

REPORT OF: CORPORATE GOVERNANCE WORKING GROUP

TO: ACCOUNTS & AUDIT COMMITTEE

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CORPORATE GOVERNANCE & RISK MANAGEMENT UPDATE

PURPOSE OF REPORT

1. This report provides the Committee with an update on the following matters:
 - a) the 'good governance' matrix published jointly by CIPFA¹ and SOLACE² in 2016 and on which details of an initial self-assessment were reported to this Committee in January 2017, and periodically thereafter;
 - b) the Action Plan contained in the Annual Governance Statement included within the Statement of Accounts for 2019/20; and
 - c) developments relating to the Council's risk management arrangements.

RECOMMENDATIONS

2. The Committee is recommended to note:
 - (a) the updated position on actions identified from (i) the initial self-assessment of the CIPFA/SOLACE Good Governance framework and (ii) the Council's Annual Governance Statement for 2019/20;
 - (b) current developments linked to the Council's risk management arrangements.

REASONS FOR RECOMMENDATION

3. To ensure the Committee is made aware of current developments impacting on the Council's wider corporate governance framework.

¹ CIPFA (Chartered Institute of Public Finance & Accountancy)

² SOLACE (Society of Local Authority Chief Executives)

ISSUE

CIPFA/SOLACE Good Governance Framework: Update on Self-Assessment and Annual Governance Statement Action Plan

4. Since the original framework was published the Council has maintained a local code of corporate governance together with an action plan identifying the extent of compliance and / or any areas in the council's arrangements that require further development.
5. This is subject to periodic review, primarily by the Corporate Governance Working Group (CGWG) which consists of the Chief Executive, Corporate Director and the Chief Finance Officer (each representing the three statutory officer roles), Head of Legal Services and Corporate Client & Performance Manager.
6. The concept underpinning the framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that:
 - resources are directed in accordance with agreed policy and according to priorities;
 - there is sound and inclusive decision making;
 - there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
7. This Committee last received the full self-assessment in July 2020. The full self-assessment was reviewed by the CGWG and Management Team looking at each of the seven principles in the framework and assessed the evidence available to demonstrate compliance. The full self-assessment will be brought back to a future meeting of this Committee.
8. The self-assessment was undertaken adopting the following indicators to assess the level of compliance:
 - Red nil compliance - no evidence that arrangements exist;
 - Amber scope to strengthen current arrangements / improvements required;
 - Green current arrangements assessed as meeting the requirements.
9. Also, the Annual Governance Statement (AGS) published within the Statement of Accounts for 2019/20 contained an Action Plan. This details identified issues within our governance arrangements and how the Council proposes to address these. These actions have been incorporated into the local code of corporate governance, as referred to above, and progress is captured in the updates provided below.
10. Having undertaken the work described above it was evidenced in the self-assessment that overall the Council's governance arrangements are generally good and demonstrated compliance with the principles set out in the code. However, there were some areas where it was felt the existing arrangements could be strengthened or required improvement. These were rated as Amber and the background to each is provided below together with an update on the current status:
 - ***Demonstrating strong commitment to ethical values*** - *Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.*

On the 15th December 2020 the Government published the Green Paper: Transforming Public Procurement. This proposes fundamental reforms of the public procurement rules governing the purchase of goods, works and some services by the public sector post-Brexit. Following the outcome of the consultation, a review of the Council's Procurement Strategy and contract procedures and processes will be undertaken that will address the changes to the UK's procurement rules. Once completed and approved by Council these will be published on the Council's website and provided to businesses during the procurement process. A review of the Council's Contract Procedure Rules specifically in relation to exemptions granted in respect of tendering requirements is currently underway.

The Council's suite of Anti-Fraud, Theft and Corruption Policies have also been reviewed and updated as necessary. These have been published on the website and shared with staff via various communication channels, such as Message of the Day and Team Pendle Facebook page.

- ***Determining Interventions*** - *Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.*

Whilst the Council regularly consults the public, whether it be via the bi-ennial Life in Pendle Survey, annual Business Survey or ad-hoc, needs-led public consultations, consideration is being given to how the public can be consulted more on the provision and quality of services provided. A Corporate Community Engagement Framework has been developed which will further inform how the Council can better engage with its citizens and service users. A draft framework was presented to Policy & Resources Committee at their meeting on 20th August 2020 where Members were asked to provide any comments to the temporary Localities and Policy Manager. Following this, a revised draft framework was presented at the 17th December 2020 meeting of Policy & Resources Committee and approved.

Also a report is due to be presented to Management Team on 16th March 2021 presenting options from Pearson Insight into how we can reach the right people to obtain balanced feedback from across our communities.

- ***Optimising the achievement of intended outcomes*** - *Ensuring the achievement of social value through service planning and commissioning*

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- ***Developing the entity's capacity*** - *Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently.*

Whilst the Council often benchmarks itself with neighbouring councils, e.g. pricing policy reviews, it is felt that a more consistent and corporate approach to benchmarking may be

required. The options surrounding this need to be considered to ensure this provides the Council with a meaningful and relevant knowledge base.

- ***Developing the capability of the entity's leadership and development*** – *Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks.*

The Council has an Aspiring Leaders and Future Leaders Development Programme. Access to training and seminars/webinars is also provided as required. Personal Development Plans also form part of the individual Performance Management Reviews for staff. The training and development plan for Councillors is to be reviewed and updated as necessary following the all-out Election scheduled for May 2021, which will also see the numbers of Councillors reduce from 49 to 33.

- ***Robust internal control*** - *Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.*
AND
- ***Assurance and effective accountability*** - *Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon.*

These have been assessed as Amber purely due to loss of key staff resulting from the departure of the Internal Audit Manager during 2019/20. Mersey Internal Audit Agency (MIAA) were procured to discharge the Council's responsibilities in the interim, ensuring continued compliance with CIPFA's Statement on the Role of the Head of Internal Audit (2010), whilst a procurement exercise is undertaken to outsource the Internal Audit Service.

The procurement exercise has now been completed with the Council's Internal Audit Service now being outsourced to MIAA.

- ***Managing data*** – *Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.*

This was marked as Amber due to the continued delivery of the GDPR Action Plan which incorporates the ongoing development of associated policies, procedures, registers and agreements. The delivery of the GDPR Action Plan is subject to regular monitoring via the Information Governance Working Group (IGWG) and Management Team. A review of the GDPR External Audit Report conducted in early 2019, which returned a 'limited assurance' conclusion, has taken during the period January to March 2021. This has resulted in a moderate assurance conclusion being returned with six partially achieved recommendations still to be delivered which the IGWG will continue to monitor and drive the delivery of within the GDPR Action Plan.

- ***Managing data*** – *Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.*

The Council's Data Quality Strategy and Procedures was overdue for review and as such was marked as Amber. This review has now taken place. An updated Strategy and Procedures is now available on the website.

Annual Governance Statement (AGS) – Update on 2019/20 Action Plan

11. The AGS published within the Statement of Accounts for 2019/20 contained the following action plan and an update on progress is detailed below each action within the table overleaf:

Action No.	Issue Identified	Source of Evidence	Summary of Action Proposed
1	<p>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.</p> <p>The outcomes of the 2019 Spending and Fair Funding Reviews are unknown, therefore there is no certainty within the funding forecasts across the whole of the 2020/21 to 2022/23 MTFP</p>	<p>Review of the Council's Medium Term Financial Plan (MTFP) – identified as a key strategic risk for the Council</p>	<p>Develop savings proposals for the period 2021/22 to 2023/24 as part of the development of the Council's Financial Strategy and Medium Term Financial Plan.</p> <p>This work will also consider arrangements for prioritising resources and maintaining organisational resilience.</p> <p>Reports will be considered by the Policy and Resources Committee (P&RC)</p>

Action 1 Update – Significant and detailed work has been undertaken to develop and discuss savings proposals for the period 2021/22 to 2023/24, and this work continues. The Financial Strategy and MTFP were updated and considered by P&RC at their meeting on 25th June 2020. The Committee agreed to use the Budget Working Group to consider and develop options as part of the strategy to achieve a balanced budget in 2021/22. The Income Review and Savings proposals have been presented to Management Team on 29th September 2020 and to Policy & Resources Committee on 28th October 2020.

The Council Tax Base for 2021/22 was approved by Policy & Resources Committee at their meeting on 17th December 2020. The Special Budget Council meeting on 25th February 2021 agreed the Capital Programme 2021-2024, the General Fund Revenue Budget 2021/22 and Council Tax Resolution.

2	<p>Embedding the Information Governance Framework into the Council's normal governance arrangements</p>	<p>Information Governance Working Group</p>	<p>The Information Governance Working Group (IGWG) will review and continue to deliver the action plan and work programme which reflects key information governance issues to be addressed during the year</p>
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Action 2 Update – Monthly meetings of the IGWG continue to take place during which the Action Plan is actively reviewed, monitored and updated, with future actions being agreed and delivered as resources allow. Updates on progress and identified issues are reported to Management Team and the Corporate Governance Working Group as required. A review of the GDPR External Audit Report and agreed recommendations has taken place in the period January – March 2021 and a 'moderate assurance' assessment has been achieved (formerly 'limited assurance'). The action plan will be updated and continue to be reviewed on a monthly basis by the IGWG.

3	<p>Disaster Recovery – review and testing of local arrangements including designated recovery site</p>	<p>The transfer of the Council's recovery site featured in the 2017/18 AGS and work is ongoing</p>	<p>Implement testing of specific recovery plans and the physical arrangements for the new Disaster Recovery site at the Fleet Street Depot</p>
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Action 3 Update – Due to the Coronavirus pandemic and the implementation of home working arrangements, the testing of the physical arrangements for the new DR site were postponed until such time as staff are able to return to the workplace. The testing will be scheduled after the review of requirements given the proposed move to more

Action No.	Issue Identified	Source of Evidence	Summary of Action Proposed
mobile / agile working arrangements. The Council has also recently secured			
4	Interim Chief Finance Officer (CFO) in post to assist with capacity in relation to the Council's response to and recovery from the COVID19 pandemic	Continued effective delivery of Financial Services	Review of temporary management structure in place
Action 4 Update – The initial recruitment for the CFO position was unsuccessful. An interim CFO was appointed whilst a permanent replacement could be recruited. In addition to this there were a number of other vacancies within the Finance Team which posed a risk in terms of the resilience of the team and the delivery of the service. A restructuring and major recruitment process is being implemented to address these issues. Meanwhile suitably qualified interims have been appointed to provide capacity to deliver the service. A permanent CFO has now been recruited and has commenced employment at the Council. Good progress is also being made in filling the remaining vacancies within the Finance Team.			
5	No Internal Audit Manager currently in post, with MIAA procured to discharge the Council's responsibilities in the interim	Management Team / Accounts & Audit Committee / Council	Decision to outsource the Council's Internal Audit function taken and procurement exercise to be undertaken during 2020/21
Action 5 Update – The Internal Audit Plan has been agreed with MIAA for the remainder of the year. The procurement exercise to outsource the Council's Internal Audit function has now been completed with MIAA securing the contract.			
6	Continue to ensure effective and informed decision making arrangements are in place following all-out Election in May 2021	Minutes Updated Training & Development Plan	Review and update the training and development plan for Councillors following the all-out Election in May 2021
Action 6 Update – Preparatory work is underway for the Election. Work is due to commence on this in early 2021.			
7	Consider how we consult the public more on provision and quality of services	Local consultation and research	Discuss options with Pearson Insight Consultants who provide the Council with research and consultation services and build into the Work Plan 2020/21 as required.
Action 7 Update – A Community Engagement Framework has been developed and agreed by Policy & Resources Committee on 17 th December 2020 which will further inform how the Council can better engage with its citizens and service users. A review of the Consultation and Research Work Plan for 2021/22 is currently underway and a report is being presented to MT 16 th March 2021 presenting options from Pearson Insight into how can reach the right people in our communities, with the aim of ensuring balanced feedback and views from our communities.			
8	COVID19 Response and Recovery. Review the response, objectively look back and assess how did, lessons to learn, and how effective the recovery was.	Business Continuity Plans Emergency Planning Procedures Impact Assessment	Assess the impact both internally and externally, e.g. how face-to-face operations / services resume, if indeed they do; economic impact locally on residents and businesses; hold virtual Council, Policy & Resources Committee and other

Action No.	Issue Identified	Source of Evidence	Summary of Action Proposed
		Post-incident review in liaison with the LRF	Committees to maintain decision making processes; existing project and programmes that may have been put on hold / can no longer be delivered as planned.

Action 8 Update – A scoping exercise was underway whilst the Council was in the Recovery stage; however, as the Council is now currently back in Response mode this exercise is on hold. Strategic Crisis Management Team (SCMT) was stood back up in October 2020, meeting on a weekly basis to drive and manage the Council's response to the ever evolving situation. The Business Recovery Plan continues to be regularly reviewed with updates being reported to SCMT and Policy & Resources Committee. The meetings of the SCMT were moved to fortnightly during February 2021.

Risk Management Review

12. The CGWG also undertook a review of the Strategic Risk Register. Each risk is managed by nominated officers.

13. For information, the table below provides a summary of the current top strategic risks included in the Strategic Risk Register (on the basis of inherent / residual risk scores). A diagram of the Risk Score Model adopted by the Council is also provided below for reference:

Risk Identified	Residual Risk Score
The Medium Term Financial Plan is not sustainable.	A1
National crisis affecting delivery of Council services (e.g. viral outbreak / epidemic / pandemic)	A1
Financial position of Leisure Trust resulting in inability to provide existing level of Service.	A1
Major Disaster affecting delivery of Council services.	A2
Failure to make an impact on young people where it is necessary to improve poor educational attainment.	A2
Failure to bring development forward in line with the adopted Core Strategy leading to missed opportunities for growth in employment and housing.	A2
Risk of serious data breach and failure to comply with General Data Protection Regulation (GDPR).	A2
Failure to optimise Pendle's economic growth / development within the region.	B1
Increased Health Inequalities – failure to deliver an improvement to the general health of Pendle's residents; Arrangements for Public Health in Lancashire fail to deliver health improvements in Pendle	B2
Local Government Re-organisation and impact on regions with current two-tier local government structure.	B2
Climate Change, in particular the need to reduce our use of Single Use Plastics.	B2
Failure to deliver a balanced housing market with reference to need and demand.	B2
Poor road, rail and digital connectivity prevents growth	B2
Universal Credit impacts on the Council's contract with Liberata.	B2
Impact on Council's capacity / viability of organisational change linked to on-going reductions in funding for local government.	B2

The Risk Score Model

Likelihood	A					
	B					
	C					
	D					
	E					
		5	4	3	2	1
		Impact				

Definitions of Likelihood	
Evaluation	Level
Almost Certain	A
Likely	B
Moderate	C
Unlikely	D
remote	E

Definitions of Impact	
Evaluation	Level
Catastrophic	1
Major	2
Moderate	3
Minor	4
Insignificant	5

14. The main contributing factor having a bearing on the key risks facing the Council is the Coronavirus pandemic and the Governments guidance and regulations which we need to adopt / adhere to in relation to this.

IMPLICATIONS

Policy: There no new policy implications arising from this report.

Financial: There are no direct financial implications arising from this report.

Legal: There are no legal implications arising directly from this report.

Risk Management: There are no new risk management implications arising directly from this report.

Health and Safety: There are no health and safety implications arising directly from this report.

Sustainability: There are no sustainability implications arising directly from this report.

Community Safety: There are no community safety issues arising directly from the contents of this report.

Equality and Diversity: There are no equality and diversity implications arising from the contents of this report.

APPENDICES - None.

LIST OF BACKGROUND PAPERS

Corporate Governance Framework; Strategic Risk Register; Statement of Accounts / Annual Governance Statement