

DRAFT

ANNUAL GOVERNANCE STATEMENT

2022/23

Annual Governance Statement

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.
- 1.2 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.
- 1.3 The Council has 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).
- 1.4 This statement explains how the Council has complied with the seven principles set out in the CIPFA/SOLACE Framework during 2022/23. 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.

INSERT Principles of Corporate Governance Diagram here (AGS 22/23 – Example Diagram 1 or similar)

- 2.4 **The governance framework has been in place at the Council for the year ended 31st March 2023 and up to the date of approval of the Statement of Accounts for the 2022/23 financial year.**
- 2.5 During this period the Council has continued to deal with the aftereffects of the COVID-19 pandemic. Although lessened, the pandemic continued to impact both operationally and strategically and the Council sought to meet the challenges presented by the pandemics whilst also continuing to implement Government policy changes.

- 2.6 It is important to note that the Council moved from a Committee system to an Executive system during the period this statement covers. Therefore, as this is a backward looking document there will be references to the work and decision making processes of the Policy & Resources Committee until May 2023 when we switched to the Executive model. Therefore, the reference from that point onwards will be referred to as the Executive.

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 at least annually, amended as required and made publicly available on our website at www.pendle.gov.uk. 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 and investigates any suspected breaches. Alleged breaches of the Members Code of Conduct are investigated in accordance with an agreed protocol and may involve the Independent Person appointed for this purpose with some matters considered by a Standards Hearing Committee. 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 on our website and include the following ethical values:-

PRIDE	Take pride in all you do Believe in Pendle and be an ambassador for the Council Don't forget your customers
ENTERPRISING	Be open to doing things differently Ensure public money is spent in the smartest way Don't ignore new ways of working
NO BLAME	Don't be afraid to fail. Together we achieve more Act in an open, honest and friendly manner Don't ignore the impact your behaviour has on others
DETERMINED	Face challenges in a positive way Make the effort to find information for yourself Don't limit your opportunities to learn and grow
LISTEN	Listen to and support others Value alternative views Don't forget to thank others for their contribution
EQUALITY	Value differences and celebrate diversity Ask for help and support when needed Don't make assumptions about people

- 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, Theft and Corruption, Anti-Bribery and Whistleblowing Policies. These arrangements are reviewed and reported on via the Council's

Accounts and Audit Committee, this 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 must 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 at www.pendle.gov.uk. 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 must consider legal implications. These are set out in reports to Councillors which are published on the Council's website. The Council's Constitution sets out the responsibility for decision-making. Certain decisions are reserved to the full Council with others delegated to the Policy and Resources Committee or other Committees each acting in accordance with parameters set out in the Constitution.
- 3.8 Several 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, the community and volunteers to sustain services of good value" – included within this objective is 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.
- 3.11 All Council meetings, Policy and Resources Committee and other Committees are open to the public.
- 3.12 Agenda papers and reports together with the Minutes of all Council and committee 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.
- 3.13 The Council has 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.
- 3.14 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...

3.15 The Code of Conduct for Councillors also outlines the following requirements:-

You must act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.

You are accountable for your decisions to the public and you must co-operate fully with whatever scrutiny is appropriate to your office.

You must be as open as possible about your decisions and actions and the decisions and actions of your authority and should be prepared to give reasons for those decisions and actions.

3.16 The Council undertakes consultation on specific topics as and when it is considered necessary to do so. The Council also makes use of social media via Facebook and Twitter.

3.17 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 Government 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.

3.18 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, Building Bridges, Ribble Rivers Trust, Ernest Cooke Trust) 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.*

3.19 The Council's strategic vision for the Borough is set out in our Corporate 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.

3.20 Underpinning the Council's Corporate 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)
- Economic Development & Recovery Strategy
- Housing Strategy
- Financial Strategy (and Medium Term Financial Plan)
- Various Human Resources policies
- Information Technology/Security policies.

3.21 Each service area of the Council understands and manages how it contributes 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 (Pentana) and reported quarterly to Councillors, Corporate Management Team and the Performance Clinic Panel.

Where the expected performance is not being met then potential intervention measures are considered and implemented where appropriate.

- 3.22 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.
- 3.23 Decisions on the overall level of resources allocated are taken by the Council following recommendations from the Policy and Resources Committee. 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.*

- 3.24 At the heart of this principle is the Council's fourth strategic objective which is "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.
- 3.25 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.
- 3.26 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, such as PEARL, PEARL2, PEARL (Brierfield Mill), PEARL Together and PenBrook. On a regional and sub-regional basis, the Council works closely with the Lancashire Enterprise Partnership and Pennine Lancashire bodies notably in areas such as economic development, regeneration and skills/training. It also works closely with Nelson & Colne College and Lancashire Adult Learning on training provision.
- 3.27 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 Chief Executive). 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 objective of these codes is to enhance and maintain the integrity of local government and therefore, demands high standards of personal conduct.
- 3.28 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 the Council has undertaken a Corporate Peer Challenge review led by the Local Government Association in February 2022 to provide an assessment and feedback on, amongst other things:
- The Council's approach to change – including the shape of the programme and plans for

- delivery, within the local context.
 - The use of the existing governance model to support decision making which is well informed, suitably agile, engaging and proportionate.
 - The overarching capacity to deliver available to the Council and how this is utilised to deliver on the priorities of the Council.
- 3.29 The Council's Workforce Strategy acknowledges the essential role staff play in the Council's ability to deliver effective services; thus, wanting to ensure that every employee fulfils their potential and takes advantage of the development opportunities available to them.
- 3.30 Sustaining organisational resilience is increasingly challenging at a time when recruitment is challenging both nationally and locally with headcount 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 help 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.*

- 3.31 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 Strategy and Policy Statement;
 - Arrangements for the Strategic Risk Register comprising corporate risks assigned to designated officers, with appropriate counter-measures and an action plan established for each key risk;
 - Officer Groups (the Corporate Governance Steering Group and the Risk Management Working Group) dedicated to maintaining risk management arrangements under review;
 - periodic review of risks in-year with reports to the Council's Management Team, Policy and Resources Committee and the Accounts and Audit Committee;
 - 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, Anti-Bribery and Anti-Money Laundering;
 - a suite of Business Continuity Plans are in place, i.e. Business Continuity Policy and Strategy, Strategic Crisis Management Plan, a Local Crisis Management Plan for each main office location and Fleet Street Depot; and a Business Recovery Plan for critical services.
- 3.32 Councillors and officers have previously been trained in risk management and the Leader of the Council is briefed on the strategic risks faced by the Council. Managers have the responsibility for the effective control of risk.
- 3.33 Corporate Governance including risk management, incorporating the key strategic risks for the Council, are the subject of periodic reports to Policy and Resources Committee and the Accounts and Audit Committee.
- 3.34 The Corporate Governance Steering 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 Corporate Management Team, Policy and Resources Committee / Executive and the Accounts and Audit Committee.

- 3.35 The Chief Executive, as the Council's Head of Paid Service, is responsible for the corporate management of the Council.
- 3.36 The Head of Legal & Democratic Services 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.
- 3.37 The Director of Resources is designated as the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with Section 151 of the Local Government Act 1972 (the Chief Finance Officer).
- 3.38 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 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.
- 3.39 An established **financial management framework** comprising the following:-
- 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;
 - Annual review of the adequacy of the level of financial reserves;
 - Regular monitoring by management of revenue and capital budgets with reports to Management Team and Policy and Resources Committee;
 - Annual reports to councillors on both the final revenue and capital out-turns compared to the approved budget;
 - 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; specifically ensuring that the Council's financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2015).
 - A regular review of the Council's Financial Management arrangements.
- 3.40 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 Corporate Plan to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council;
 - Performance Dashboards produced with explicit goals and associated performance targets in order to ensure that achievement of performance is measurable;

- The Council's staff appraisal system – Personal Development Reviews against a competency framework - links personal objectives directly to the Corporate Plan and Service objectives;
- Regular reports on the performance of key indicators and delivery of Corporate Priorities which are presented to Councillors and Officers;

3.41 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 and Cyber 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 Government 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.
- Formation of the Corporate Governance Steering Group (which is the merged former Corporate Governance Working Group and Information Governance Working Group) which meets on a bi-monthly basis.

3.28 The provision of an Internal Audit Service, 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 Chartered Institute of Internal Auditors. The Internal Audit Service examines and evaluates the adequacy of the Council's system of internal control.

3.29 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 Head of the Internal Audit Service is required to give an opinion on the adequacy of the Council's system of internal control each year and ensure the assurance arrangements conform to the governance requirements of the CIPFA Statement of the Role of the Head of Internal Audit (2010).

3.30 Each member of Corporate Management Team is required to sign a Management 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.*

3.31 All reports to meetings of Council, Policy and Resources Committee 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 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 and their assessment of the Council's arrangements for securing value for money.

- 3.32 The Council reports performance against qualitative and quantitative 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.
- 3.33 The Council publishes information in accordance with the Local Government 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 where possible.
- 3.34 The Council welcomes peer challenge reviews and inspections from regulatory bodies and will act on any recommendations arising as appropriate.

4. Key Roles

The key roles for those responsible for developing and maintaining the Governance Framework are:

Council	<ul style="list-style-type: none"> • Approves the Corporate Plan • Approves the Constitution (inc Financial Regulations) • Approves key policies and budgetary framework
Policy & Resources Committee / Executive	<ul style="list-style-type: none"> • Develops and makes recommendations to the Council on matters of strategic policy • Oversees the work of the Council generally • Determines the need for in-depth scrutiny of any issue relating to the Council's functions and establish the arrangements for this to be undertaken if necessary
Overview & Scrutiny Committee	<ul style="list-style-type: none"> • To review all matters pertaining to the governance of the Council including review of the Constitution, its Executive arrangements, standing orders and other rules. • To manage the operation of the procedure for the call-in of Executive decisions • To assist the Executive and Council in its work related to governance of the Council. • To manage the work of the scrutiny panels / task and finish groups.
Accounts & Audit Committee	<ul style="list-style-type: none"> • Provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment • Promotes high standards of Member conduct and approves the Annual Statement of Accounts and the Annual Governance Statement
Area Committees	<ul style="list-style-type: none"> • Appointed by Council aimed at improved service delivery in the context of best value, and more efficient, transparent, and accountable decision making at a local level.
Other Committees	<ul style="list-style-type: none"> • Development Management • Taxi Licensing • Licensing
Corporate Management Team / Leadership Team	<ul style="list-style-type: none"> • Implements the policy and budgetary framework set by the Council and provides advice to Policy & Resources and Council on the development of future policy and budgetary issues, overseeing the implementation of Council policy

Corporate Governance Steering Group	<ul style="list-style-type: none"> Accountability for developing, embedding and maintaining the Council's governance and risk framework, including its information governance and cyber security arrangements
Chief Financial Officer (s151)	<ul style="list-style-type: none"> Leads and directs the financial strategy of the Council and ensures that the Council controls and manages its money well, being suitably qualified and experienced ensuring the Finance Team is fit for purpose. Contributes to the effective corporate management and governance of the Council
Monitoring Officer	<ul style="list-style-type: none"> Advises the Council on ethical issues, standards and powers to ensure the Council operates within the law and statutory Codes of Practice Overall responsibility for the maintenance and operation of the suite of Anti-Fraud, Theft and Corruption, Anti-Bribery and Anti-Money Laundering policies and contributes to the effective corporate management and governance of the Council

5. Review of Effectiveness of Internal Control

- 5.1 The Council has a responsibility for conducting the continuous 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 Corporate Leadership Team and CGSG who have a responsibility for the development and maintenance of the governance environment, the Annual Report from the Head of the Internal Audit Service and also reports from the External Auditor and any other review agencies and inspectorates.
- 5.2 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.
- 5.3 The opinion of the Chief Finance Officer is that the Council continues to operate robust internal controls and good public financial management. Continued action is required to manage financial pressures and develop strategies to meet the long-term financial challenges that face the Council. There has been no re-course for the Chief Finance Officer to exercise their statutory powers and the Council complies with its financial regulations and procedures together with relevant codes of practice and guidance. The Finance Function continues to provide an effective and efficient service whilst enabling the Council to meet its priorities within a robust financial framework. Evidence to support this opinion is provided below.

INSERT – Review of Effectiveness Diagram (Example Diagram 2)

- 5.4 The process that has been applied in maintaining and reviewing the effectiveness of the Council's Governance Framework includes the following:-
- A review of the Constitution commenced in early 2023 to reflect the move to an Executive form of governance and capture the recommendations made by the Corporate Peer Challenge Team following their review in February 2022. The updated Constitution was approved by Council at their meeting on 18th May 2023 with recommendations for some amendments to be undertaken prior to publication. Work is underway to complete this with a view to publish the fully updated Constitution on the Council website by the end of August 2023.
 - The Council's decision-making arrangements operated according to the Constitution, either through the Council, Committees or the Scheme of Delegation. Decisions arising from these arrangements have been published on the Council's website as required;

- Following the expiry of the legislation supporting virtual meetings, the Council has returned for formal face-to-face Council meetings;
- The Council continues to respond where possible in a timely manner to legitimate Freedom of Information (FoI) requests and Subject Access Requests (SARs) as required;
- The arrangements for scrutiny under the committee system operate via a Task and Finish Committee as required allowing for the review of key policy areas and providing opportunities for public involvement in specific matters of business. During 2022/23 no Task & Finish Reviews were requested;
- Further scrutiny of Policy and Resources Committee decisions is also provided by the Council's Call-In procedures. This is where any three members of the Council (representing at least two of the political groups) may sign and deliver to the Monitoring Officer a 'call-in notice' stating why they feel that the decisions should be considered further. Group Leaders will then be consulted to obtain each of their views, potentially resulting in referral back to Policy & Resources Committee for re-consideration. There were no call-in notices instigated during 2022/23;
- The Council has operated a Standards regime consistent with the requirements of the Localism Act 2011 during the year. There was one hearing of the Standards Board convened during 2022/23 resulting in the complaint being upheld. This led to a finding of a breach of the Code of Conduct and sanctions being imposed;
- The Council continued to participate in a range of partnership arrangements during 2022/23 including a range of formal and informal partnerships;
- The Council's Performance Management Framework has operated effectively during the year with the exception of the performance framework for the Liberata contract. A review of the framework and the performance reporting processes is underway and we are currently testing the implementation of Performance Clinics to enable more focussed discussions around service delivery and performance. Monitoring information on key areas of performance has been provided to the Performance Clinics for review and action where this has been considered necessary. Performance Management information has also been reviewed by the Policy and Resources Committee;
- The Liberata Performance Management Framework was suspended during 2020/21 due to the Covid-19 Pandemic. Further to this and due to the continued impact of Covid-19 there has been an inability to agree PI targets for 2022/23. However, the performance of the contract has continued to be reviewed and monitored on a regular basis, with information on key areas of performance being provided to the Performance Clinic Panel for review and action where this has been considered necessary. Performance Management information has also been reviewed by the Policy and Resources Committee;
- The Council has embedded people management processes and procedures. In support of this, there is a Workforce Strategy in place. This has been approved by Corporate Management Team and shared with staff;
- Because of the impact of Covid-19 on the Council's working arrangements and its overall capacity, it was not possible to conduct Performance Management Reviews as would normally be the case. It was envisaged that PMRs would be reinstated during 2021/22 subject to review of the procedures for conducting such reviews. Corporate Management Team have now agreed the new Personal Development Review process and this was launched to staff in October 2022;
- The Council published its annual Pay Policy in line with the statutory requirements of the Localism Act 2011, following approval by Council on 23rd March 2023;

- During 2022/23, there continued to be impacts on staffing across various services of the Council. This follows a national trend on difficulties in recruiting in certain roles, for example Environmental Health officers, Planning officers and waste collection vehicle drivers. Whilst the majority of vacancies have been filled, albeit in some cases on an interim / temporary / consultancy basis, there are still vacancies unfilled which continue to have an impact on service delivery;
- To support the Council's staffing resource with their physical and mental health well-being, a range of health and well-being advice, guidance and services continued to be made available. This was supplemented by health and safety training which was delivered via an online solution by called iHASCO;
- Regular reports on the Council's Corporate Governance arrangements, as required by the Local Code of Corporate Governance, have been submitted to both the Policy and Resources Committee and the Accounts and Audit Committee during the year as appropriate. Indeed, the Council's corporate governance arrangements have been under regular review by the Corporate Governance Steering Group which has reported regularly to the Council's Accounts & Audit Committee;
- 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 Working Group and by Policy and Resources Committee. To ensure Councillors are aware of the Council's key risks details of the key risks are periodically reported to Policy and Resources Committee and the Accounts and Audit Committee. A review of the Council's Risk Management Strategy and Policy Statement was adopted by Council and a training programme was delivered in September 2022 by the Council's insurers, Zurich. A comprehensive review of the Council's Strategic Risk Register is also underway, once again with the support of Zurich;
- The Accounts and Audit Committee continued to meet throughout the year and received various reports on the progress by External and Internal Audit against their respective work plans;
- The Internal Audit service was outsourced to MIAA in March 2020, an arrangement that will remain in place until at least 31st March 2024. As part of this service MIAA are required to provide the overall annual opinion on adequacy of internal controls of the Council. The overall opinion expressed by MIAA for 2022/23 stated:-

"The overall opinion for the period 1st April 2022 to 31st March 2023 provides Substantial Assurance that there is a good system of internal control designed to meet the organisations objectives, and that controls are generally being applied consistently."
- During the year, the Accounts and Audit Committee agreed an Internal Audit Charter. This is a mandated requirement of the Public Sector Internal Audit Standards and is a formal document that defines internal audit activity, authority and responsibility;
- The 2022/23 Internal Audit Plan was delivered in year with focus on provision of the Head of Internal Audit Opinion. Internal Audit's review coverage focused on the organisation's assurance framework, core and mandated reviews including follow up of previous internal audit recommendations as well as a range of individual risk-based reviews. Internal Audit completed 11 scheduled audits in the year. All high risk and key financial systems were audited with 7 'Substantial Assurance' and 3 'Moderate Assurance' opinions being returned. There was 1 'Limited Assurance' opinion returned relating to an IT review of the Payroll/CHRIS critical application. Internal Audit will work with Management to address the weaknesses identified in these audits and progress will be reported to the Accounts and Audit Committee;
- The internal audit function, delivered by Mersey Internal Audit Agency, underwent an External Quality Assessment of Conformance to the Public Sector Internal Audit Standards by CIPFA. The report produced in November 2020 provided the following opinion:-

'It is our opinion that MIAA's self-assessment is accurate and, as such, we conclude that MIAA FULLY CONFORMS to the requirements of the Public Sector Internal Audit Standards.'

MIAA assess compliance with PSIAS each year and can confirm ongoing compliance with required standards.

- The Accounts and Audit Committee approves updates to the Anti-Fraud, Theft and Corruption Policy, the Anti-Money Laundering Policy, the Anti-Bribery Policy and the Whistleblowing Policy as required. Details of these updated Policies are made available to all staff via a Message of the Day;
- No instances of internal fraud were reported during the year;
- The Information Governance Working Group (IGWG) meet frequently to consider issues such as: Subject Access Request procedures; Data Retention Policy; review and consolidation of IT Policies; Data Privacy Impact Assessments (DPIAs); GDPR Staff Training; Internal Audit findings; monitoring reports from the Data Protection Officer (DPO) and Information Governance arrangements within key partner organisations. The Group continued to meet until November 2022 when the IGWG was subsumed into the Council's Corporate Governance Working Group. This is now the Corporate Governance Steering Group (CGSG);
- The CGSG meets bi-monthly and brings together the work of the IGWG, Risk Management Working Group (RMWG), the Council's DPO / Monitoring Officer, Internal Audit and Finance providing an overview of the Council's governance arrangements;
- The Council provides staff with online Cyber / Information Security and GDPR training, ensuring regular updates on information security and governance for all staff using ICT. The training platform in use is called KnowBe4, and it also incorporates a phishing tool. Training completion rates are regularly reported to Managers and to the CGSG;
- The Council's external auditor, Grant Thornton UK LLP, audited the year-end Statement of Accounts and assessed our arrangements for securing value for money. The Council is currently waiting to have the 2021/22 Statement of Accounts signed off by External Audit;
- The Council has in place robust reporting arrangements on the financial affairs of the Council. Regular Strategic Monitoring Reports were submitted to the Policy and Resources Committee during 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's Business Continuity Plans are in place and update of these plans were conducted as required throughout 2022/23. 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.
- The Council's Business Continuity and Disaster Recovery arrangements were subject to a scheduled desktop test during July 2022; This test simulated the loss of the Council's financial system, testing the recovery of the servers from a backup on the replicated infrastructure at the DR site (Fleet Street Depot). The test was successful, and lessons learned have been built in to our procedures and arrangements;
- The Council and Liberata IT Services have worked together on the delivery of the Cyber Treatment Plan (CTP) which was signed off as successfully completed by the Local Digital Team in May 2023. This plan targeted constructive change in reducing the cyber risk to councils in the face of rapidly increasing and changing cyber threats via funding and support provided by DLUHC (formerly MHCLG) Cyber Resilience Fund and the LGAs Local Digital

Team. Pendle is one of a small number of Council's nationally to have completed the delivery of their plan to date;

- A senior management restructure was undertaken during late 2022 and this is now in place. A further restructure of both directorates has also taken place during the first half of 2023 following the Director of Place coming into post in February 2023. This has been completed with recruitment of vacant and / or newly created posts currently underway / filled;
- The Council has in place a Complaints Policy and Complaint Handling Guidelines for staff. The complaints process is currently managed and monitored via the use of individual manual systems within each service. The complaint response times are monitored and reported corporately on a quarterly basis using an Excel spreadsheet to collate all the logged complaints information. The current system is an ineffective and inefficient process which requires review.

5.5 As in previous years, each Member of the Council's Corporate Management Team has completed an Assurance Statement in relation to a range of key controls that operated in their Service Area during 2022/23. Issues arising from these Statements are either reflected in this Statement or are not considered material.

5.6 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.

5.7 The Council continues work on the review of critical services in order to support the Council's medium term financial strategy requirements.

6. 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 Statement highlighted the following areas for improvement. Regular updates on the progress in addressing these issues have been reported to Management Team and Policy & Resources Committee throughout the year and the narrative below sets out the action which has been taken to address these issues:

Issue No 1 – Formal Performance Management Reviews (PMRs) reinstated **COMPLETED**

A new Performance Development Review process was approved by Corporate Management Team on 6th September 2022 and launched to Managers on 5th October 2022.

Issue No 2 - External Audit recommend acute attention is given to the Medium Term Financial Plan to address the shortfall in funding identified in future years.

We have:

- held monthly meetings of the Members Reference Group to keep Members updated on progress.
- developed a MTFP model and carried out initial Base Budget Review Meetings with Service Managers.
- compiled a set of savings and growth pressures to allow us to prepare a budget for 2023/24.

On 23rd February 2023 Council approved the Medium Term Forecast and budget for 2023/24.

This is an ongoing process and so this issue will be carried forward into the new Action Plan for 2023/24 which is detailed later in this document.

Issue No 3 - The Council has had numerous finance staff changes through the various levels of the finance team over the last 18 months. The Council needs to ensure staff changes are minimised so controls can operate as expected and required.

COMPLETED

All staff remain in post and are learning their roles as work is carried out. New skills on Collection Fund, Statement of Accounts and Budget Monitoring are being transferred and embedded. There have been no changes in the Team in the last 12 months and the Team continue to build knowledge and skills.

Issue No 4 – Lack of appropriate forms of consultation and engagement in place with the local community and stakeholders, such as residents, businesses and voluntary sector when reviewing and developing the Council's budget and spending.

COMPLETED

The Council developed and delivered a creative consultation and engagement plan to encourage participation from a wide range of stakeholders and the local community in a range of events that took place across the borough. The consultation process also included an online survey.

The feedback was collated and reviewed and used to develop the Corporate Plan 2023-2027, ensuring alignment with the MTFP. The Corporate Plan 2023/2027 and MTFP was considered at the Special Budget Council meeting 23rd February 2023. The MTFP was approved and only minor changes required on the Corporate Plan.

Further work is now required on the Corporate Plan following the local elections in May 2023, which led to a change of administration, prior to adoption by Council.

Issue No 5 – There is currently no formalised savings plan in place at the Council although savings are identified these are removed from the budget.

The Council has carried out several service reviews and have allowed a number of potential savings to be brought forward. This ties in with the Base Budget Review which has been used to develop the budget for 2023/24.

Regular Budget Monitoring Reports are reported through Accounts & Audit Committee and Policy & Resources Committee throughout the year.

This is an ongoing process and so this issue will be merged with Issue No. 2 (as it links with the Medium Term Forecast) and will be carried forward into the new Action Plan for 2023/24 which is detailed later in this document.

Issue No 6 – No sensitivity analysis or scenario planning is undertaken whilst updating the MTFP.

COMPLETED

The LG Futures Model looks at the Resources available to the Authority over the MTFP and includes this sensitivity analysis. The Sensitivity Model has been developed and was included in the Council report for 23rd February.

Issue No 7 – No distinction is made in the financial information reported to those charged with governance between statutory and discretionary spending.

COMPLETED

The Council is looking for efficiencies on all services both Statutory and Discretionary.

Issue No 8 – The Council's budget should align to wider service improvement priorities
COMPLETED

The Council's Performance Management Framework continues to be reviewed and developed. A Corporate Programme Reset was completed during Quarter 3 to provide more targeted, intuitive reporting of the Council Priorities to senior management and Members. The

Performance Clinics also continue to be adapted and includes a section on budgets within the discussions regarding service delivery.

Please refer to Issue No. 4 for an update on the development of the Corporate Plan 2023-2027. Again, this is linked with Issue No. 2 and the Medium Term Forecast.

Issue No 9 – Lack of timely and sufficiently detailed budget monitoring information provided to Members in order to support them in their decision making.

COMPLETED

Whilst this has been addressed and regular reporting to Policy & Resources Committee has taken place throughout the year, work will continue to be undertaken to further enhance the process going forward.

Issue No 10 – Refresh of the Council's Strategic Risk Register and Risk Training is overdue

COMPLETED

A Risk Management Training / Workshop was delivered by Zurich on 6th September 2022.

From the discussions held within the workshop, along with the outcomes from the service planning process, a new Strategic Risk Register (SRR) is currently under development with support being provided by Zurich to ensure it is robust and dynamic. However, a change to the Risk Matrix Model has caused some delays in finalising the SRR as the scores are currently being reviewed again with managers.

The Strategic Risk Register is being presented to Accounts & Audit Committee 25th July 2023 to seek endorsement to submit to the Executive for approval. Whilst this is considered to be completed this has been carried forward to the new Action Plan for 2023/24 to capture the approval and adoption process.

Improved reporting mechanisms are also currently being tested via use of Pentana.

Issue No 11 – Member and Officer training to be resumed and kept up to date.

COMPLETED

Member Training has been re-instated, with training having been delivered 16th May – 15th September 2022, except for the training for the new Planning Committee. This was delivered on the 5th December 2022.

A new Performance Development Review process was approved by Corporate Management Team on 6th September 2022 and launched to Managers on 5th October 2022.

Issue No 12 – No evidence of review from either management or the monitoring officer of the Gifts and Hospitality Register

COMPLETED

A formalised approach and process for this has been developed via the use of Jadu forms to create an electronic register and enable an efficient review process. This was launched to staff via Message of the Day 20th June 2023.

Issue No 13 – Lack of assurance over data quality of performance reporting information

COMPLETED

Internal Audit (MIAA) have developed a simple high level risk register for High Risk recommendations that have not been implemented and this is being managed by both CGSG and A&A Committee.

Internal Audit to incorporate reviews of performance information into their work plan to help provide assurances to Members of the quality of the data being used in their decision-making process, where identified as necessary.

Issue No 14 – Although recommendations are made on audit reports, progress is not reported on until the next review. Internal Audit progress reports include a summary of recommendations; however, this can be enhanced so Members are able to monitor how progress is being made in the meantime.

COMPLETED

Please refer to comments above for Issue No 13.

Issue No 15 – The Council has the highest level of borrowing amongst the Lancashire districts and does not tie in with the Council's Capital Programme.

COMPLETED

Reviews of the capital programme have been done for Quarters 1, 2 and 3 and the programme has been re-profiled to push future spend into the correct year.

The 2023/24 – 2025/26 Capital Programme will look to address the over borrowing position more directly. Council approved a reduced Capital Programme at its meeting on 23rd February 2023. This reduces the need to borrow by £2m. The Treasury Management Strategy sets out the Council's borrowing position over the next 3 years.

Issue No 16 – The Council has recently completed a Corporate Peer Challenge (CPC) and the findings of the review need to be addressed in a timely manner and progress reported to Members.

COMPLETED

An action plan has been developed and approved by Policy & Resources Committee (30th June 2022), with satisfactory progress having been made in the delivery of this. The final update of the progress towards delivering the action plan was reported to the Executive in June 2023.

- 5.3 In concluding this year's review of the Council's governance arrangements a small number of improvements have been identified to strengthen our governance framework. These are listed in the table below. 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 2023/24 financial year.

Issue No.	Issue Identified	Source of Evidence	Summary of Action Proposed
1	Statement of Accounts 2021/22 still to be signed off by External Audit	Final Statement of Accounts	Complete the necessary work required to satisfy the External Auditors
2	Council Asset Register to be updated to reflect changes to the de minimis limit for the Council and any changes from sales or transfers.	Asset Register External Audit reports	Complete the necessary work required to satisfy the External Auditors
3	Refresh of the Council's Strategic Risk Register is overdue	Strategic Risk Register approved by Accounts & Audit Committee. SRR managed and monitored via Pentana.	The SRR has been reformatted and redeveloped and is now complete. This will be presented to Accounts & Audit Committee 25 th July

Issue No.	Issue Identified	Source of Evidence	Summary of Action Proposed
		Regular reviews of SRR undertaken and reported to AAC	2023 for endorsement to submit to Council for approval. The SRR will then be uploaded into Pentana for management and reporting efficiencies.
4	Complaints monitoring and reporting system inefficient and isolated within individual services. A centralised system requires full development and rollout to provide assurance of control overall	Jadu system fully developed and launched. KPI reports automated (DIR 1 - % of complaints handled within less than 15 working days)	A centralised complaints logging and reporting system has been developed and will be launched for use to all departments on 3 rd July 2023, following training being held 22/06/2023.
5	Recruitment / staff vacancies remain an issue in some areas	Management Assurance Statements	Services looking at in house training and staff development from Apprenticeships or Graduate trainees.
6	Financial authorisation levels	Reviewed Financial Procedure Rules	To review and update the Financial Procedure Rules and processes
7	Ability to complete all financial statutory returns in a timely manner	Management Assurance Statements	Staff training and recruitment
8	Ensure Medium Term Financial Plan addresses the shortfall in funding identified in future years and formalises savings plans.	MTFP Budget planning Savings plans Financial stability / sustainability	A programme of work has been established to continue look for savings in the short, medium and long term to address the financial risks facing the Council.

- 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.

Rose Rouse
Chief Executive

Councillor Asjad Mahmood
Leader of the Council

July 2023