the Performance Management Framework include:-
- A regular review of the Strategic Plan to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council;
  - Service Plans produced with explicit goals and associated performance targets in order to ensure that achievement of performance is measurable;
  - The Council's staff appraisal system – Performance Management Reviews against a competency framework - links personal objectives directly to Service Plans;
  - Regular reports on the performance of key indicators which are presented to Councillors and Officers;
- 3.37 An **Information Governance Framework** which sets out the way we handle and process information, in particular, the personal and sensitive data relating to residents, suppliers and employees. Key features of the information governance framework include:-
- A suite of policies and procedures on the Council's Information Security which are available on the Intranet for all staff to review;
  - Arrangements for document management and retention;
  - A Data Protection Policy and Procedure with nominated staff responsible for providing advice and guidance on Data Protection matters;
  - Compliance with the Local Authority Data Transparency Code and provision of Open Data on Council website;
  - A system for dealing with requests for information submitted to the Council under the Freedom of Information Act 2000 (including a regular review of the Council's Publication Scheme);
  - Regular reviews of the Council's Information Governance and Security arrangements by Internal Audit and external assessors.
- 3.38 The maintenance of an Internal Audit Unit, which operates in accordance with the statements, standards and guidelines published by the Auditing Practices Board, CIPFA (particularly the Public Sector Internal Audit Standards) and the Institute of Internal Auditors. The Internal Audit function examines and evaluates the adequacy of the Council's system of internal control.
- 3.39 Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. This is in compliance with Regulation 5 of the Accounts and Audit Regulations 2015 that specifically requires a local authority to undertake an adequate and effective system of internal audit. This work is delivered by way of a Strategic Audit Plan developed using a risk-based approach. The Internal Audit plan is agreed and monitored by the Accounts and Audit Committee. The Audit Manager is required to give an opinion on the adequacy of the Council's system of internal control each year.

- 3.40 In compliance with the Accounts and Audit Regulations 2015, a review of the effectiveness of the system of internal audit is undertaken annually with the results of the review reported to the Accounts and Audit Committee. This Committee can make recommendations or highlight any matters requiring attention to the Executive and Council.
- 3.41 Lastly, each member of Management Team is required to sign an Assurance Statement in relation to a range of key controls operating in their area of work. This specifically seeks assurance from Senior Managers that, other than those identified during the course of their normal work or by Internal Audit, they are not aware of any weaknesses in the Council's systems of internal control.

**PRINCIPLE G – *Implementing good practice in transparency, reporting and audit to deliver effective accountability.***

- 3.42 All reports to meetings of Council, the Executive and other committees are publicly available on our website with the Minutes also published showing what decisions have been taken and the reason(s) why. Other forms of public accountability reporting include the annual Statement of Accounts, the Council's Annual Report and in year financial and performance monitoring reports. Reports from external audit are also published online including their annual report setting out the findings resulting from their audit of the accounts.
- 3.43 The Council reports performance against targets and financial targets on a regular basis. Progress updates on the implementation status of audit recommendations are also reported quarterly to the Accounts and Audit Committee. The Internal Audit service complies with the requirements of the Public Sector Internal Audit Standards and has direct access to Councillors and all staff in order to discharge its responsibilities.
- 3.44 The Council publishes information in accordance with the Local Authorities (Data Transparency) Code. The Council's website includes a section on Open Data. Open Data is about being transparent, sharing our information with the wider community, and giving them the opportunity to use that data to build useful applications. The data must be in open and machine readable formats that are easy to reuse.
- 3.45 The Council welcomes peer challenge reviews and inspections from regulatory bodies and will act on any recommendations arising as appropriate.

#### **4. Review of Effectiveness**

- 4.1 The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. This review of effectiveness is informed by the work of the Council's Management Team who have a responsibility for the development and maintenance of the governance environment, the Audit Manager's Annual Report on Internal Audit and also reports from the external auditor and any other review agencies and inspectorates.
- 4.2 The purpose of a review is to identify and evaluate the key controls in place to manage principal risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances and should result in an action plan to address significant internal control issues.

- 4.3 The process that has been applied in maintaining and reviewing the effectiveness of the Council's Governance Framework includes the following:
- The Council's Monitoring Officer and the Council in general oversee the operation of the Constitution to ensure its aims and principles are given full effect. As indicated above, the Constitution was last reviewed in May 2016 at the Annual General Meeting of Council;
  - The arrangements for Overview and Scrutiny have operated throughout the year allowing for the review of key policy areas and providing opportunities for public involvement in specific matters of business. A range of scrutiny reviews has been completed during the year, details of which have been reported to Council via the Overview and Scrutiny Annual Report 2016 (which was considered by Council in May 2017);
  - The Council has operated a Standards regime consistent with the requirements of the Localism Act 2011;
  - The Accounts and Audit Committee met throughout the year and received various reports on the progress by External and Internal Audit against their respective work plans. The Committee also received a report in July 2016 on the outcome of a review of the effectiveness of the system of internal audit (for 2016/17 the equivalent report is due to be submitted to the Accounts and Audit Committee in July 2017);
  - The Accounts and Audit Committee has been appraised of developments arising from the Local Audit and Accountability Act 2014. This includes provisions for the appointment of local auditors and requirement for an Auditor Panel to advise the Council on its relationship with the locally appointed auditor. In December 2016 the full Council agreed to opt in to the national scheme for auditor appointments for the 2018/19 financial year;
  - Internal Audit completed 31 scheduled audits up to the end of March 2017 with a further 7 audits completed in the early part of the 2017/18 financial year. All high risk and key financial systems were audited.
  - The overall opinion expressed by the Internal Audit Manager for 2016/17 stated:-  
*"Internal Audit reports on both Corporate Governance and Internal Control arrangements. The Internal Audit Manager was satisfied through the review of internal control during 2016/17 that internal control in the Council is good, although it is not possible to provide absolute assurance about the overall system of internal control"*
  - There were no audits subject to a limited assurance opinion in 2016/17.
  - During the year, an external review of Internal Audit was carried out by officers from 2 other local authorities to assess the level of compliance with the Public Sector Internal Audit Standards. The outcomes from this review were reported to the Accounts and Audit Committee in January 2017 and the assessors found that there was "a significant and remarkable level of compliance with the Standards at 99%."
  - In accordance with the Accounts and Audit Regulations 2015, the Financial Services Manager (as Chief Finance Officer) undertakes an annual review of the effectiveness of the Council's system of Internal Audit. This review will be

undertaken in the near future with the outcome reported to the Accounts and Audit Committee in July.

- The Council's Strategic Risk Register has been maintained under review during the year and updated periodically. Risk management matters have been considered by the Management Team, the Corporate Governance Group and by the Executive. To ensure Councillors are aware of the Council's key risks, details of the key risks are reported to the Executive.
- An updated self-assessment of the Council's governance framework was undertaken in 2016 and reported to the Accounts and Audit Committee in January 2017 in response to the updated framework and guidance issued by CIPFA/SOLACE.
- Quarterly reports are presented to the Accounts and Audit Committee on the Council's work to manage fraud, theft and corruptions. Amongst other matters, these reports provide details of benefit fraud and action taken in response to this, investigations undertaken by Internal Audit and the results of the Council's work on the National Fraud Initiative; no internal frauds were reported during the year.
- The Performance Management Framework has operated effectively during the year. Monitoring information on key areas of performance has been provided to Management Team for review and action where this has been considered necessary. Performance Management information has also been reviewed by the Executive.
- During the year, the Council continued to use a software program called 'Bob's Business' which provides online IT Security training ensuring regular updates on information security and governance for all staff using ICT.
- The Council produced its Annual Report in December 2016 summarising performance in the previous year;
- The Council's external auditor, Grant Thornton, audited the year-end Statement of Accounts and assessed our arrangements for securing value for money. Their most recent Audit Letter, issued in October 2016, identified no material errors in the accounts for 2015/16 and gave an unqualified opinion in respect of value for money.
- The Council has in place regular reporting arrangements on the financial affairs of the Council. Regular Strategic Monitoring reports were submitted to both Management Team and the Executive throughout the year. Reports were also produced on the Council's Medium Term Financial Plan and Financial Strategy and these were used to inform the budget and Council Tax setting process;
- The Council published its annual Pay Policy in line with the statutory requirements.
- The Council's Business Continuity Plans are in place albeit need to be updated to reflect changes in the Council's accommodation arrangements and the requirement for a new Disaster Recovery Site. These plans consist of:-
  - a Business Continuity Policy and Strategy;
  - a Strategic Crises Management Plan;
  - a Local Crisis Management Plan for each main office location and Fleet Street Depot;
  - a Business Recovery Plan for critical services.

A desk-top test of our emergency planning was carried out during the year based on a flooding scenario in parts of the Borough.

- 4.4 In November 2016 the Council underwent a follow-up visit by the Corporate Peer Challenge team as part of a sector-led improvement initiative promoted by the Local Government Association (LGA). The Council had requested a peer challenge review which was undertaken in late 2015. The team returned to Pendle a year later to assess our progress in response to actions and recommendations resulting from their first visit. In their latest report, presented to Council in December 2016 the team concluded:

*“Pendle Borough Council has an ambitious agenda and clearly has an appetite for more. The council has made a great deal of progress, however with the scale of the challenges the council faces, the pace of change is still not fast enough. The pace needs to be quickened, and this will require Members to make some difficult decisions promptly”.*

- 4.5 There have been no formal reports during the year from either the Council’s Monitoring Officer or Section 151 Officer on matters of legality or financial related concerns. There were also no objections from local electors in respect of the financial statements and supporting information for the previous financial year.

## **5. Significant Governance Issues**

- 5.1 It is stressed that no system of control can provide absolute assurance against material misstatement or loss. This Statement is intended to provide reasonable assurance.
- 5.2 Last year’s Annual Governance Report highlighted the following areas for improvement. The table below sets out the action has been taken to address these issues in the current year:

### *Medium-term financial plan and scale of savings required*

Work continues against the backdrop of further expected reductions in core funding. Savings of £1.4m were identified and agreed by Council in setting the budget for 2017/18. This action will be retained for 2017/18 given the scale of savings remains comparable and represents a significant challenge for the Council.

### *Determine the extent of any changes required to the Council’s Constitution if a Combined Authority for Lancashire is established*

The Council agreed to become a constituent member of the Shadow Combined Authority during 2016. However, during the year the level of political support across the County for a combined authority has become increasingly uncertain with the probability that such an authority will now not proceed.

### *Disaster Recovery – review and testing of local arrangements including designated recovery site*

Proposals to transfer Colne Town Hall to Colne Town Council were delayed during the year and are expected to complete during May/June 2017. As a result this action will be carried forward.

### *Development of an electronic records management system*

This action was linked to the implementation of a new Intranet within the Council. This project did not commence during the year owing to other priorities so this action will be carried forward.

*Process leading to appointment of External Auditor*

This action was completed during the year. The Council formally agreed to opt in to the national scheme for appointing auditors to local authorities for 2018/19.

- 5.3 In concluding this year's review of the Council's internal control arrangements a small number of improvements have been identified to strengthen our governance framework. An action plan to address these matters will be produced and this will be subject to regular monitoring by the Council's Accounts and Audit Committee as appropriate. The aim is to conclude these matters during the 2017/18 financial year.

Issue No.	Issue Identified	Source of Evidence	Summary of Action Proposed
1	The scale of savings required over the medium term represents a significant challenge for the Council. There is a need to prioritise resources effectively and identify detailed savings options for the Council to consider as part of a strategy to achieve a balanced budget over the medium term.	Review of the Council's Medium-term Financial Plan – identified as a key strategic risk for the Council	Work has already begun to develop savings proposal for the period 2018/21 as part of the development of the Council's Financial Strategy and Medium Term Financial Plan.  This work will also consider our arrangements for prioritising resources and maintaining organisational resilience.  Reports will be considered by the Executive.
2	Need to ensure effective arrangements in place for the implementation of the General Data Protection Regulations (GDPR) in May 2018	GDPR will apply in the UK from May 2018	Review, analyse actions required and develop appropriate implementation plan and actions to ensure compliance by May 2018.
3	Disaster Recovery – review and testing of local arrangements including designated recovery site.	Proposals to transfer Colne Town Hall to Colne Town Council will impact on the availability of current designated recovery site	Determine and implement testing of specific recovery plans and confirm any revised arrangements for an alternative recovery site if this is required.
4	Development of an electronic records management system	Forms part of a project to develop and implement a new Staff Intranet	Develop an electronic records management policy by October 2016
5	Update required to the Council's Risk Management Policy and Strategy	Current documents are dated and need updating	Update and submit for approval a revised Risk Management Policy and Strategy.

- 5.4 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that have been identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

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**Dean Langton**  
**Strategic Director**

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**Councillor Mohammed Iqbal**  
**Leader of the Council**

**DRAFT**