

Pendle Borough Council

**Annual  
Governance  
Statement**

2023/24

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# 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 2023/24. 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 31st March 2024 and up to the date of approval of the Statement of Accounts for the 2023/24 financial year.

**2.5** 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 document covers arrangements and activity across two financial years (i.e. 2023/24 and up to the point of the Statement of Accounts sign-off) there will be references to the work and decision-making processes of the Policy & Resources Committee until May 2023 and then the Executive thereafter.

## Principles of corporate governance

### Principle A: Integrity and Values

- Staying true to our strong ethics and standards of conduct
- Respecting the rule of law
- Creating a culture where statutory officers and other key post holders are able to fulfil their responsibilities
- Ensuring fraud, corruption and abuse of position are dealt with effectively
- Ensuring a safe environment to raise concerns and learning from our mistakes

### Principle B: Openness and Engagement

- Keep relevant information open to the public and continuing their involvement
- Consultation feedback from the public is used to support service and budget decisions
- Providing clear rationale for decision making - being explicit about risk, impact and benefits
- Having effective scrutiny to constructively challenge what we do and the decisions we make

### Principle C: Working Together

- Identifying and managing risks to the achievement of outcomes
- Managing service users' expectations effectively with regard to determining priorities and making best use of the resources available
- Considering and balancing the combined economic, social and environmental impact of decisions
- Taking a long term view with regard to decision making, whilst considering risk and acting transparently
- Ensuring fair access to services for all

### Principle D: Making a Difference

- Having a clear vision and strategy setting out our intended outcome for citizens and customers

### Principle E: Capability

- Clear roles and responsibilities for Council leadership
- Maintaining a development programme that allows Councillors and officers to gain the skills and knowledge they need to perform well in their roles
- Evaluating councillor and officers' performance, compliments and complaints to enable results (outcomes) to be measured and enable learning

### Principle F: Managing Risk and Performance

- Ensuring that effective risk management and performance systems are in place, and that these are intergrated in our business systems / service units
- Having well developed assurance arrangements in place - including any commercial activities
- Having an effective Audit Committee
- Effective counter fraud arrangements in place

### Principle G: Transparency and Accountability

- Having rigorous and transparent decision making processes in place
- Maintaining an effective scrutiny process
- Publishing up to date and good quality information on our activities and decisions
- Maintaining an effective internal and external audit function.

### 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](http://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 staff values which are intended to underpin all that we do. These are published on our website and include the following ethical values: -

- **Innovation** – We encourage curiosity and innovative ideas, test new ways of working and learn from our mistakes.
- **Customer Focus** – Feedback from our customers helps us develop services that meet their needs. We inspire trust by being honest, open, and committed to doing what is best for them.
- **Excellence** – We strive to provide quality services to our customers. We approach every challenge with a determination to succeed and improve.

**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](http://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 Executive 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 four strategic objectives is "providing high quality services and facilities" included within this objective is our ambition to listen to people and drive a customer-focused ethos. 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 obvious reasons for the decision.
- 3.11** All Council meetings, Executive 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 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, X (formerly Twitter), Instagram, YouTube, and LinkedIn.
- 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, Holiday Activities and Food programme providers, East Lancashire Citizens Advice Service) to larger and more formal partnerships (e.g. public/private partnership with Liberata and joint venture arrangements with Barnfield Investment Properties and Brookhouse Ltd).

## **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 collaborate 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 Borough Council continues working to deliver an approachable, responsive, and efficient Council that aims to foster happy communities thriving in an economically ambitious and sustainable way.

**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 Executive. 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 Priority 1 which is "Providing High Quality Services and Facilities". 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 develop a council that is as effective and efficient as it can be. 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 regular personal development reviews which include consideration of their individual training and development needs. A range of training methods and resources are applied (such as Development Away Days for Extended Management Team) 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 worked closely with the Lancashire Enterprise Partnership (disbanded from 31st March 2024 and functions now being delivered by Lancashire County Council pending legislation being passed for a new combined authority in Lancashire) 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 is embedding the findings and recommendations from the previous year's Corporate Peer Challenge as follows:

- 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 used to focus 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, aiming 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.



The Council's Workforce Strategy acknowledges the essential role staff play in the Council's ability to deliver effective services; thus, aiming to ensure that every employee fulfils their potential and takes advantage of the development opportunities available to them.





**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 countermeasures 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, Executive 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 is 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** The Council is also currently taking part in the Cyber Assessment Framework (CAF) pilot with DLUHC.

**3.33** Councillors and officers have 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.

**3.34** Corporate Governance including risk management,

incorporating the key strategic risks for the Council, are the subject of periodic reports to the Executive and the Accounts and Audit Committee.

**3.35** 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, Executive and the Accounts and Audit Committee.

**3.36** The Chief Executive, as the Council's Head of Paid Service, is responsible for the corporate management of the Council.

**3.37** 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.

**3.38** 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).

**3.39** 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.

**3.40** 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 Executive.
- 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.

**3.41** 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 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.

**3.42** 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 in the form of the Information Security Handbook which is 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 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 follows 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 complete and 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 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, 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 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 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.

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.



## 4. Key Roles

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

<b>Council</b>	<ul style="list-style-type: none"> <li>• Approves the Corporate Plan</li> <li>• Approves the Constitution (inc Financial Regulations)</li> <li>• Approves key policies and budgetary framework</li> </ul>
<b>Executive</b>	<ul style="list-style-type: none"> <li>• Develops and makes recommendations to the Council on matters of strategic policy.</li> <li>• Oversees the work of the Council.</li> <li>• 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</li> </ul>
<b>Overview &amp; Scrutiny Committee</b>	<ul style="list-style-type: none"> <li>• To review all matters pertaining to the governance of the Council including review of the Constitution, its Executive arrangements, standing orders and other rules.</li> <li>• To manage the operation of the procedure for the call-in of Executive decisions</li> <li>• To assist the Executive and Council in its work related to governance of the Council.</li> <li>• To manage the work of the scrutiny panels / task and finish groups.</li> </ul>
<b>Accounts &amp; Audit Committee</b>	<ul style="list-style-type: none"> <li>• Provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment.</li> <li>• Oversees Treasury Management</li> <li>• Approves the Annual Statement of Accounts and the Annual Governance Statement</li> </ul>
<b>Area Committees</b>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<b>Other Committees</b>	<ul style="list-style-type: none"> <li>• Development Management</li> <li>• Taxi Licensing</li> <li>• Licensing</li> </ul>
<b>Corporate Management Team / Leadership Team</b>	<ul style="list-style-type: none"> <li>• Implements the policy and budgetary framework set by the Council and provides advice to Policy &amp; Resources and Council on the development of future policy and budgetary issues, overseeing the implementation of Council policy</li> </ul>
<b>Corporate Governance Steering Group</b>	<ul style="list-style-type: none"> <li>• Accountability for developing, embedding, and maintaining the Council's governance and risk framework, including its information governance and cyber security arrangements</li> </ul>
<b>Chief Financial Officer (s151)</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Contributes to the effective corporate management and governance of the Council</li> </ul>
<b>Monitoring Officer</b>	<ul style="list-style-type: none"> <li>• Advises the Council on ethical issues, standards, and powers to ensure the Council operates within the law and statutory Codes of Practice</li> <li>• 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</li> </ul>

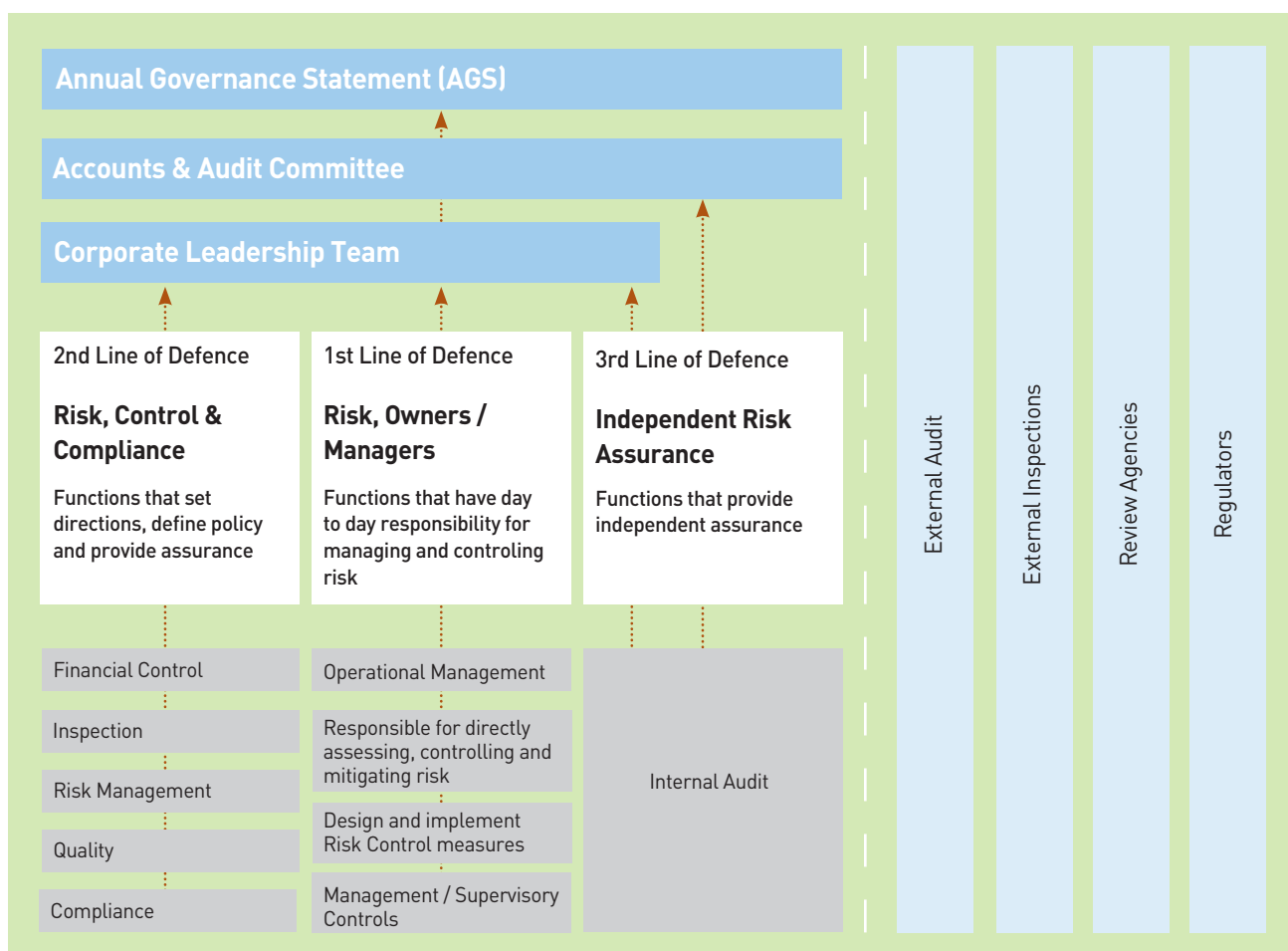


## 5. Review of Effectiveness of Internal Control

- 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 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.

- 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. This work was completed, and the fully updated Constitution published on the Council website.



- 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 (Fol) 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 2023/24 one Task & Finish Review was requested which related to domestic insulation. The Overview and Scrutiny Committee also considered the findings of the Strategic Leisure Review requested by the Executive and compared them with the findings of the feasibility study commissioned in 2021. A separate review was not undertaken but recommendations were made to the Executive based on the findings.
- Further scrutiny of Executive 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 Executive for re-consideration. There were no call-in notices taken forward during 2023/24.
- The Council has operated a Standards regime consistent with the requirements of the Localism Act 2011 during the year. There were two hearings of the Standards Board convened during 2023/24 which involved three complaints. Of the three complaints, two were 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 2023/24 including a range of formal and informal partnerships.
- The Council's Performance Management Framework has operated effectively during the year except for the performance framework for the Liberata contract. A review of the corporate framework and the performance reporting processes was completed, and we are currently testing and evolving the use 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 Executive.
- 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 and 2023/24. However, the performance of the contract 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 Executive. The Framework has now been reviewed, agreed and re-instated for 2024/25.
- 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.
- The Council published its annual Pay Policy in line with the statutory requirements of the Localism Act 2011, following approval by Council on 21st March 2024.
- During 2023/24, there continued to be impacts on staffing across numerous services of the Council. This follows a national trend on difficulties in recruiting in certain roles, for example Environmental Health and Planning officers. Whilst some 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.
- Also, the Council's Director of Resources (S151 Officer) resigned and left the Council at the end of 2023. An Interim Director has been in place since mid-December 2023 with a permanent replacement now having commenced employment on 24th June 2024.
- The Property Services function was transferred back to the Council from Liberata UK Ltd from 1st April 2024. A review of the service will take place during 2024/25 to ensure the service is fit for purpose.
- 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 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 Executive 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 and 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 Steering Group and by Executive. To ensure Councillors are aware of the Council's key risks details of the key risks are periodically reported to Executive and the Accounts and Audit Committee. A review of the Council's Risk Management Strategy and Policy Statement was undertaken and adopted by Council in September 2023. A Risk Horizon Scanning session was delivered by our insurers, Zurich, to Corporate Leadership Team (CLT) on 9th April 2024 and a refresher training programme for staff is being delivered on 29th July 2024. A session for Councillors is scheduled for September 2024..
- 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 Mersey Internal Audit Agency (MIAA) in March 2020, an arrangement that will remain in place until 31st March 2025 when the contract will need to be retendered. 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 2023/24 stated: -



**The overall opinion for the period 1st April 2023 to 31st March 2024 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 2023/24 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. There were 11 scheduled audits in the year. A number of core and risk-based audits were undertaken with 6 'Substantial Assurance' and 3 'Moderate Assurance' opinions being returned. There were 2 'Limited Assurance' opinions returned relating to the Council's Information Governance arrangements and Performance Management (Appraisals). 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. Follow-up reviews were also undertaken during the year and Internal Audit concluded that the Council has made good progress with regards to the implementation of recommendations.
- The internal audit function, delivered by MIAA, 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: -



**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.**

**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 Corporate Governance Steering Group (CGSG) meet bi-monthly to consider issues such as: Subject Access Requests; Data Retention Policy; review and consolidation of IT Policies; Data Privacy Impact Assessments (DPIAs); GDPR, Information and Cyber Security Staff Training; Internal Audit findings; monitoring reports from the Data Protection Officer (DPO) and Information Governance arrangements within key partner organisations. It also brings together the work of the 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 2022/23 Statement of Accounts signed off under delegation.
- The Council has in place robust reporting arrangements on the financial affairs of the Council. Regular Strategic Monitoring Reports were submitted to the Executive 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 2023/24. 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 into 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 at that time.
- The Council has in place a Complaints Policy and Complaint Handling Guidelines for staff. The complaints process was historically managed and monitored via the use of individual manual systems within each service. This proved to be inefficient and was replaced by an electronic reporting system via Jadu. Following the launch of this system a formal review of the Complaints process and procedures has been undertaken and a report, including recommendations, is due imminently.





- The Interim Auditor's Annual Report on Pendle Borough Council for 2021/22 and 2022/23 was issued by the External Auditors, Grant Thornton, in May 2024. An unqualified audit opinion was issued for 2021/22 and the audit of the financial statements for 2022/23 is still in progress; however, some areas of significant weaknesses within the Council's arrangements have been identified. These are detailed in the four key recommendations below:

- Financial Sustainability (Key Recommendation 1)
  - The Council should urgently prepare and agree short and medium-term plans to close its budget gap using reserves to meet a significant part of the gap is unsustainable. The preparation of plans should include taking decisions regarding future years before the budget setting Council meetings.
- Governance (Key Recommendation 2) – The Council should commission a focussed independent legal report on the consistency, costs and efficiency of its planning process and the potential future impacts of continuing with the current arrangements.
- Governance (Key Recommendation 3) – The Council should commission a suitably qualified facilitator to work with Members to identify any barriers to completing the change from a committee system to the Leader and Executive model successfully. Based on that advice, the Council should commission the delivery of a mandatory development programme for all Members, covering roles and responsibilities, accountability, and effective leadership behaviour, within the Executive and Leader model.
- Governance (Key Recommendation 4) – The Council should commission independent legal advice on its relationships with and governance of its joint venture companies, PEARL, PEARL2, PEARL Brierfield Mill and PEARL Together, to ensure that all aspects of the governance of the companies are sufficiently robust and compliant with the law relating to local government and companies. The Council should then implement any recommended changes to governance arrangements in relation to the companies.

**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 2023/24. 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 to support the Council's medium term financial strategy requirements.



**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.**

## 6. Significant Governance Issues

**6.1** 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.

**6.2** 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 the Executive throughout the year and the narrative below sets out the action which has been taken to address these issues:

### **Issue No 1 – Statement of Accounts 2021/22 still to be signed off by External Audit COMPLETED**

Final Statement of Accounts 2021/22 formal sign-off completed and approved by Accounts & Audit Committee 7th November 2023.

### **Issue No 2 – Council Asset Register to be updated to reflect changes to the de minimis limit for the Council so that all assets are included in the Register, including any changes from sales or transfers. COMPLETED**

This is reflected in the Statement of Accounts 2021/22 and further updated in the Statement of Accounts 2022/23.

### **Issue No 3 – Refresh of the Council's Strategic Risk Register (SRR) is overdue. COMPLETED**

The SRR has been completed and reviewed regularly by Accounts & Audit Committee and more recently by CMT. The SRR has also been uploaded into Pentana and updates by Risk Owners are now completed as part of the quarterly performance reporting process. These updates are reviewed and discussed as part of the quarterly Corporate Performance Clinics.

### **Issue No 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. COMPLETED**

The centralised complaints system is now in use across all services and a formal review of the complaints policy, and procedures is underway.

### **Issue No 5 – Recruitment / staff vacancies remain an issue in some areas.**

The key vacancy within Resources Directorate is the Director of Resources / S151 Officer post. An interim Director / S151 Officer was in place until the newly appointed permanent replacement commenced in post on 24th June 2024. A handover period of three weeks to ensure good continuity of service and arrangements was put in place.

The Property Services function was transferred back to the Council from Liberata UK Ltd on 1st April 2024 and a review will take place ensure the service is fit for purpose.

All management structure in place within Place Directorate; however, there remains one vacancy within Building Control. Recruitment for this post will be put on hold until the Building Safety Regulator (BSR) becomes live in April 2024. The recruitment of an Environmental Health Technical Officer (TO) has been unsuccessful and so recruitment of a trainee TO is now underway with the contract for the existing agency TO being extended.

### **Issue No 6 – Financial authorisation levels COMPLETED**

Levels of authorisation for procuring and payment of resulting invoices had not previously been consistent across the council. Levels had been set by individual managers for staff within their services.

The Financial Procedure Rules and processes have been reviewed, updated, and adopted by Council on 28th September 2023 which specify standardised levels of authorisation throughout the Council. These levels were set-up within the financial systems to ensure that all transactions are within the assigned limits.

**Issue No 7 – Ability to complete all financial statutory returns in a timely manner.**

Further progress is being made in the Finance Team to complete returns in as timely a manner as possible. Clear communication is maintained with the relevant Government Depts, i.e. DLUHC in respect of any delays.

Additional capacity is being added to undertake Collection Fund and support to the Statement of Accounts process and business case production for capital.

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**Issue No 8 – Ensure Medium Term Financial Plan addresses the shortfall in funding identified in future years and formalises savings plans.**

Councillors established a Members Budget Working Group to look at Council finance and options for savings. Whilst the Budget for 2024/25 has concluded, the 2025/26 and 2026/27 work will now commence and a targeted review programme is being finalised. The Medium-Term Forecast will be updated as part of the budget setting process.

Internal Audit have undertaken a review of the MTFP process which received substantial assurance on the Council's budget setting and monitoring processes.

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**6.3** 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 2024/25 financial year.

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.

Issue No.	Issue Identified	Source of Evidence	Summary of Action Proposed
1	Recruitment / staff vacancies remain an issue in some areas.	Management Assurance Statements	Corporate Leadership Team (CLT) are reviewing the workforce as part of the Workforce Strategy which is due to be presented to the Executive in September 2024.
2	Ability to complete all financial statutory returns in a timely manner.	Management Assurance Statements	Additional capacity is being added to undertake Collection Fund and support to the Statement of Accounts process and business case production for capital.
3	<p>The Council has identified gaps between its future spending and income for 2025/26 onwards but has not identified the necessary savings to bridge these gaps.</p> <p>The Council has a remaining budget gap of £1.4m in 2025/26 and £1m in 2026/27</p> <p>If reserves are used to bridge this gap, instead of identifying savings then Useable Reserves will reduce to less than half of current level. (GT Report – Key Recommendation 1).</p>	<p>MTFP</p> <p>Budget planning</p> <p>Savings plans</p> <p>Financial stability / sustainability</p>	<p>Budget Working Group to commence in the Summer 2024 led by the permanent Director of Resources and the first review of the MTFP 2025/26 to 2027/28 will comment in July 2024 following the first draft statement of accounts production.</p> <p>During 2024/25 a continuous improvement programme with Liberata will be developed.</p>
4	The roles of Area Committees within the Council's decision-making structures give rise to a significant weakness because of inconsistent and sometimes poor decision making resulting in the Council incurring additional costs, as well as damage to its reputation (GT Report – Key Recommendation 2)	<p>Independent Report</p> <p>Meeting Minutes</p>	The Council will commission a focussed independent legal report on the consistency, costs and efficiency of its planning process and the potential future impacts on continuing with the current arrangements.



Issue No.	Issue Identified	Source of Evidence	Summary of Action Proposed
5	The new governance and decision-making processes are not fully understood by Members. As a result, there have been instances of Members of the Executive speaking against decisions made by the Executive at Full Council meetings. (GT Report – Key Recommendation 3)	Member Training Attendance Schedules  Ongoing mandatory development programme in place  Removal of legacy arrangements	The new governance structure will be fully implemented over the summer and autumn 2024 with the following actions already scheduled: <ul style="list-style-type: none"> <li>• A programme of Member training is in place following the local election on 2nd May, to include an element in relation to constitutional arrangements, executive working, governance, and decision-making processes. This programme will be mandated.</li> <li>• Suitably qualified facilitators have been identified through the LGA to work with Members and will shape an ongoing mandatory development programme.</li> <li>• The governance structures and decision-making systems, along with roles and responsibilities required of an effective Executive and Leader model will be further reviewed and implemented as part of the mandatory development programme.</li> <li>• Any legacy arrangements carried over from the Committee system will be removed to ensure that an effective Executive and Leader model is in place.</li> </ul>
6	There is evidence of failures to manage the relationships between the Council and the joint venture (JV) companies effectively and of conflicts of interest, arising between Members roles as directors of the companies which are significant and create risks of negative impacts on the Council's interests in the companies as a shareholder, and on the reputation of the Council as a whole.	Independent Report  Improved governance arrangements in place  Updated legal agreements in place  Council officer roles clarified	An independent legal advisor will be commissioned to undertake a review of the relationships and governance of its JV companies. The scope will also include a review of potential conflicts of interests arising.

Issue No.	Issue Identified	Source of Evidence	Summary of Action Proposed
7	Fundamental weaknesses were identified in the Council's Information Governance processes as a result of an Internal Audit Review (Limited Assurance).	<p>MIAA Recommendations Follow-up and Tracker.</p> <p>Improved Information Governance Arrangements in place, such as:</p> <ul style="list-style-type: none"> <li>Up-to-date Record of Processing Activity (ROPA), Information Asset Register (IAR) and data flow maps in place with supporting policies and procedures.</li> <li>Assigned and trained Information Asset Owners (IAO) and Information Asset Administrators (IAA).</li> <li>Dedicated, experienced IG resource.</li> <li>Training needs analysis and training plan in place.</li> </ul>	The Council will deliver the recommendations in line with the management responses agreed and submitted to MIAA which have been captured in the final report.
8	Fundamental weaknesses were identified in the Council's Staff Performance Management processes as a result of an Internal Audit Review (Limited Assurance).	<p>Updated PDR and 1:1 forms and central record of completions.</p> <p>Approved related policies / strategies / frameworks.</p> <p>Training and / or guidance documentation.</p> <p>Team Meeting Agendas where 1:1 have been discussed.</p>	The Council will deliver the recommendations in line with management responses agreed and submitted to MIAA and captured in the final report.

**6.4** 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 August 2024



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**Liberata**