

**PORTFOLIO****HOLDER: CLLR A. BELL****REPORT FROM: CORPORATE GOVERNANCE STEERING GROUP****TO: ACCOUNTS & AUDIT COMMITTEE****DATE: 29<sup>TH</sup> JULY 2025**

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**RISK MANAGEMENT UPDATE - QUARTER 4, 2024/25 AND  
CORPORATE GOVERNANCE UPDATE**

**PURPOSE OF REPORT**

This report provides the Committee with an update on the following:

- a) the developments relating to the Council's risk management arrangements, including the updated Strategic Risk Register based on Quarter 4 2024/25 updates;
- b) the Local Code of Corporate Governance which is a document detailing how the Council complies with the Delivering Good Governance Framework 2016 published jointly by CIPFA and SOLACE<sup>1</sup>;
- c) the development of a Corporate Governance Framework which is a document detailing how the Council will obtain assurance regarding the extent to which the Council is adhering to its commitment to good governance as set out in the adopted Local Code of Governance;
- d) the Action Plan 2024/25 contained within the Annual Governance Statement (AGS) which forms part of the Statement of Accounts 2023/24;
- e) the draft Annual Governance Statement 2025/26; and
- f) the Delivering Good Governance on Local Government: Framework – Addendum covering the annual review of governance and the annual governance statement published in May 2025.

**RECOMMENDATIONS**

The Committee is recommended to:

<sup>1</sup> Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE)

- (1) note the current developments and position linked to the Council's risk management arrangements and the Strategic Risk Register and comment as appropriate;
- (2) review and comment on the Local Code of Corporate Governance and the Corporate Governance Framework;
- (3) note the progress in the delivery of the AGS Action Plan 2024/25;
- (4) review and comment on the Draft Annual Governance Statement 2024/25; and
- (5) note the Delivering Good Governance Framework 2016 (CIPFA/SOLACE): Addendum and the requirements for the AGS 2025/26 onwards.

### **REASONS FOR RECOMMENDATIONS**

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

## **ISSUE**

### ***Background***

1. It is considered good practice for the Council's corporate governance and risk management arrangements to be subject to a regular review.
2. The Local Code of Corporate Governance (and incorporated action plan), the Strategic Risk Register and AGS Action Plan are each subject to periodic review by the Corporate Governance Steering Group (CGSG).
3. There are also regular meetings of the Council's Risk Management Working Group (RMWG) who review operational risks; however, this group focusses on primarily health & safety risks.

### ***Risk Management Arrangements and Strategic Risk Register (SRR)***

4. We have previously reported that Risk Management Training sessions had been delivered to Corporate Management Team (CMT) and Members by Zurich (the Councils insurers) during the first half of the financial year to which this report relates. As a follow-up to this training, Zurich also undertook a review of our Strategic Risk Register. The report contains several recommendations for improvements.
5. The team developed proposals for the next steps in enhancing our risk management arrangements within the Council and presented this to CLT in November 2024. The proposals included the recommendations from Zurich and feedback from CMT, Members and Accounts & Audit Committee which were accepted, and these have now been implemented.
6. One of the key issues identified by Zurich was the fact that many risk scores were 12 or 16 (at the time of the review) and that these required further review and challenge. To support this a Risk Management Toolkit and Risk Scoring Guidance has been developed for use by Risk Owners. This will help clarify and support the risk assessment and scoring process as this provides further information on how the scoring should be considered and applied.
7. The Toolkit and Guidance were launched at a session of Extended Management Team held in February 2025 and has been instrumental in the Quarter 4 Risk Review, where further review and challenge of existing risk scores was undertaken.

8. Further feedback / recommendations have also recently been received from the Council's External Auditors, Grant Thornton. Work has also been undertaken, and continues, to address these.
9. The regular review of the SRR continues to be embedded within the Council's performance management regime. Individual quarterly review sessions, as referred to above in Para 8) continue to be held between the Corporate Client & Governance Team and each Head of Service / Risk Owner; a process which has greatly improved accountability, ownership and quality of updates provided.
10. The SRR is monitored via the Council's Performance Management software (Pentana) and forms part of the quarterly Performance Clinics. At the clinics, Corporate Leadership Team and the Head of Policy & Commissioning receive an update from each member of the Corporate Management Team on key areas, as detailed below:
  - Corporate Priorities
  - Key Performance Indicators
  - Performance Indicators
  - Strategic Risk Register
  - Finance
  - HR
  - Emerging Big-Ticket Issues
  - Requests to CLT
11. The Performance Clinics provide an opportunity to review performance and also feed into the quarterly reports to Executive. They also provide an opportunity to review and update the SRR further. The format and content of the clinics continues to be reviewed and enhanced to ensure these remain relevant and meaningful.
12. A copy of the most recent update of the SRR is attached at Appendix 1. This is based on the Quarter 4 reviews (period ending 31<sup>ST</sup> March 2025) with Heads of Service / Risk Owners and at the clinics.
13. It is important to note that further progress continues to be made on many of the risk actions which remain, and these will be captured in the next review sessions with Heads of Service / Risk Owners.
14. Key points to note from the review of the SRR in Quarter 4 are that:
  - a strategic risk in relation to Local Government Re-Organisation is currently being worked up by the Council's Interim Chief Executive;
  - the score of 4 Strategic Risks were changed. A brief summary of the change is provided in the table below and the detail can be found in Appendix 1:

Strategic Risk	Previous Current Risk Score	New Current Risk Score
SRR-02 - Organisation's Internal Capacity to Deliver	20	12
SRR-02b - Organisation's Internal Capacity to Deliver (Local Waste Transfer Station Closure)	16	20
SRR-03a - Effective Information Governance Arrangements	12	16
SRR-07 – Political Leadership	12	20

### **Local Code of Corporate Governance (Local Code)**

15. Since the Delivering Good Governance Framework 2016 (Framework) was published by CIPFA / SOLACE the Council has maintained a Local Code together with an action plan identifying the extent of compliance and / or any areas in the council's arrangements that require further development.
16. The concept underpinning the framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that:
  - resources are directed in accordance with agreed policy and according to priorities;
  - there is sound and inclusive decision making;
  - there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
17. As previously reported, the format and content have been under comprehensive preview to streamline and strengthen the Council's Local Code, as have the processes required to review this on a regular basis. The updated draft Local Code is provided as Appendix 2.
18. The Local Code contains identified actions which are required to maintain or improve our governance arrangements. These are contained within Appendix A and it is important to note that this is a dynamic document subject to regular review, with actions specifically being formally reviewed quarterly by the Lead Officer and CMT.
19. During Quarter 2, 2025/26 and going forwards, each action will be provided with an update and will be allocated a RAG rating to provide an overview of progress / completeness following the last update. A quarterly update will also be provided to the Corporate Governance Steering Group and this Committee.
20. A Corporate Governance Framework has also been developed to support the Local Code and this is attached as Appendix 3. This document details how the Council will obtain assurance regarding the extent to which the Council is adhering to its commitment to good governance as set out in the adopted Local Code of Governance.
21. Both of these documents have been developed in close consultation with the Council's Director of Resources and Head of Legal & Democratic Services and with the Senior Internal Audit Manager (MIAA). They have also been reviewed by the Corporate Governance Steering Group and by Corporate Management Team.
22. Both the Corporate Governance Framework and the Local Code provide critical supporting evidence for the production of the Annual Governance Statement (AGS).

### **Annual Governance Statement (AGS) Action Plan 2024/25 – Final Update**

23. The AGS published as part of the Statement of Accounts for 2023/24 contained an action plan and regular updates on progress have been provided to this Committee. The final position on each of these actions at the end of Quarter 4, 2024/25 is detailed in the draft Annual Governance Statement 2024/25 (pages 7-8), which is attached as Appendix 4. Please also refer to the section below.
24. Any issues which have not been fully addressed have been carried over into the Annual Governance Statement Action Plan 2025/26.

### ***Draft Annual Governance Statement 2024/25***

25. In compliance with the CIPFA/SOLACE Delivering Good Governance Framework 2016 the Council is required to undertake a review of its governance framework and arrangements and publish an Annual Governance Statement (AGS) as part of its Statement of Accounts.
26. Regulation 6(1b) of the Accounts and Audit Regulations 2015 also makes the production of an AGS a statutory requirement.
27. The purpose of the AGS process is to provide a review of the effectiveness of the Council's Governance Framework so as to give assurance on its effectiveness and/or to produce a management action plan to address any issues highlighted. The process of preparing the AGS should add value to the corporate governance and internal control framework of the Council.
28. This process has now taken place and the draft AGS 2024/25 has been produced. This is supported by the newly developed Corporate Governance Framework and the updated Local Code. The draft AGS is attached as Appendix 4 for your review and comment.

### ***Delivering Good Governance Framework 2016 (CIPFA/SOLACE): Addendum***

29. Whilst the quality of governance is of paramount importance, recent years have seen a growing number of Section 114 Notices being issued. The governance reviews that followed highlighted governance weaknesses as well as financial concerns.
30. Given the challenges facing some local authorities, an evaluation of current AGS practice was undertaken across the sector by CIPFA and the broad consensus was:
- Improvements were needed to the accountability delivered by the AGS
  - Where governance problems had occurred the AGS had not triggered an early response
  - Lack of engagement within authorities and by elected members
  - Review may be too narrow in scope
  - Local codes of corporate governance not well used
31. Due to these findings, an Addendum to the Delivering Good Governance Framework 2016 has now been published (May 2025) and is provided as Appendix 5. This is the first update of the guidance since 2016 and replaces Chapter 7 of the framework publication. The 2016 publication and the seven principles of good governance remain unchanged.
32. Authorities should ensure that the AGS for 2025/26 onwards complies with this guidance, and they have been encouraged to consider it for 2024/25. Some of the work recently undertaken (which was already underway) and reported here, such as the improved Local Code and the development of the Corporate Governance Framework, go some way to doing this.
33. In summary, the focus of the addendum is to provide guidance to enable local authorities to undertake a robust annual review from which we can evidence the discussion, testing and challenge of our arrangements and not just going through a tick-box exercise. For example, having a policy and saying one we have one is not sufficient, it's whether the policy works, is used / adhered to and if it is not, identifying what is being done about it.
34. We need to test our assumptions, explicitly consider the adequacy of all core arrangements and make the review a corporate led activity. We need to test if our governance supports the achievement of purpose and objectives and look forwards as well as back.

35. The addendum also provides some guidance on good practice on the AGS content and format. Some of this advice has already been taken on board in the development of the draft AGS 2024/25.
36. Arrangements to further strengthen to the Council's annual governance review process and AGS will be considered over the coming months, and progress will be reported back into this Committee as required.

## **IMPLICATIONS**

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

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

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

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

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

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

**Community Safety:** There are no new community safety implications arising from this report.

**Equality and Diversity:** There are no new equality and diversity implications arising from this report.

## **APPENDICES**

Appendix 1 – Strategic Risk Register Update - Quarter 4 2024/254

Appendix 2 – Local Code of Corporate Governance

Appendix 3 – Corporate Governance Framework

Appendix 4 – Draft Annual Governance Statement 2024/25

Appendix 5 – Delivering Good Governance in Local Government: Framework – Addendum, covering the annual review of governance and the annual governance statement

## **LIST OF BACKGROUND PAPERS**

Delivering Good Governance in Local Government: Framework 2016