



Committee: AUDIT COMMITTEE
Date: WEDNESDAY, 31 JULY 2024
Venue: MORECAMBE TOWN HALL
Time: 6.00 P.M.

A G E N D A

1. **Apologies for Absence**

2. **Minutes**

To receive as a correct record the Minutes of the meeting held on 22nd May 2024 (previously circulated).

3. **Items of Urgent Business authorised by the Chair**

4. **Declarations of Interest**

To receive declarations by Councillors of interests in respect of items on this Agenda.

Councillors are reminded that, in accordance with the Localism Act 2011, they are required to declare any disclosable pecuniary interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

Whilst not a legal requirement, in accordance with Council Procedure Rule 9 and in the interests of clarity and transparency, Councillors should declare any disclosable pecuniary interests which they have already declared in the Register, at this point in the meeting.

In accordance with Part B Section 2 of the Code Of Conduct, Councillors are required to declare the existence and nature of any other interests as defined in paragraphs 8(1) or 9(2) of the Code of Conduct.

5. **Strategic Risk Management (Pages 3 - 18)**

Whilst this report is public, Appendix B is exempt, and notice is hereby given that the meeting is likely to move into private session if it is necessary to refer to the exempt appendix.

Report of the Chief Executive

6. **Internal Audit Progress Report (Pages 19 - 40)**

Report of the Head of Internal Audit

7. **CIPFA Financial Management Code** (Pages 41 - 77)
Report of the Chief Finance Officer
Report published 24.07.2024
8. **Annual Governance Statement 2023/24** (Pages 78 - 97)
Report of the Monitoring Officer
Appendix published 25.07.2024
9. **Statement of Accounts Update** (Pages 98 - 103)
Report of the Chief Financial Officer
Report published 31.07.2024
10. **Audit Committee Training & Work Programme 2024-25** (Pages 104 - 106)
Report of the Chief Finance Officer
Report published 25.07.2024

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Paul Stubbins (Chair), David Whitaker (Vice-Chair), Ruth Colbridge, Colin Hartley, Peter Jackson, Kate Knight and Isabella Metcalf-Riener

(ii) Substitute Membership

Councillors Gerry Blaikie (Substitute), Dave Brookes (Substitute), Sally Maddocks (Substitute) and Sandra Thornberry (Substitute)

(iii) Queries regarding this Agenda

Please contact Sarah Moorghen, Democratic Support - email smoorghen@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

Please contact Democratic Support, telephone 582000, or alternatively email democracy@lancaster.gov.uk.

MARK DAVIES,
CHIEF EXECUTIVE,
TOWN HALL,
DALTON SQUARE,
LANCASTER, LA1 1PJ

Published on 23rd July 2024.

AUDIT COMMITTEE**Strategic Risk Management****31 July 2024****Report of Chief Executive****PURPOSE OF REPORT**

To provide the Committee with an update on the authority's progress in updating the Strategic Risk Register.

This report is public, with appendix B being exempt by virtue of paragraph 3 of Schedule 12A the Local Government Act 1972.

RECOMMENDATIONS

- (1) The Audit Committee note the Strategic Risk Register, as shown as appendix A (public report) and appendix B (restricted report).

1.0 Report

- 1.1 Quarterly Strategic Risk Report as updated by Leadership Team to be seen by Audit Committee to be noted.
- 1.2 The attached appendices show the changes to the council's Strategic Risk Register made during the last quarter, up until 16th July 2024. Changes are highlighted using red text. A summary of the main changes are:
- Risk reviews run against all Strategic Risks
 - Action plan due dates updated for SR01, SR05, SR08, SR09, SR19, SR20, SR21, SR22, SR24 and SR26.
 - New control measures added for risks SR01, SR02, SR05, SR06, SR08, SR17 and SR26.
 - Action details added or updated for risks SR01, SR02, SR04, SR05, SR06, SR08, SR12, SR19, SR21, SR24 and SR26.
 - Risk SR07 has now been given a residual risk score.
 - Risk SR06 has lowered the residual risk score from 12 to 8 and is now within the Council's risk appetite.

**CONCLUSION OF IMPACT ASSESSMENT
(including Health & Safety, Equality & Diversity, Human Rights, Community Safety,
Sustainability and Rural Proofing):**

No direct impact arising from this report, which provides an updated copy of the authority's Strategic Risk Register.

LEGAL IMPLICATIONS

No direct legal implications arising from this report.

FINANCIAL IMPLICATIONS

No direct financial implications arising from this report.

**OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services,
Property, Open Spaces**

No direct resource implications arising from this report.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has contributed to this report in his role as Chief Officer Resources, including responsibility for Internal Audit.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

N/A

Contact Officer: Claire Dubelbeis, Projects and Performance Manager
Telephone: 01524 582505
Email: CDubelbeis@lancaster.gov.uk
Ref: N/A

Risk No.	Risk	Risk Description	Residual Risk Score (impact x likelihood)	Risk Category	Existing Control Measure	Existing Control Measure Description	Target Risk Level (impact x likelihood)	Action Plan Title	Action Plan Description	Action Plan Owners	Action Plan Due Date	Review Date	Review Comment
1	SR01 Central Government funding is insufficient to provide the current level of service leaving the council unable to deliver the financial resilience initiative and achieve financial stability.	Central Government funding and/or revenues collected are insufficient to provide the current level of service leaving the council unable to deliver the financial resilience initiative and achieve financial stability. Link to Council Plan 24-27: 4.1 Value for Money	4 (2x2)	Financial	Officer/Member Working Groups	Capital Assurance Group (CAG) and Financial Resilience Group (FRG)	2 (2x1)	Outcomes Based Resourcing / Fit for the Future	Review of existing budgets to identify areas for realignment/ refocusing or cessation to deliver efficiencies but ensuring that Services remain aligned with the Councils Priorities.	Mark Davies	30/12/2024	15/07/2024	Actions changed to be control measures and dates and titles reviewed. In conjunction with Paul Thompson.
					Council Strategies	Outcome Based Resourcing (OBR), Investment Strategy, Reserves Strategy and Medium Term Financial Strategy		Fit for the Future Strategy	The Strategy contains a number of principles to achieve Financial Stability.	Mark Davies Alex Kinch	31/12/2024		
					Monthly income monitoring by applicable services	Monthly income monitoring by applicable services							
					Quarterly reporting	Formal quarterly reporting to Cabinet and Budget and Performance Panel							
					Commercialisation	Development of other alternative service delivery vehicles to deliver efficiencies and/ or operational surpluses which can be reinvested into Council Services.							
					Business Plans for Investments	Develop business plans for investment particularly in relation to decarbonisation and renewable energy generation.							
2	SR02 The Council fails to meet the 2024/25 funding gap as a result of ineffective delivery of the efficiency programme and failure to deliver on key projects.	The Council fails to meet the 2024/25 funding gap as a result of ineffective delivery of the efficiency programme and failure to deliver on key projects. Link to Council Plan 24-27: 4.1 Value for Money	6 (3x2)	Financial	Budget and Performance Panel	Budget and Performance Panel	2 (2x1)	Outcomes Based Resourcing / Fit for the Future	Outcomes-Based Resourcing (OBR) approach focusing on where resources can have maximum impact on strategic priority areas.	Mark Davies	31/12/2024	15/07/2024	Updates made in conjunction with Mark Davies
					Reserves Policy	Reserves Policy					NOTE: This is also listed as a control measure as the programme is phased so has already delivered some savings with further outcomes and savings to follow.		
					Project Managers	Project Managers - suitably skilled PMs assigned to lead strategic projects							
					Programme Managers	Programme Managers in place for specific programmes							
					Programme Delivery Board	Programme Delivery Board							
					Cabinet	Cabinet							
Portfolio Holder	Portfolio Holder												

				<p>Outcomes Based Resourcing for 23/24 financial year</p> <p>Project Delivery Board - Consisting of Leadership Team to monitor delivery via quarterly reports and provide support and challenge to each project as required.</p> <p>Projects and Performance Manager - Established to provide a central co-ordination point for all the Council's projects and performance. Responsible for co-ordination and monitoring.</p> <p>Delivering Our Priorities Quarterly Monitoring Reports - Delivering Our Priorities Quarterly Monitoring Reports - Monitoring report linking Projects, Performance and Resources presented to Cabinet and Budget & Performance Panel.</p> <p>Quarterly Cabinet Meetings - Quarterly Cabinet Meetings - Project and Financial information present to Cabinet/ Portfolio providing an opportunity for review and discussion of performance.</p> <p>As part of the Funding the Future Strategy, the Outcomes Based Resourcing exercise is commencing July 2022 to identify revenue savings for 2023/24 and beyond.</p> <p>Outcomes Based Resourcing / Fit for the Future - Outcomes-Based Resourcing (OBR) approach focusing on where resources can have maximum impact on strategic priority areas.</p>					
3	SR03 The Council fails to recruit and retain competent / key staff resulting in ineffective leadership, increased costs and failure to deliver	The Council fails to recruit and retain competent / key staff resulting in ineffective leadership, increased costs and failure to deliver effective services, projects and council priorities. Link to Council Plan 24-27: 4.3 Investing in Our Skills and Facilities	6 (3x2)	People	<p>New 3-year People Plan (2023-2026) with key deliverables to mitigate this risk</p> <p>Annual Appraisal Process</p>	<p>New 3-year People Plan (2023-2026) with key deliverables to mitigate this risk</p> <p>Annual Appraisal Process embedded</p>	6 (3x2)	12/07/2024	Risk reviewed on behalf of Alex Kinch. Confirmed no changes since last risk review.

				Pay and Grading Structure	Pay and Grading Structure - The new pay and grading structure and job evaluation process ensures that all posts are objectively evaluated and then placed on a new pay and grading scale. Recent experience suggests that this assisted in attracting applicants with the desired skills and values.								
4	SR04 The use of council assets is not maximised leading to insufficient funding to meet the funding gap and deliver capital projects.	Future capital investment is dependent on capital receipts from the sale and utilisation of council assets. Link to Council Plan 24-27: 4.5 Innovative Public Service	9 (3x3)	Property Financial	Use of Council Assets	Capital Strategy Group	6 (3x2)	Council Assets	To progress with disposals of council assets as outlined through 22/23 OBR process.	Joanne Wilkinson	27/09/2024	10/07/2024	Limited change - Stock condition surveys are well underway and due to be completed within the next month. Gateway report briefing shared with Cabinet - agreed decision on roof to come forward promptly followed by wider decision on the building later. Disposal of assets being considered on a case by case basis when reasonable offers are being made. The Asset OBR group is meeting regularly. An Officer led energy group has been established which reports into the Assets group. Commercial Property Manager recruited to - with an expected start date of Sept 24.
					Use of Council Assets	Ongoing OBR workstream reviewing assets							
					Use of Council Assets	Performance monitoring of leases implemented		Council Assets	Updated Asset Management Plan to be developed to incorporate property performance.	Paul Mackie Joanne Wilkinson Dan Wood	31/10/2024		
					Use of Council Assets	Budget Monitoring							
					Use of Council assets	Implemented active asset management inc. financial modelling for stock rationalisation.							
					Use of Council assets	Appointed Eckersleys to support the council in asset disposal.							
					Use of Council Assets	Stock Condition Surveys for property group underway.		Council Assets	Climate Strategy for Housing and Property to be developed	Paul Mackie Joanne Wilkinson	06/09/2024		
					Use of Council Assets	Asset Management Strategy in place,							
					Use of Council Assets	Officer energy fit for the future group established - reporting into main Assets group							
								Council Assets	Recruit to Commercial Property Manager	Paul Mackie Joanne Wilkinson	06/09/2024		
5	SR05 Council services are disrupted and / or additional services are required and costs are incurred as a result of local and national	Council services are disrupted and / or additional services are required and costs are incurred as a result of local and national emergencies.	6 (3x2)	Financial	Resourcing the emergency response function	The Council continues to adequately resource its emergency planning function, including maintaining its team of out of appropriately trained emergency response officers.	6 (3x2)	Community Resilience	The Council supports community resilience through CEPGs and FLAG groups etc. The local CEPG own and update their own plans in liaison with the Resilience Officer	Alex Kinch	31/03/2025	16/07/2024	Updated the Action plan for CEPG

District emergency Lancaster District Emergency Plan and LRF (Lancashire Resilience Forum) plans that cover site or incident specific risks, including for example: an incident at Heysham Power Station, or a flooding/weather event.

Business Continuity Plans Business Continuity Plans

National Emergency (such as a pandemic) LRF plans.

Financial Planning Financial Planning - Adequate non earmarked reserves are maintained to allow for the impact of long term emergencies like the pandemic.

Business Resilience Business Resilience - The Council continues to invest in resilience measures eg technology to facilitate remote working.

Partnerships Partnerships - The Council continues to allocate resource to developing its key partnerships LRF, CSP (Community Safety Partnership) and local resilience partners.

County wide emergency (such as widespread loss of power and extreme weather events) The LERP (Lancashire Emergency Response Plan) and plans as required from box 2 and box 3 plans, held in resilience direct.

Financial Planning Adequate non earmarked reserves are maintained to allow for the impact of long term emergencies like the pandemic.

Adaptation Schemes

The Council appraises and potentially invests in schemes and activities that provide adaptation (eg Lune river defence). This will be undertaken through the emerging Our Future Coast programme.

Paul Blakeley 31/03/2025
Jonathan Noad

6	SR06 The Council fails to reduce its direct Co2 emissions to 'net zero' by 2030.	In January 2019 the Council declared a 'climate change emergency' and have now sought endorsement of an approach to reduce the Council's direct Co2 emissions to 'net zero' by 2030. Whilst an action plan is in place, costs associated with implementing the actions are considerable and are constantly under review.	8 (4x2)	People Financial	Delivery plan in place Delivery plan in place	8 (4x2)	(i) Local Area Energy Plan and (ii) Council Action Plan (now Climate and Nature Strategy)	The Council continues to work on the delivery of its action plan. More details can be found on our website: https://www.lancaster.gov.uk/sites/climate-emergency/new-and-updates	Mark Davies	31/08/2024	25/06/2024	The Council continues to make good progress across a number of climate workstreams, including: (i) The final stages of the
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Link to Council Plan 24-27: 1.1 Carbon Zero

						Local area energy plan	Local area energy plan (LAEP) will outturn this summer, setting out the most cost-effective pathways for the district to achieve net zero. Separate to this, UKSPF funding has been secured to commence a Climate and Nature Strategy (CaNS). This document will bring together all existing and proposed climate-related workstreams and set them out in the form of an action plan.	Mark Cassidy	30/12/2024			Local Area Energy Plan (ii) The emergence of a new Climate and Nature Strategy (iii) Preparation work will shortly commence to implement the latest successful Salix-funded decarbonisation programme for 3 further council buildings (iv) The Council's proposed solar PV scheme at Burrow Beck is nearing a Cabinet (and Planning Committee) decision.
7	SR07 The Council fails to deliver its key priorities due to the lack of an underpinning strategy setting out expected delivery / outcomes.	On the 29 January 2019, Full Council approved the Council's strategic priorities for the purpose of informing budget decisions for 2020-21 and future years. Link to Council Plan 24-27: Whole document.	6 (3x2)	Strategy	Carbon Zero + More details can be found on our website: https://www.lancaster.gov.uk/sites/climate-emergency/new-and-updates	4 (2x2)	Local Development Plan Local Development Plan	Mark Davies	30/09/2024	19/07/2024	Risk reviewed and no changes made	
					Medium Term Financial Strategy (MTFS)							
					Programme Management							
					Corporate Plan / Plan 2030							
8	SR08 The Council fails to deliver its key projects due to the lack of capacity and resources.	The Council has a number of key projects (Canal Quarter, Eden Project Morecambe, OBR, My Mainway, Heysham Gateway, Frontierland etc) all of which have detailed strategies for implementation. In order to deliver these key projects it is essential they	6 (3x2)	People Financial	Local Plan Local Plan Medium Term Financial Strategy (MTFS)	3 (3x1)	Local Plan Local Plan, due to be adopted in Jan 27	Mark Cassidy Mark Davies	01/01/2027	15/07/2024	Updates made on consultation with Mark D and Mark C.	

are properly prioritised and resourced.

Link to Council Plan 24-27: 4.5 Innovative Public Services

Investment Strategy

Capital Programme

The Council continues to resource key service teams in Planning, economic development, regeneration, property investment and facilities management.

Collaborative Working We work in collaboration with other stakeholders. For example, on the Eden Project we are working closely with the County Council.

Partnership Working Many of our projects involve working in collaboration with other partners. For example, working with the County Council for the Eden Project Morecambe.

Capital Programme Ensure capital programme is prioritised to facilitate match funding leverage and maximise the potential to attract external funding.

Funding the Future Strategy

Reserves

Adequate reserves are maintained to allow, due diligence of property investment, regeneration projects and key strategic planning strategies. Mark Davies Paul Thompson 31/03/2025

People Plan

3-Year People Plan in place and being delivered, which includes emphasis on upskilling and staff development, as well as initiative to support recruitment and retention. Alex Kinch 31/03/2026

10	SR10 Changes in Government policy impact on our ability to deliver major projects and programmes that would benefit our communities.	SR10 Changes in Government policy impact on our ability to deliver major projects and programmes that would benefit our communities. Link to Council Plan 24-27: 4.1 Value for money	6 (3x2)	Strategy	Continued monitoring and horizon scanning of Government policy	Continued monitoring and horizon scanning of Government policy	6 (3x2)	15/07/2024	Reviewed with Mark D, this remains as-is.
					Clear and focused Council strategy to maximise alignment with Government policy and resourcing	Clear and focused Council strategy to maximise alignment with Government policy and resourcing			

				Strategic Plans	Strategic Plans - Continue to develop Council strategic plans and documentation in light of emerging Government policy								
11	SR11 International and national issues rapidly impact on the strategic and financial context of the Council and / or partners, businesses and communities.	SR11 International and national issues rapidly impact on the strategic and financial context of the Council and / or partners, businesses and communities. This risk is outside of the control of the Council. It can not be fully mitigated against but should still be recorded on the strategic risk register.	9 (3x3)	Strategy Financial	Retention of in-house expertise to provide agility and resilience in rapidly-emerging issues	Retention of in-house expertise to provide agility and resilience in rapidly-emerging issues	9 (3x3)					15/07/2024	Reviewed in conjunction with Mark D. This risk remains as-is.
					Strategic responsiveness through continued risk management reviews through continued risk management review	Strategic responsiveness through continued risk management review							
					Agility and Resilience	Agility and Resilience - Continue to develop agility and resilience across the organisation							
					Strategic risk management approach	Strategic risk management approach							
12	SR12 Budgetary proposals are brought forward / agreed that are then challenged, causing delays or changes to implementation.	SR12 Budgetary proposals are brought forward / agreed that are then challenged, causing delays or changes to implementation. Link to Council Plan 24-27: 4.5 Innovative Public Service	3 (3x1)	Strategy Financial	Budget Development	Comprehensive, robust and transparent approach to budget development and service delivery.	3 (3x1)	OBR / Fit for the Future	Outcomes-Based Resourcing (OBR) approach to focusing on where resources can have maximum impact on strategic priority areas.	Mark Davies	31/12/2024	15/07/2024	Reviewed in conjunction with Mark D. The residual risk score and target risks scores have been adjusted.
13	SR13 The Council's reputation is damaged through its own actions or actions of others in the District	SR13 The Council's reputation is damaged through its own actions or actions of others in the District. Link to Council Plan 24-27: 3.4 Community Engagement	3 (3x1)	Strategy People	Communications	Pro-active communications and transparency	3 (3x1)					19/07/2024	Risk reviewed and no changes made.
					Strategic Management of Activities	Strategic management of all Council activities to ensure continued high reputation							
					Delivery of Services	Delivery of Services - Continue to manage and deliver services in a way that supports the authority's reputation as a Co-operative, Kind and Responsible Council.							

					Strategic communication	Strategically communicate and engage with residents, partners and stakeholders to ensure actions align with reputation							
14	SR14 Major, sudden unforeseen expenditure or income reduction arises, necessitating significant change or reduction to services.	SR14 Major, sudden unforeseen expenditure or income reduction arises, necessitating significant change or reduction to services. Link to Council Plan 24-27: 4.1 Value for money	6 (3x2)	Operations Financial	Budget and Performance Panel Reserves Policy Continue financial forecasting	Budget and Performance Panel Reserves Policy Continue financial forecasting and scenario planning e.g. for energy costs	6 (3x2)	Move to sustainable solutions	Minimise exposure to cost spikes such as energy by moving to sustainable solutions independent of external pressures	Mark Davies Paul Thompson	31/12/2024	11/07/2024	The s151 Officer is required to review its minimum level of unallocated reserves annually. Over recent years this has been increased to £5M based on a number of scenario's and is deemed to be appropriate to enable the Council to operate a level of service in the short term whilst alternative funding or other corrective action undertaken
15	SR15 The Council's infrastructure fails to meet the future needs of the organisation and the residents of the district.	SR15 The Council's infrastructure fails to meet the future needs of the organisation and the residents of the district. Link to Council Plan 24-27: 4.5 Innovative Public Services; 4.1 Value for money	4 (2x2)	Strategy	Asset Management Plan Continuous review of assets and infrastructure	Asset Management Plan Continuous review of assets and infrastructure	2 (1x2)	Asset Management Plan	Conduct a major review of Council infrastructure and assets, taking a future focused approach to asset management.	Mark Davies	27/09/2024	12/07/2024	Risk reviewed on behalf of Jonathan Noad. Confirmed no changes since last risk review.
16	SR16 The Council's services fail to adapt to socioeconomic and demographic trends within the district, resulting in failure to meet the needs of local residents and businesses.	SR16 The Council's services fail to adapt to socioeconomic and demographic trends within the district, resulting in failure to meet the needs of local residents and businesses. Link to Council Plan 24-27: 4.5 Innovative Public Services	6 (2x3)	Strategy	Corporate Plan Policy Framework Continuous review of strategy and policy	Corporate Plan Policy Framework Continuous review of strategy and policy, and alignment with service delivery.	3 (1x3)					12/07/2024	Risk reviewed on behalf of Alex Kinch. Confirmed no changes since last risk review.
					LGA	These took place in September Workshop with 2023. Members							

17	SR17 Negligent or unlawful action by the Council, resulting in financial or other liabilities.	SR17 Negligent or unlawful action by the Council, resulting in financial or other liabilities. Link to Council Plan 24-27: 4.6 Openness	6 (2x3)	Legal	Corporate Governance	Corporate Governance	6 (2x3)		15/07/2024	One action transferred to be a control measure at the request of Luke Gorst, action owner.		
					Continuous review of governance processes	Continuous review of governance processes to ensure they are fit for purpose						
					Annual Governance Code of Corporate Governance	The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.						
					The Council has recently reviewed and adopted an amended Code of Corporate Governance (dated April 2022). The Preparation and publication of this Annual Governance Statement is in accordance with the principles set out in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016) (The Framework).							
					Training and development	Ongoing training and development to ensure staff and members are equipped to follow governance requirements.						
18	SR19 Failure of the Canal Quarter programme to deliver regeneration through use of the Council's assets in the area.	SR19 Failure of the Canal Quarter programme to deliver regeneration through use of the Council's assets in the area. Link to Council Plan 24-27: 2.4 Investment and Regeneration	4 (2x2)	Project / Programme	Programme Management	Programme Management	2 (1x2)	Development of a Canal Quarter Masterplan	Jonathan Noad	31/03/2025	12/07/2024	Action plan updated on behalf of Jonathan Noad. The Canal Quarter Masterplan was adopted in Summer 2023. Focus now shifts to delivery but this is limited by wider Council financial pressures and availability for grant funding to deliver.
							Development of a Canal Quarter Masterplan	Development of a Canal Quarter Masterplan that sets out a route to successful regeneration of the area in line with local needs and the Council's priorities. This now needs to be updated to preparing a business case for investment options to deliver adopted masterplan.				

19	SR20 Non compliance with Building Safety Executive for LCC owned high-rise buildings	LCC has three high rise buildings which now fall under the Building Safety Act 2022, and require registration with the Building Safety Executive (BSE). There are numerous risks around non-compliance. Link to Council Plan 24-27: 3.1 Access to Quality Housing	6 (3x2)	Property Financial	<p>Registration with BSE for high rise blocks</p> <p>Registration with BSE for high rise blocks</p> <p>Registration with BSE for high rise blocks</p> <p>Registration with BSE for high rise blocks</p> <p>Registration with BSE for high rise blocks</p> <p>Registration with BSE for high rise blocks</p> <p>Registration with BSE for high rise blocks</p> <p>Registration with BSE for high rise blocks</p> <p>Registration with BSE for high rise blocks</p>	<p>Fortnightly senior housing management meetings updating on risks and plans around building safety review.</p> <p>Fire safety works being completed.</p> <p>Fire door audits being undertaken</p> <p>Monthly Compliance Steering Group comprising staff from across the Housing Service meet to discuss issues and tasks that are needed.</p> <p>Tenants Voice group established</p> <p>Registration of blocks with BSE complete</p> <p>On-going and regular campaigns on fire safety undertaken with residents.</p> <p>Cabinet (Feb 24) approved decommissioning Bridge House - Housing team now progressing decision.</p> <p>Building Safety Case files prepared ready for call in.</p>	2 (2x1)	Registration with BSE for high rise blocks	Tenant engagement strategy for building safety to be approved.	Pete Linsley Paul Mackie Joanne Wilkinson	23/08/2024	10/07/2024	Limited change - safety case files not yet called in. Engagement strategy for high rise blocks drafted - to be approved via ICMD in coming weeks.
20	SR21 Non compliance with Regulator of Social Housing Standards	The Social Housing White Paper and subsequent amendments through to the introduction of the Social Housing Regulation Act have highlighted a significant shift in requirements for social housing providers. This will be the biggest shift in a generation, with changes to standards and expectations. Failure to keep up with changes could result in unlimited fines / DLUHC, Regulator or Ombudsman intervention / bad publicity. However clearly the Regulator has laid out that it is unlikely that Councils will meet the required new standards fully and expect to work with landlords to improve performance against new requirements.	6 (3x2)	Property Financial	<p>Social Housing Regulation</p> <p>Social Housing Regulation</p> <p>Social Housing Regulation</p>	<p>Attendance at benchmarking groups with the Regulator / Ombudsman to stay abreast of updates / developments / best practice / learning</p> <p>Action planning within the service occurs in preparation for changes</p> <p>Quarterly reports available for portfolio holder outlining changes in the previous quarter produced.</p>	2 (2x1)	Social Housing Regulation	Self-assess against new regulatory standards which have been released and action plan.	Pete Linsley Joanne Wilkinson	26/07/2024	10/07/2024	Limited change. Currently finalising self-assessment and action planning against new standards - these will be presented at the next CHAG meeting. First inspections have been announced with providers receiving C3 gradings.

requirements.
Link to Council Plan 24-27: 3.1
Access to Quality Housing

Social Housing Regulation	Service Improvement Plan well established
Social Housing Regulation	Annual self assessment undertaken against current standards
Social Housing Regulation	Member advisory group for continued / wider input into the housing service established.
Social Housing Regulation	Various external audits utilised e.g. TPAS, Resolve, Pennington Choices
Social Housing Regulation	Breaches Policy in place

22	SR24 ICT Data Centre	Data Centre is dated and improvements needed to satisfy future demand. Link to Council Plan 24-27: 4.3 Investing in Our Skills and Facilities	6 (3x2)	Technology	<p>Air conditioning in place to keep the data centre at optimal temperature</p> <hr/> <p>Back up Date Centre at SALC</p> <hr/> <p>Regular fire safety servicing carried out</p> <hr/> <p>Water ingress alerts To alert all ICT senior managers to any water detected in data centre</p>	2 (2x1)	Data Centre	In progress, due for completion by December 24	Nick Goulden Paul Thompson	31/12/2024 16/07/2024	Dates updated on risk action.
23	SR25 LCC Property Portfolio (non housing) does not meet its Health and Safety compliance obligations	The Council fails to effectively manage Property portfolio health and safety / compliance and meet statutory requirements. Risk is not managed and steps are not taken to protect workers and others from harm. A structure is not in place to ensure that compliance is prioritised and a proactive culture does not exist. Link to Council Plan 24-27: 4.3 Investing in Our Skills and Facilities	6 (3x2)	Property Financial	<p>Property Group Compliance Regular reports shared with SLT highlighting current position.</p> <hr/> <p>Property Group Compliance Dedicated Team established - combining expertise from Council Housing Compliance Team to monitor and address compliance within the service.</p> <hr/> <p>Property Group Compliance Team employs sector expert to support overall approach to health and safety and compliance.</p> <hr/> <p>Property Group Compliance Established accurate data recording</p>	1 (1x1)	Property Group compliance	New Asset Management Strategy to be developed	Paul Mackie Joanne Wilkinson Dan Wood	31/10/2024 10/07/2024	No significant change. Positive progress being seen in condition surveys being completed, expected to be finalised within the next month. Team are able to report on compliance position and positive progress being seen in terms of compliance figures with an upward trend. Only Electrical

Increasing homeless temporary accommodation costs
Housing Taskforce established - clear focus on how the private rented sector can support reduction in B+B usage.

Increasing homeless temporary accommodation costs
Cabinet briefing provided on homeless service and bed and breakfast costs

25	SR27 - Waste Strategy	Increased revenue cost burden to the authority and failure to deliver in line with milestones set out by government (31st March 2026). Link to Council Plan 24-27: 1.5 Reduced Waste	6 (2x3)	Strategy Financial		15/07/2024	There has been little or no update from central government in regards to this risk. We await new information in relation to the revenue burden funds following the general election
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Document is Restricted

AUDIT COMMITTEE

31 July 2024

Internal Audit Progress Report**Report of Head of Internal Audit****PURPOSE OF REPORT**

To advise Members of the latest monitoring position regarding the Internal Audit plans 2023/24 and 2024/25

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

This report is public

RECOMMENDATIONS

(1) That the latest monitoring position in relation to the 2023/24 and 2024/25 audit plans be noted.

1.0 Audit Plan monitoring

1.1 An Internal Audit Plan is agreed on an annual basis and is continually reviewed during the year for appropriateness.

1.2 As part of the service provision MIAA include a separate progress report to each Audit Committee detailing progress against the agreed plans and highlighting key messages for Audit Committee attention.

1.3 Management Team and Service Managers continue to be consulted in delivering both the audit plan and the Annual Governance Statement action plan.

2.0 Options and Options Analysis (including risk assessment)

2.1 As this report is for noting there are no other options presented.

3.0 Conclusion

3.1 The programme of audits for the rest of the year continues to be implemented in consultation with Service Managers.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Not applicable

FINANCIAL IMPLICATIONS

None directly arising from this report

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments

LEGAL IMPLICATIONS

None directly arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Internal Audit Plan 2023/24

[Agenda for Audit Committee on Wednesday, 22nd March 2023, 6.10 p.m. - Lancaster City Council](#)

Internal Audit Plan 2024/25

[Agenda for Audit Committee 20 March 2024 6pm](#)

MIAA Internal Audit Progress Reports

[Agenda for Audit Committee on Wednesday 22 Nov 2023 6pm - Lancaster City Council](#)

[Agenda for Audit Committee 20 March 2024 6pm](#)

[Agenda for Audit Committee 22 May 2024 6pm](#)

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Internal Audit Progress Report Audit Committee (31st July 2024)

Lancaster City Council

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Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

Executive Summary

This report provides an update to the Audit Committee in respect of the progress made in against the Internal Audit Plans for 2023/24 and 2024/25 and brings to your attention matters relevant to your responsibilities as members of the Audit Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request. In addition a consolidated follow up position is reported on a periodic basis to the Audit Committee.

This progress report covers the period May 2024 to July 2024.

3 Executive Summary

Since the last meeting of the Audit Committee, there has been the focus on the following areas:

Audit Reviews

The following reviews have been finalised:

- National Non Domestic Rates (NNDR) (Substantial Assurance)
- Climate Change (Substantial Assurance)
- Budget Management (Substantial Assurance)
- Reactive Repairs and Maintenance (Limited Assurance)

Refer to Appendix C for details of Key Areas and Actions to be Delivered

The following 2024/25 audit reviews are being planned and are being planned, in progress or at draft report stage:

- Procurement Cards (draft report)
- Air Quality Duty (fieldwork)

- Homelessness (fieldwork)
- Appraisals (fieldwork)
- Income Cash and Cards Review (fieldwork)
- Festival Market (planning)
- Revenues and Benefits (planning)

Follow Ups

A summary of the current status of all follow-up activity is included in Appendix D, however, we would draw the committee's attention to the following:

There has been progress with the implementation of recommendations since the previous Audit Committee in May 2024. 10 recommendations have been completed since May 2024, with 62 actions either in progress or not yet due. There are 14 actions which are overdue, and we are awaiting updates from management on progress.

Audit Plan Changes

Audit Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.

The current proposals to amend the approved 2024/25 audit plan, due to emerging risks are as follows:

- Both the Q2 Food Standards Review and Energy Review to be replaced with a Q2 Income Cash and Cards Review. The Food Standards Review will be included in the 2025/26 audit plan. The Energy Review is no longer required due to the establishment of an internal working group at the council but will be considered for inclusion in the 2025/26 audit plan.
- Both the 2023/34 Corporate Health & Safety Review and Q4 Building Statutory Compliance Review to be deferred until 2025/26 and replaced with a Q3/4 Social Housing Standards Regulations, to focus on the new regulatory regime.
- The Revenues and Benefits Review is to focus on Benefit Overpayments and take place in Q3, as agreed with Preston City Council Shared Service.

Public Sector Internal Audit Standards

In January the Institute of Internal Auditors issued revised Global Internal Audit Standards (GIAS).

The Relevant Internal Audit Standard Setters (RIASS) for the UK Public Sector have agreed to use the new GIAS as the basis for internal auditing for the UK Public Sector and have asked the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) to carry out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use.

The implementation date for the new standards in the UK public sector will be 1st April 2025. Until then, the existing Public Sector Internal Audit Standards will continue to apply.

When the IASAB issues material for application in the UK public sector MIAA will review this and amend our processes if required to continue to ensure full compliance with standards.

The latest updates from the IASAB can be accessed via the following link: <https://www.iasab.org/latest-news>

Added Value

Events





- [How to Lead in a Hybrid World 16 Oct 2024](#) This Masterclass explores the ways in which organisations can help generate team spirit /culture and support leaders to effectively lead a team with people who aren't in the room.
- [Evidence Based Working \(22 Nov 2024\)](#) How Can a Better Evidence-Based Approach Support Local Government to Meet its Challenges? Rob Brinan, a Professor of Organisational Psychology in the School of Business and Management. will be joining us to explore what we know in relation to how local government responds to situations, and how a more evidence-based approach may improve practice.



Appendix A: Contract Performance

The Public Sector Internal Audit Standards (PSIAS) state that ‘The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.’

Below sets out the overview of delivery of your Head of Internal Audit Opinion for 2024/25.

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Core Reviews				
Revenues and Benefits – Benefit Overpayments	Draft	Planning		
Key Financial Controls		Q3		
Risk Management		Q4		
Risk Based Reviews				
Air Quality Duty	✓	Fieldwork		
Festival & Charter Markets	Draft	Planning		
Homelessness	✓	Fieldwork		
Procurement Cards	✓	Draft Report		

Income Cash and Cards (was Energy and Food Standards Reviews)		Fieldwork		
Appraisals		Fieldwork		
IT Asset Management		Q3		
Environmental Enforcement		Q3		
Social Housing Standards (was Buildings Statutory Compliance)		Q3/4		
Follow Up				
Quarter 1	N/A	Complete	N/A	July 2024
Quarter 2			N/A	
Quarter 3			N/A	
Quarter 4			N/A	
2023/24 Reviews				
Budget Management		Complete	Substantial	July 2024
NNDR		Complete	Substantial	July 2024
Corporate Health & Safety		Review deferred to 2025/26		

Reactive Maintenance*		Complete	Limited	July 2024
Climate Change*		Complete	Substantial	July 2024
Management				
Head of Internal Audit Opinion/Annual Report/Annual Governance Statement		Ongoing	N/A	
Planning and Management		Ongoing	N/A	
Reporting and Meetings		Ongoing	N/A	
Contingency		Ongoing	N/A	

If due to circumstances beyond our control we are unable to achieve sufficient depth or coverage, we may need to caveat opinions and explain the impact of this and what will be done to retrieve the position in future.

*These reviews were/will be delivered during 2024/25 as requested by the Council, and as such will be included in the 2024/25 Head of Internal Audit Opinion.

Appendix B: Performance Indicators

The primary measure of your internal auditor's performance is the outputs deriving from work undertaken. The following provides performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Reporting Regularity	Status	Summary
Delivery of the Head of Internal Audit Opinion (Progress against Plan)	Each Audit Committee	Green	There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.
Issue a Client Satisfaction Questionnaire following completion of every audit.	Ongoing	Green	Link to questionnaire included within each audit report.
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 75% qualified staff. The Senior Team delivering the Internal Audit Service to the Council are CCAB/IIA qualified.
Quality	Annual	Green	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public Sector Internal Audit Code of Ethics.

Appendix C: Key Areas from our Work and Actions to be Delivered

Report Title	National Non-Domestic Rates (NNDR)			
Executive Sponsor	Chief Officer Resources & Section 151 Officer			
Objective	The overall objective was to identify and evaluate the controls in place to manage key risks which would impact the effective operation of the National Non-Domestic Rates (NNDR) system.			
Assurance Rating	Substantial			
Recommendations	0 x Critical	0 x High	4 x Medium	1 x Low
Summary	<p>The Council has robust processes for establishing business rates due, after applying the appropriate reliefs. Reliefs and exemptions are awarded in line with latest policy requirements and legislation. It was confirmed that annual billing is conducted in a timely manner. In-year cash collections are reconciled monthly and allocated into the nominal ledger accounts accordingly. The Council has a Shared Service Revenues Recovery Policy which provides guidance on recovery process to be adopted to reduce debt and this was being adhered to. The generation of reminder letters and final notices was controlled by preset run dates which made them timelier and up to date.</p> <p>The Council uses outside Enforcement Agencies (EAs) who are performance managed through KPIs and quarterly liaison meetings. The Council has access to the EAs portal and therefore can view any account at any time.</p> <p>The audit identified the following areas to strengthen systems of internal control.</p> <ul style="list-style-type: none"> • The SLA between Preston and Lancaster City Councils should be formally signed and sealed. 			

	<ul style="list-style-type: none"> • The audit trail for refunds approval should be adequately evidenced within the Academy System and the authoriser should have the necessary approval limit in line with the Scheme of Delegation of the Council. • Information provided in support of application for discretionary relief should be evidenced as checked and confirmed to justify new year relief. • There is no debt aged analysis report produced for management. In addition, there is no set response time for management to respond to organisations who apply for hardship relief to enable recovery procedures to be undertaken if the relief is not granted. • The daily cash receipts analysis should be evidenced as checked for accuracy to ensure that there is no misallocation.
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Report Title	Climate Change			
Executive Sponsor	Chief Officer Planning and Climate Change			
Objective	Recognising the council's commitment to achieving carbon neutral status by 2030 and the enabling corporate projects/initiatives, the review looked to evaluate the processes in place to monitor and deliver the projects/initiatives designed to implement the council's action plan.			
Assurance Rating	Substantial			
Recommendations	0 x Critical	0 x High	4 x Medium	1 x Low
Summary	Overall, the review identified that there is a good system of controls around climate change projects and achievement of the carbon zero target by 2030.			

A previous audit has been undertaken looking at the overall Project Management Framework and controls, there were some recommendations raised in that report which are also applicable to this review, and therefore have not been raised again, such as the lack of formal project documentation.

Lancaster City Council is considered a leader amongst district councils for its work on tackling climate change. In recognition of this it has won a number of awards for projects around the climate emergency and topped a leaderboard for district councils in an assessment of the actions being taken to achieve net zero by Climate Emergency UK. It was also the winner of the 2022 APSE (Association for Public Service Excellence) Awards: Best Decarbonisation Initiative for the Salt Ayre Leisure Centre Decarbonisation Project. Following the adoption of the Council Plan (2024-2027) the Planning & Climate Change Service have produced a Service Business Plan which links service priorities for 2024/25 to the strategic ambitions within the Council Plan.

The review did highlight some areas with room for improvement, following consideration of projects such as Salt Ayre, Burrow Beck and Co-Wheels. The main areas for development were the direct reporting of the achievement and challenges of meeting the overall carbon zero target, and review and update of the original Climate Change Action Plan. The Council should also ensure that there is clear consistent internal reporting on milestones and financial information relating to individual climate change projects.

Report Title	Budgetary Control			
Executive Sponsor	Chief Officer Resources & Section 151 Officer			
Objective	To assess the systems and processes the Council has in place for budgetary control and management reporting.			
Assurance Rating	Substantial			
Recommendations	0 x Critical	0 x High	4 x Medium	3 x Low

Summary	<p>The economic climate and associated pressures have increased the demands on council budgets. The budget proposals for 24/25 were approved by the Council 28th February 2024. The Council had processes in place to monitor and report against the budgets. However, our review identified some areas for improvement.</p> <p>At Q3, the Council had a projected outturn of £22.044m against a budget of £21.091m, representing an overspend of £0.953m reduced to £0.677m following a net increase in income of £0.276m from business rates.</p> <p>As part of the 2024/25 budget setting process; in October 2023 the Finance team met with the Chief Officers to discuss projected outturn and future base budget position. The Finance team challenge budget requests where appropriate and consider the overall Council budget. Although evidence of budget acknowledgement from the Chief Officers is not retained.</p> <p>On a quarterly basis Chief Officers receive budget reports, which are discussed with Finance Business Partners. Explanations for variances over £5k are documented, and confirmation of the narrative accuracy is required. However, a review of Q3 reports and sample testing highlighted an instance where a variance of £13k did not have an explanation and only four Chief Officer confirmations out of ten were received. Additionally, whilst a narrative was provided there were no action plans to address variances and a lack of monthly reporting could result in adverse performance not being identified timely.</p> <p>The Council provided quarterly financial reporting through the “Delivering Our Priorities” reports to the Cabinet and Budget and Performance Panel.</p>
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Report Title	Reactive Repairs and Maintenance
Executive Sponsor	Chief Officer Housing and Property
Objective	To provide assurance that reactive repairs and maintenance activities for Council owned properties are adequately controlled and managed, with competitive prices obtained for services and materials provided.

Assurance Rating	Limited			
Recommendations	0 x Critical	4 x High	5 x Medium	0 x Low
Summary	<p>At present there is no overarching Repairs and Maintenance Policy for the Council. This is currently in progress but still needs to be reviewed by senior managers and cabinet/portfolio holders.</p> <p>The key areas of weakness were identified concerning expenditure controls and their operation. Expenditure with a number of contractors (16) in 2023/24 was not aggregated as required by the Councils Contract Procedure Rules (CPR). In one case the total aggregated expenditure should have resulted in a formal tendering process being undertaken. There is no evidence of any supplier framework being in place at the Council for the use of these contractors. Expenditure testing highlighted issues with authorisation and payment of several invoices.</p> <p>A management direction designed to reduce the monthly average contractor spend was evident in February and March 2024, however this was not sustained in April 2024 with expenditure rising.</p> <p>The process of using standard rate cards was not robust, with cards exceeded, inaccurate recording, failure to add all the elements of the job and failure to update the rate cards with correct details when on the job.</p> <p>A sample of job priorities reviewed identified that some jobs were not correctly prioritised.</p> <p>The target time for job completion was not always achieved with some jobs taking in excess of 100 days to complete against a target of 28 days for standard priority jobs.</p>			

Appendix D: Follow up of previous internal audit recommendations

The status of the actions is as at July 2024.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
2021/22											
Council Tax	8	Moderate	6	2	-	-	-	-	2	-	All recommendations in progress or completed.
P2P System	4	Limited	1	1	2	-	-	2	1	-	Two remaining recommendations overdue and one in progress.
Conflicts of Interest	9	Substantial	9	-	-	-	-	-	-	-	All recommendations completed
Collection of Income and Reconciliations	4	Limited	2	-	2	-	-	2	-	-	All remaining recommendations are overdue.
2022/23											
Budgetary Controls	3	Substantial	-	3	-	-	-	-	1	2	All remaining recommendations in progress.
Externally Managed Events	7	Substantial	1	-	6	-	-	-	1	5	Remaining recommendations overdue. Awaiting update.
Cyber Security	Confidential										
Data Protection: Policy and Process Follow up	Confidential										

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Resilience and Emergency Preparedness	7	Limited	3	4	-	-	-	1	2	1	All remaining recommendations in progress.
Time Recording Systems	7	Moderate	6	1	-	-	-	1	-	-	All remaining recommendations in progress.
Financial Controls	10	Moderate	6	-	3	1	-	1	2	1	All recommendations are in progress with revised completion date of August 2024.
CCTV	4	Limited	-	4	-	-	-	4	-	-	All recommendations are in progress.
Recruitment	5	Moderate	5	-	-	-	-	-	-	-	All recommendations completed
Contracts	11	Limited	-	10	-	1	-	3	6	2	Recommendations in progress or not yet due with revised completion date of August 2024.
2023/24											
IKEN Review	6	Moderate	1	5	-	-	-	1	2	2	All remaining recommendations in progress.
Payroll	6	Limited	-	-	1	5	-	1	5	-	5 recommendations are not yet due, with one overdue.
Risk Management	6	Substantial	-	-	-	6	-	-	1	5	All recommendations not yet due.
National Non- Domestic Rates (NNDR)	5	Substantial	-	-	-	5	-	-	4	1	All recommendations not yet due.
Climate Change	5	Substantial	-	-	-	5	-	-	4	1	All recommendations not yet due

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Reactive Repairs and Maintenance	9	Limited				9	-	4	5	-	All recommendations not yet due.
Mobile Device Management	Confidential										
TOTALS	116		40	30	14	32	-	18	38	20	

Key to recommendations:

✓/S Implemented or Superseded

P Partially implemented/recommendation in progress

X Recommendation not implemented/awaiting update

C Critical priority recommendation

H High priority recommendation

M Medium priority recommendation

L Low priority recommendation

Appendix E: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

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AUDIT COMMITTEE**The CIPFA Financial Management Code****31 July 2024****Report of Chief Finance Officer****PURPOSE OF REPORT**

The Chartered Institute of Public Finance and Accountancy (CIPFA) issued its Financial Management (FM) Code in 2019 which aims to ensure a high standard of financial management in local authorities. This purpose of this report is to provide an assessment of the Council's current compliance with the code, together with areas for improvement.

This report is public

RECOMMENDATIONS

The Committee is asked to

- **To note the assessment carried out at APPENDIX A of the Council's level of compliance compared to the Standards contained in CIPFA's Financial Management Code is consistent with its understanding, and whether there are any further comments it wishes to make.**

1.0 INTRODUCTION

- 1.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) launched a Financial Management Code (FM Code) in 2019 with an implementation date of 1st April 2021. It sets out seventeen standards of financial management for local authorities.
- 1.2 The standards have different practical applications according to the size and different circumstances of individual authorities and their use locally should reflect this. The principle of proportionality applies to the FM Code and reflects a non-prescriptive approach to how each standard is met.
- 1.3 This report is a self-assessment and review of the Council's compliance with the standards as set out in the FM Code. It documents detail of what is expected within the standard. It also records evidence of areas of compliance, non-compliance and documents any further actions required to meet and/or improve current processes in place. This report is to be considered alongside the 2023/24 Annual Governance Statement (AGS).

2.0 BACKGROUND

2.1 In response to recent concerns around financial resilience of Councils, CIPFA has introduced a new FM Code as part of a package of measures that it is putting in place. These measures have been driven by the exceptional financial circumstances faced by local authorities, having revealed concerns about fundamental weaknesses in financial management. In particular there have been a small number of high-profile failures across local government which threaten stakeholders' confidence in the sector as a whole.

2.2 The first full year of compliance with the FM Code was 2021/22 and the Council is required to evidence its assessment of compliance with the code and identify any areas for further improvement annually. Appendix A sets out the review updated for the 2023/24 position and includes the activities undertaken in preparation for the 2024/25 budget.

2.3 CIPFA states that the manner in which compliance with the FM Code is demonstrated will be proportionate to the circumstances of each local authority. Importantly, however, contextualising the FM Code cannot be done according only to the size of the authority but also according to the complexity and risks in its financial arrangements and service delivery arrangements.

3.0 THE CIPFA STATEMENT OF PRINCIPLES OF GOOD FINANCIAL MANAGEMENT

3.1 The FM Code applies a principle-based approach rather than prescribing the financial management processes that local authorities should adopt. They have been developed by CIPFA in consultation with senior practitioners from local authorities and associated stakeholders. The principles have been designed to focus on an approach that will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable.

3.2 The principles include:

- i. **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- ii. **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- iii. Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- iv. Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- v. Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- vi. The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

3.3 In turn the Code is structured around 7 areas of focus:

- The Responsibilities of the Chief finance officer and Leadership Team
- Governance and Financial Management Style
- Long to Medium Term Financial Management
- The Annual Budget
- Stakeholder Engagement and Business Plans
- Monitoring Financial Performance
- External Financial Reporting

- 3.4 Each of these areas is supported by a set of guidance standards against which Councils should be assessed. CIPFA’s expectation is that authorities will have to comply with all the financial management standards if they are to demonstrate compliance with the FM Code and to meet its statutory responsibility for sound financial administration and fiduciary duties to taxpayers, customers and lenders.
- 3.5 Although the FM Code does not have legislative backing, it applies to all local authorities, including police, fire, combined and other authorities. The Code recognises that some organisations have different structures and legislative frameworks. Where compliance with this code is not possible adherence to the principles is appropriate.
- 3.6 The Council’s external auditors will have regard to the FM Code and will be looking to ensure that the Council is meeting the Code. Furthermore, CIPFA guidance issued in February 2021 stated that the Council’s Annual Governance Statement (AGS) should include the overall conclusion of the assessment of compliance with the principles of the FM Code. Where there are outstanding matters, or areas for improvement, these should be included in the action plan.

4.0 FINANCIAL MANAGEMENT CODE SELF- ASSESSMENT

- 4.1 A self-assessment exercise to benchmark the Council’s current processes and practice against the FM Standards has been undertaken using a RAG Rating approach as set out below:

Assessment	Description
GREEN	Compliance is being demonstrated.
AMBER	Minor to Moderate improvements are required to demonstrate full compliance.
RED	Moderate to Significant improvements are required to demonstrate full compliance.

- 4.2 The following table summarises the self-assessment RAG Rating for each standard

Standard Reference	Financial Management Standard	Previous Rating (2021/22)	Previous Rating (2022/23)	Current Rating (2023/24)	Reason for Change
Section 1: The Responsibilities of the Chief Finance Officer and Leadership Team					
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM).	AMBER	AMBER	AMBER	
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government	AMBER	AMBER	AMBER	
Section 2: Governance and Financial Management Style					
C	The Leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	RED	AMBER	AMBER	
D	The authority applies the CIPFA/SOLA CE Delivering Good Governance in Local Government: Framework (2016)	RED	GREEN	GREEN	
E	The financial management style of the authority supports financial sustainability	GREEN	GREEN	GREEN	
Section 3: Long to Medium-Term Financial Management					
F	The authority has carried out a credible and transparent financial resilience assessment.	AMBER	AMBER	AMBER	

G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	AMBER	AMBER	GREEN	<p>Whilst significant forecast deficits remain the Council has an established OBR/ FftF plan underpinned by a number of key financial strategies including its, Flexible Capital Receipts Strategy, Asset Management, Capital and Treasury Management. Its risk management processes are more mature, and a considerable amount of work has been undertaken to enable Senior Leadership Team and Members to fully understand its key financial risks particularly, its pay costs, the revenue cost of capital investment and the impact of the power station decommissioning programme.</p> <p>The Council's MTFS contains a range of scenarios and sensitivity analysis around the key risks and forms the basis of briefings to internal and external stakeholders as part of the budget reporting cycle.</p>
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	GREEN	GREEN	GREEN	
I	The authority has a rolling, multi-year medium-term financial plan consistent with sustainable service plans.	AMBER	AMBER	AMBER	
Section 4: The Annual Budget					
J	The authority complies with its statutory obligations in respect of the budget setting process.	GREEN	GREEN	GREEN	
K	The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the	AMBER	AMBER	GREEN	Both the General Fund and HRA budget reports include a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves. In addition, information is provided in a variety of formats to highlight the impact of the forecast deficits

	adequacy of the proposed financial reserves.				on Council reserves in the short and medium term. Through application of OBR/ FftF it has a well-established process in place to address the deficit.
Section 5: Stakeholder Engagement and Business Plans					
L	The authority has engaged, where appropriate, with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.	GREEN	GREEN	GREEN	
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	AMBER	AMBER	GREEN	The Council now has significant embedded processes around investment option appraisal. Business cases are in line with HMT 5 case model, project management methodologies, documentation and governance arrangements are applied across the Council. External expertise is engaged to ensure independent challenge on business cases for significant investments (c£1M+)
Section 6: Monitoring Financial Performance					
N	The Leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	GREEN	GREEN	GREEN	
O	The Leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	GREEN	GREEN	GREEN	
Section 7: External Financial Reporting					
P	The Chief Finance Officer has personal and statutory responsibility for ensuring that the statement of	GREEN	GREEN	GREEN	

	accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.				
Q	The presentation of the final outturn figures and variations from budget allows the Leadership team to make strategic financial decisions.	GREEN	GREEN	GREEN	

RAG	Description	Number of Financial Management Standards			Movement
		2021/22	2022/23	2023/24	
GREEN	Compliance is being demonstrated.	7	8	11	+3
AMBER	Minor to Moderate improvements are required to demonstrate full compliance.	8	9	6	-3
RED	Moderate to Significant improvements are required to demonstrate full compliance.	2	0	0	0
Total		17	17	17	0

- 3.7 The result of this assessment is documented at Appendix A and identified a range of further actions required, the majority of which were already planned areas of work. These are summarised as follows for standards rated Amber, or Red:

Standard	Action Required	Responsible Officers	Timescale
Responsibilities of the Leadership Team and Chief Financial officer (CFO)	Increased use of benchmarking data and peer review for inclusion in business case and as part of Outcomes Based Resourcing (OBR) to focus on VfM aspects.	Senior Leadership Team	February 2025 - To be incorporated as part of budget process
	Recruitment to address the capacity issues within finance function	Chief Finance Officer	September 2024
Governance and Financial Management Style	Further embedding of Performance Management via the Council's "Annual Conversation"	Chief Officer (People and Policy) and Senior Leadership Team	March 2025
	Review of Financial procedure rules	Chief Finance Officer	November 2024
Long to Medium Term Financial Management	Further work will be required as part of the 2025/26 budget setting process to address the significant forecast deficits and minimise the use of reserves.	Chief Finance Officer	February 2025 – As part of the budget process
	Each lead portfolio member to be more involved in developing and setting the budget for their service areas.	Senior Leadership Team	
	Asset Management systems and plans containing condition surveys and information		

	<p>regarding the whole-life cost of assets need to be developed over the medium term and maintained. Current asset management plans will be reviewed as part of the new model.</p>		
	<p>As part of the process to address the structural deficit service plans will need to be re-aligned to reflect to Council's ambitions and outcomes</p>		

3.8 As noted above these areas for improvement will be included in the Council's Annual Governance Statement and progress monitored through the Audit Committee. The AGS is presented to the Committee elsewhere on this agenda.

4.0 S151 OFFICER'S STATEMENT OF COMPLIANCE WITH THE FINANCIAL MANAGEMENT CODE 2023/24.

4.1 Having considered the six principles of the Financial Management Code and the Financial Management Standards that underpin these principles the s151 Officer considers that although there are areas for improvement the Council complies with the Financial Management code with significant prospects for improvement.

5.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

5.1 As the assessment of performance against CIPFA's FM Code requirement is a regularity requirement and forms part of the Council's Annual Governance Statement no alternative options are identified.

6.0 CONCLUSION

6.1 The CIPFA FM Code is intended to be a live document to support continuous improvement of financial management. This will be reviewed and updated annually and progress on the activities included within the Action Plan will be presented to a future meeting of the Audit Committee

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

The report has no direct impact on the above issues.

FINANCIAL IMPLICATIONS

None arising directly from this report.

OTHER RESOURCE IMPLICATIONS, SUCH AS HUMAN Resources, Information Service, Property, Open Spaces:

None arising directly from this report.

SECTION 151 OFFICER'S COMMENTS

Section 151 of the Local Government Act 1972 states that "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".

CIPFA's judgement is that compliance with the FM Code will assist local authorities to demonstrate that they are meeting these important legislative requirements.

LEGAL IMPLICATIONS

CIPFA's intention is that the FM Code will have the same scope as the Prudential Code for Capital Finance in Local Authorities, so although the FM Code does not have legislative backing, it applies to all local authorities. In addition to its alignment with the Prudential Code, the FM Code also has links to the Treasury Management in the Public Sector Code of Practice and Cross Sectoral Guidance Note and the annual Code of Practice on Local Authority Accounting in the United Kingdom. In this way the FM Code support authorities by re-iterating in one place the key elements of these statutory requirements.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and their comments have been incorporated.

BACKGROUND PAPERS

N/A

Contact Officer: Paul Thompson
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E-mail: pthompson@lancaster.gov.uk
Ref:

CIPFA Financial Management Code – Self Assessment and Action Plan

Ref	Description	FM Code Ref	Detail	RAG Assessment	Compliance Assessment & Commentary Key Actions, Owners & Deadlines
Responsibilities of the Leadership Team and Chief Financial officer (CFO)					
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM).	17-18	<p>Legislative requirement for Authorities to deliver VFM.</p> <p>Delivery of VFM depends on decisions of Elected Members.</p> <p>Shared responsibility across the Leadership Team to communicate and understand the risks involved.</p>	AMBER	<p>The Council operates under a Leader/ Cabinet system. Councillors are supported by the Senior Leadership Team (SLT), which is headed by the Council's Chief Executive. SLT is responsible for the overall leadership and management of the Council, for setting and monitoring overall strategic direction and for ensuring high performance and VFM in the delivery of Council services. In addition, there are several scrutiny and regularity committees which hold Cabinet to account.</p> <p>The Council's various committees are governed by the Constitution, which was updated in 2019, refreshed again in 2023 and is available on the Council's website. It sets out how the Council operates, its Budget and Policy Framework, how decisions are made and the policies which are followed to ensure that these are efficient, transparent, and accountable.</p> <p>The SLT regularly meet informally with Cabinet to bring to their attention the financial position of the Council. As part of the budget process a number of briefings were held outlining the financial challenges the Council faces these included Staff, Key Partners, Local MP's, all Councillors, and the General Public.</p> <p>The Council's Medium Term Financial Strategy (MTFS) and General Fund and Housing Revenue Budgets are agreed annually in February. The MTFS delivers a financial plan through the implementation of a rigorous Outcomes Based Resourcing (OBR)/ Fit for the Future (FftF) budget setting principles but clearly highlights the significant financial challenges the Council faces over the short, medium and longer term. One of the key objectives of the MTFS is to provide cost effective services which demonstrate value for money.</p>

					<p>Business cases for spending plans are reviewed by the SLT before passing through to Budget & Performance Panel (B&PP) for discussion and challenge as well as the wider Council Membership prior to formal consideration by Cabinet and recommendation to Council for formal approval, in line with the Constitution.</p> <p>B&PP reviews service and financial performance (against cost and performance) on a quarterly basis and uses its remit to periodically review key (off target) services.</p> <p>The Annual Governance Statement focuses on all aspects of governance, but critically on processes around VFM in service provision.</p> <p>Contract Procedure Rules clearly state the thresholds and routes to secure compliant supplies. These range from simple quotation, use of dynamic frameworks to full tendering exercise. A register of contracts is maintained by the Procurement team.</p> <p>Committee reports have been amended to provide members with information relating to the impact of decisions on Climate Emergency alongside matters of finance, employment and legal consideration.</p> <p>The Council's Project Management Model which is the compulsory method of managing projects within the council contains key templates for financial assessments and risk management</p> <p>Value for Money is assessed as part of the external audit process and although not yet formally commenced no issues have been raised by the External Auditor in relation to previous years.</p> <p>Assessment: Amber</p>
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				<p><u>Actions Required</u> Increased use of benchmarking data and peer review for inclusion in business case and as part of OBR/ FftF to focus on VfM aspects.</p> <p><u>Ownership</u> Senior Leadership Team</p> <p><u>Deadline</u> February 2025 - To be incorporated as part of 2025/26 budget process and subsequently going forward</p>
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government	18-19	<p>In summary this Statement requires that the CFO:</p> <ul style="list-style-type: none"> • Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest. • Must be actively involved in, and able to bring influence to bear on, all material business decisions • Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. • Must lead and direct a finance function that is resourced to be fit for purpose. 	<p>AMBER</p> <p>From 1st April 2022 the posts of Chief Finance Officer (CFO) and Monitoring Officer were reinstated as members of the Councils. Senior Leadership Team.</p> <p>The CFO personally leads on the Budget process and MTFS and ensures that all risks are considered and detailed as part of the MTFS, in conjunction with the other members of the Council's Leadership Team (Cabinet and SLT). As a result, he is able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications,</p> <p>The CFO is CIPFA qualified with significant experience of local government finance. Continuing professional development is undertaken as required by their accounting body.</p> <p>The CFO reports to the Chief Executive, holds regular finance meetings with the Cabinet member with responsibility for Finance and works closely with other Local Authority S151 Officers.</p> <p>The CFO through the Finance team provides the quarterly financial reporting and monitoring to SLT and Cabinet, and then to Budget & Performance Panel for further scrutiny by Members. Treasury Management reporting is also presented Cabinet, Budget & Performance Panel and Council as prescribed in the CIPFA Prudential Code and the CIPFA Treasury Management Code.</p>

- Must be professionally qualified and suitably experienced.

The Financial Services function consists of 23 FTE's and delivers financial, exchequer, insurance and procurement support to services. In addition, there is oversight of the Council's Internal Audit function which is provided externally by Mersey Internal Audit Agency.

The finance team includes 4 qualified accountants and a number of accounting technicians who meet monthly with Chief Officers, Service Managers and other budget holders. There has been a significant reduction in capacity within the finance team over recent years which has impacted on the level of support provided. However, there are contracts in place for specialist financial advice such as technical accounting, treasury management and taxation.

Financial implications and s151 Officer commentary is considered within all key decision making

Assessment: AMBER

Actions Required
Recruitment to address the urgent capacity issues within finance function.

Ownership
Chief Finance Officer

Deadline
August 2024

Governance and Financial Management Style

C	The Leadership team demonstrates in its actions and behaviours	21	The leadership team espouses the Nolan principles.	AMBER	The Council's SLT consists of the Chief Executive, 5 Chief Officers, the Monitoring Officer, the Section 151 Officer and the Chief Officer
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	<p>responsibility for governance and internal control.</p>		<p>The authority has a clear framework for governance and internal control.</p> <p>The leadership team has established effective arrangements for assurance, internal audit and internal accountability.</p> <p>The leadership team espouses high standards of governance and internal control.</p> <p>The leadership team nurtures a culture of effective governance and robust internal control across the authority.</p>		<p>People and Policy. The roles and responsibility of Chief Officers are defined in agreed job profiles and set out in the Council's Constitution.</p> <p>The Council's Performance Management Framework has been inconsistently complied in recent years but has been re-established as the "Annual Conversation" in 2023/24. The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/ support to inform decision-making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.</p> <p>The Council continues to keep under review Governance arrangements and related procedures to ensure best practice so that the highest standards are maintained. There is a Code of Conduct for Members which is overseen by the Standards Committee. Training in the requirements of the Code of Conduct is mandatory for all Members. In addition, there is a Code of Conduct for Officers.</p> <p>The Council's constitution is openly available on the Council's website and sets out; what powers are delegated to the Cabinet, Committees, individual members and what matters are reserved for collective decision of the Council, and the procedures to be followed to ensure that decisions are taken efficiently and transparently. The Scheme of Delegation sets out roles and responsibilities, links to departmental schemes and sets clear arrangements for internal control and role of internal and external audit. This was reviewed in 2023 following organisational changes.</p> <p>The Council has two effective scrutiny committees, B&PP and Overview & Scrutiny (O&S), who meet regularly throughout the year, which provides challenge and enhances the authority's performance overall. This is outlined in detail in the Council's Constitution.</p>
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					<p>The Council's Audit Committee has no independent membership and is limited to Councillor representation. The Committee considers all aspects of audit activity and the regulatory framework including corporate governance, as part of its Terms of Reference. Within the Councils Constitution all Committees have separate Terms of Reference.</p> <p>All Members decisions are set out using templates which includes legal, regulatory, and financial implications. This requires legal and financial advice to be obtained or confirmed before all decisions are taken, to ensure decisions are appropriate.</p> <p>The Council maintains effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based through Minutes and Reports to Council. All non-exempt reports, agendas/ minutes are available on the Council's Website</p> <p>The Council contracted with Mersey Internal Audit Agency (MIAA) in October 2021 and so have been in operation for a full year and are compliant with Public Sector Internal Audit Standards (PSIAS). Both the CFO and Head of Internal Audit (HoIA) have developed an audit plan to provide assurance over the effectiveness of the Governance of the Council, and the system of Internal Control. This will enable the HoIA to provide their annual assessment and so assist in the production of the Annual Governance Statement for 2023/24.</p> <p>The Financial Procedure Rules were last subject to a full review and approval by Audit Committee on 2014. Contract Procedure Rules were reviewed and approved November 2020. Both documents are clear about the respective authorisation limits for authorisation of contracts and the subsequent commitment/ incurrence of expenditure.</p> <p>As a Council we are defined by how we behave and what we do, driven by our values and behaviours.</p>
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					<ul style="list-style-type: none"> • Pride, • Ownership, • Working Together and, • Ambition <p>Arrangements are in place to provide assurance that our behaviours are being upheld and that Members and Officers demonstrate high standards of conduct. These include:</p> <ul style="list-style-type: none"> • Member and officer protocol • Codes of conduct for members and officers. • Whistleblowing policy (Raising Concerns) • Complaint's procedure • Fraud, Bribery and Corruption Policy & Strategy • Registers of interest (members and officers) • Registers of gifts and hospitality <p>Assessment Amber</p> <p><u>Actions Required</u> Review of Financial procedure rules Further embedding of Performance Management via the Council's "Annual Conversation"</p> <p><u>Ownership</u> Chief Finance Officer, Head of People & Policy and SLT</p> <p><u>Deadline</u> November 2024</p>
D	The authority applies the CIPFA/SOLA CE Delivering Good	22	This framework recommends that the review of the effectiveness of the system of internal control is	GREEN	The Council appointed MIAA in October 2021 and so have had an effective Internal Audit function in place for the whole of the financial year.

	<p>Governance in Local Government: Framework (2016)</p>	<p>reported in an annual governance statement</p>		<p>The Council's Code of Conduct sets the standards for the conduct of Officers and Members at the City Council. It is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework, which was reviewed by the Audit Committee November 2022. The CIPFA/SOLACE Framework introduced the requirement to produce an annual governance statement from 2007/08.</p> <p>The Annual Governance Statement (AGS) is also available on the Council's website. The Statement is updated following the end of each financial year. The AGS includes an Annual Internal Audit Opinion on the effectiveness of the internal control environment and the systems of internal control, highlights issues identified annually along with planned action which is monitored by the Audit Committee.</p> <p>Induction training for all new Members, includes a focus on governance, code of conduct and officer/member relations. Assessment Green</p> <p><u>Actions Required</u> Where reviews of the corporate governance arrangements have revealed improvement recommendations, action is planned that will ensure effective governance in future.</p> <p><u>Ownership</u> Chief Finance Officer/ Monitoring Officer</p> <p><u>Deadline</u> On going</p>
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E	The financial management style of the authority supports financial sustainability	22-23	<p>Strong financial management is assessed against a hierarchy of</p> <ol style="list-style-type: none"> 1. delivering accountability, 2. supporting performance 3. enabling transformation. <p>Need to perform well at each level before moving to the next. This is broadly linked to economy, efficiency and effectiveness.</p>	GREEN	<p>The Council Plan together with the MTFs and annual budgets set the strategic framework for the work and financial plans of the Council and recognise the agreed corporate priorities and objectives.</p> <p><u>Stage 1.</u> The Council has an effective framework of financial accountability through:</p> <ul style="list-style-type: none"> • Member delegations which include financial responsibilities. • Officer delegations which include financial responsibilities. • Financial Procedure Rules which set out financial responsibilities for Chief Officers and Budget Holders <p><u>Stage 2.</u> The Council has a performance management framework in place including, performance measures, customer satisfaction, monitoring of key strategic projects and quarterly performance reporting to Cabinet and Budget and Performance Committee. The Finance Team have attempted to implement a Finance Business Partnering approach, although this has been restricted pending the capacity issues and forthcoming service review.</p> <p><u>Stage 3.</u> There are many examples of financial management supporting transformation specifically in relation to key strategic projects as part of the 2024/25 budget process (Mainway, Eden, strategic asset review to facilitate the Flexible Use of Capital Receipts Strategy etc) but further work is required towards acting as an enabler.</p> <p>Budget holders are responsible for spend against their budgets and members of the Finance Team meet regularly with budget holders as part of the in-year monitoring process to ensure financial implications of decisions are understood and that managers are responsible for those decisions.</p>
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					<p>Detailed financial forecast and monitoring information is provided to Cabinet so that there is regular oversight of the Council's financial position and of the ongoing funding pressures it faces. A process is in place for the tracking and monitoring of agreed savings and reported within financial monitoring reports.</p> <p>All Committee reports have a financial implication section and require commentary from both the s151 and Monitoring Officers</p> <p>Assessment Green</p> <p><u>Actions Required</u> Further work to develop business partnering model and accountability for</p> <p><u>Ownership</u> CFO</p>
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Long to Medium Term Financial Management

F	The authority has carried out a credible and transparent financial resilience assessment.	25-26	<p>The authority has undertaken a financial resilience assessment.</p> <p>That assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios.</p> <p>The authority has taken appropriate action to address any risks identified as part of the assessment</p>	AMBER	<p>The Council has reviewed the CIPFA Financial Resilience index 2022/23 and considers the findings to show the Council to be financially resilient, with no areas of pressing concern.</p> <p>In the MTFs there are some illustrative scenarios about how changes in key assumptions such as Business Rates, Council Tax, New Homes Bonus etc would impact on the budget. However, these do not cover all key variables, or the longer-term impact.</p> <p>The service and financial planning process provided information on cost and demand drivers to enable robust and informed financial planning in each service area.</p> <p>The Council has long recognised the underlying structural deficit within its budget and has worked towards addressing it through its</p>
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					<p>OBR/ FftF process. However, there still remains significant forecast deficits for 2025/26 and beyond. Further work will be required as part of the 2025/26 budget setting process to address these and minimise the use of reserves.</p> <p>The monitoring of revenue in year and at Outturn provides budget holders with information and BP's support this. This information informs financial planning. Improvements are required due to a number of issues, systems, staffing of experienced budget holders who own budgets etc.</p> <p>The s151 Officer undertakes an annual consideration of appropriate level of general reserves and the robustness and adequacy of estimates.</p> <p>The Local Government Association (LGA) undertook an independent Corporate Peer Challenge (CPC) April 2024 and commented on the Council's OBR/ FftF plan to address its budget deficit referencing the rationalisation and review of assets and use of 'flexible capital receipts' regulations to enable investment in transformation to deliver savings</p> <p>The framework has been put in place to address the medium-term deficit and it is anticipated that it will take another 12 to 18 months to fully achieve its aims. An accompanying governance structure has been created incorporating member and senior officer involvement to oversee progress</p> <p>Assessment Amber</p> <p><u>Actions Required</u> There still remains significant forecast deficits for 2025/26 and beyond. Further work will be required as part of the 2025/26 budget setting process to address these and minimise the use of reserves.</p>
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					<p>Recognise the size of the challenge and has a plan to deliver</p> <p><u>Ownership</u> CFO, SLT and Cabinet</p> <p><u>Deadline</u> February 2025 – As part of the 2025/26 budget process</p>
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	26	<p>The authority has a sufficiently robust understanding of the risks to its financial sustainability.</p> <p>The authority has a strategic plan and long-term financial strategy that addresses adequately those risks.</p> <p>The authority reports effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short- and medium-term decision making</p>	GREEN	<p>In consultation with Cabinet the Council produces a 5-year MTFS, a 10-year capital programme and a 30-year Housing Business Plan. The MTFS incorporates revenue and capital models using a range of assumptions for economic and service-related factors. The MTFS is refreshed annually considered by the SLT and Cabinet before being recommended to Full Council in February each year.</p> <p>Finance training is provided to all new Members and updates provided to a wide range of internal and external stake holders as part of the medium-term financial planning and budget setting process. These briefings provide an opportunity to explain the key assumptions and risk areas in financial planning including funding for local government, as well as local factors such as the decommissioning of the Heysham Nuclear Power Stations. The risks around financial planning is clearly set out in the Council's MTFS and has been communicated to the SLT and Members. The growing structural deficit make producing a meaningful long-term plan very challenging.</p> <p>The Council retains prudent levels of resources to manage risks over the short term as outlined in the budget and MTFS papers.</p> <p>Significant progress has been made embed risk management throughout the Council, although it is recognised that a considerable amount of work is undertaken to manage the Council's financial risks.</p>

				<p>The Council needs to continue to develop its overall approach in particularly around the key drivers underpinning the structural deficit.</p> <p>The Council has an established OBR/ FftF plan underpinned by a number of financial strategies including its, Flexible Capital Receipts Strategy (FUCS), Asset Management, Capital and Treasury Management Strategies. The Local Government Association (LGA) undertook an independent Corporate Peer Challenge (CPC) April 2024 and commented on the Council's OBR/ FftF plan to address its budget deficit referencing the rationalisation and review of assets and use of 'flexible capital receipts' regulations to enable investment in transformation to deliver savings</p> <p>Quarterly Delivering our Priorities reports are presented to Cabinet and Budget & Performance Panel which track the outcomes of Council activities. These are set out against key performance indicators and include detailed commentaries on associated risks, achievements and other issues. These reports also highlight remedial actions being taken where slippage does occur.</p> <p>Assessment Green</p> <p><u>Actions Required</u> Although the Council delivered a balanced budget for 2024/25, further work will be undertaken during the year to utilise OBR principles as it works to address the structural deficit as part of the 2024/25 budget process.</p> <p><u>Ownership</u> CFO, SLT and Cabinet</p> <p><u>Deadline</u> January 2025 – As part of the 2025/26 budget process</p>
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				GREEN	<p>The Council is aware of its obligations under the Prudential Code and has assessed itself as compliant with those obligations.</p> <p>The Council has a 5-year General Fund Capital Programme and supporting Capital Strategy in line with the Prudential Code. Although the Code suggests this could be extended the Council has judged that this is a reasonable period over which to have meaningful plans and assumptions and allows key links between revenue and capital plans to be reported together. Both the Capital Strategy and Treasury Management Strategy are approved annually by Full Council in February.</p> <p>The Council's 10 year Capital Programme sets out the high-level capital investment plans proposals but in addition contains a limited "development pool" for projects the Council wish to explore but where the supporting business case is not fully developed. Decisions made about schemes within the development pool are through consideration of robust business cases and separate reports to Cabinet. The Council also has a 30-year Housing Business Plan which includes a 30-year capital investment programme.</p> <p>As part of the budget setting process the Council reviewed and refreshed its Asset Management Plans reflecting forward planning of the operational estate. There are some key areas which will be further developed in line with Council objectives which will need to be reflected in the Capital Programme.</p> <p>The Council's Capital Assurance Group (CAG) considers business cases for annual capital proposals and those schemes within the Development Pool, recommends to Cabinet, it also has a key role in development of the Capital Strategy.</p>
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	26-27	<p>The authority is aware of its obligations under the Prudential Code.</p> <p>The authority has prepared a suitable capital strategy.</p> <p>The authority has a set of prudential indicators in line with the Prudential Code.</p> <p>The authority has suitable mechanisms for monitoring its performance against the prudential indicators that it has set.</p>		

					<p>The Council's Treasury management strategy assesses the financial risks from treasury activity, and details the council's net borrowing position, investments, borrowing strategy and debt management.</p> <p>The Council's prudential indicators are set in line with the Code and reflect current and forecast levels of investment and borrowing. There are effective mechanisms in place to monitor performance against the Code, with bi-annual reporting to the Cabinet, Budget & Performance Panel and Council.</p> <p>Both the Capital and Treasury Management Strategies set out key affordability principals to ensure the Council's capital spending remains affordable in the long term. This includes the proportion of the revenue budget allocated to fund borrowing costs.</p> <p>In March 2023 Council approved its Flexible Use of Capital Receipts Strategy. Under direction from Government the Council can use capital receipts to fund revenue transformation expenditure. This strategy was refreshed and approved for 2024/25</p> <p>The Council's commercial investments ceased following the revisions to the Code in November 2020 and the Council has no plans for further debt for yield schemes. Previous commercial investments were undertaken in line with the Council's Commercial Property Investment Strategy and are under review annually.</p> <p>Assessment: Green</p> <p><u>Actions Required</u> Assess the implications arising from any proposed changes to the Prudential Code.</p> <p>Consideration be given to the development of a longer-term Capital planning horizon.</p>
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					<u>Ownership</u> CFO & CAG <u>Deadline</u> Ongoing
I	The authority has a rolling, multi-year medium-term financial plan consistent with sustainable service plans.	27	<p>The authority has in place an agreed medium term financial plan.</p> <p>The medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy.</p> <p>The medium-term financial plan has been prepared on the basis of a robust assessment of the relevant drivers of cost and demand.</p>	AMBER	<p>The Council has in place an agreed 5-year MTFs. The Finance team engages with Chief Officers and Budget Holders, to integrate service demand with finance reporting, using best data on cost drivers and identify any risk, opportunities, and budget gaps. The MTFs then forecasts the Council's financial position to reflect relevant strategic priorities, commitments, underlying assumptions as well as emergent local, or national issues. The MTFs plans for the delivery of services within an uncertain external environment and helps to ensure the achievement of value for money.</p> <p>The development of service budgets is service led. Chief Officers hold overall responsibility for the budget of their service. Cost drivers and demand are considered within each service and used to form the basis of pressures identified and mitigations /savings put forward. The detail of the analysis of cost drivers is not contained specifically in the MTFs but forms part of the internal budget setting process, though reference is made to particularly large or significant changes in the narrative.</p> <p>Medium-term forecasts are kept up to date to reflect service needs subject to estimation uncertainties e.g., business rates retention approach, future government funding, pay, energy and general inflation Through the budget setting and in-year budget review processes, these are reviewed over a five-year period.</p> <p>The Council has reviewed its approach to operational property management. This will ensure the effective and efficient management of property by combining property service activities, decision making and budgets. It ensures that decisions about property are taken from</p>

					<p>a strategic perspective and that opportunities to deliver efficiencies are captured.</p> <p>This approach to operational property management ensures:</p> <ul style="list-style-type: none"> - Effective and efficient management of property by combining property service activities, decision making and budgets - Decisions about property are taken from a strategic perspective - Opportunities to deliver efficiencies are captured <p>Informal Cabinet meetings are also held during the budget setting process to discuss emerging issues as well as feedback from Partnership, Staff and Public Briefings and decisions reflected in</p> <p>The MTFS is refreshed and reported to Cabinet and Council throughout the budget cycle. This starts in December as part of the base budget resetting, with further updates reflecting the impact of the local government finance settlement, current revenue and capital budget proposals etc</p> <p>Assessment: Amber</p> <p><u>Actions Required</u> Each lead portfolio member should be more involved in developing and setting the budget for their service areas.</p> <p>Asset Management systems and plans containing condition surveys and information regarding the whole-life cost of assets need to be developed over the medium term and maintained within an accessible system. Current asset management plans.</p> <p>As part of the process to address the structural deficit annual service plans will need produced to align to the Council Plan, its ambitions and outcomes</p>
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					<p>Annual Plan</p> <p><u>Ownership</u> SLT & Cabinet</p> <p><u>Deadline</u> February 2025 – As part of the 2025/26 budget process</p>
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Annual Budget

J	The authority complies with its statutory obligations in respect of the budget setting process.	29	<p>The authority is aware of its statutory obligations in respect of the budget-setting process.</p> <p>The authority has set a balanced budget for the current year.</p> <p>The authority is likely to be able to set a balanced budget for the forthcoming year.</p> <p>The authority is aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so.</p>	GREEN	<p>The Council follows an annual budget setting process that meets all its statutory (Local Government Acts 2000, 2003 and Local Government Finance Act 1992) and constitutional requirements.</p> <p>The Council set its level of Council Tax 25th January 2023 increasing it by 2.99%, the maximum allowable under current referendum thresholds</p> <p>Application of OBR principles as part of the 2023/24 budget process identified the following key areas underpinning the budget.</p> <ul style="list-style-type: none"> - Savings proposals £0.395M, - Income Generation £0.838M - Decoupling of Business Rates Multiplier £1.914M <p>A structural deficit remains for 2025/26 and beyond with drawings on reserves currently required. The current overall level of reserves remains sustainable in the short-term. However, significant under delivery of the key areas identified above will place additional pressure on reserves.</p> <p>The Council approves an annual balanced budget that enables the S151 Officer to positively comment on the robustness of the estimates and the adequacy of the proposed financial reserves (s25 assurance statement) within the annual budget report.</p>
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					<p>The annual pay policy statement explains the Council pay policies for its highest and lowest-paid employees. It is written and published in line with the Localism Act 2011 and guidance issued by the Secretary of State. The draft statement is considered by the Personnel Committee and approved by full Council March 2024.</p> <p>The Council is aware of the circumstances under which it should issue a section 114 notice and how it would go about doing so.</p> <p>Assessment: Green</p> <p><u>Actions Required</u> Where in-year budget monitoring process highlights risk and potential for overspend with an established consider development of a formal escalation process</p> <p><u>Ownership</u> Chief Finance Officer Senior Leadership Team</p> <p><u>Deadline</u> March 2024</p>
K	The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	29-30	<p>The authority's most recent budget report includes a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.</p> <p>The report accurately identifies and considers the most significant estimates used to prepare the</p>	GREEN	<p>Both the General Fund and HRA budget reports include a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.</p> <p>The budget reports and MTFS clearly sets out the detail of key estimates e.g., business rates, council tax, housing rents, specific grants, fees and charges, pay inflation etc. It does not set out specific service assumption details and the impact of variations in those.</p>

			<p>budget, the potential for these estimates to be incorrect and the impact should this be the case.</p> <p>The report sets out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is taking to address any shortfall.</p> <p>The authority has sufficient reserves to ensure its financial sustainability for the foreseeable future.</p>		<p>The report sets out the current level of the Council's reserves, the sufficiency of them and the plans for the use of reserves in the future. Based on current information the Council has sufficient reserves to meet the expected short term deficits, which ensures its sustainability for the short-term pending the outcome of the Council's on-going Outcomes Based Resources review.</p> <p>Assessment: Green</p> <p><u>Actions Required</u> A process is already underway to seek an in-year reduction in the use of reserves to deliver a balanced budget for 2024/25 and beyond</p> <p>Increased use of benchmarking services to consider performance against other Local Authorities</p> <p><u>Ownership</u> CFO, Senior Leadership Team and Cabinet</p> <p><u>Deadline</u> February 2025 – As part of the 2025/26 budget process</p>
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Stakeholder Engagement and Business Plans

L	The authority has engaged, where appropriate, with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.	31	<p>The authority knows who its key stakeholders are.</p> <p>The authority has sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget.</p>	GREEN	<p>The Council is aware of who its key stakeholders are and as part of the budget process undertook a wide range of briefings and consultations with both internal and external stakeholders in addition to the formal consultation through the Budget & Performance Panel meeting in January each year.</p> <p>Whilst recognising that engagement with the public on Council spending is hard for residents to engage with in a meaningful way progress is being made via its Community Connectors, public consultation meetings and on-line platforms such as Keep</p>
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			<p>The authority has assessed the effectiveness of this engagement.</p> <p>The authority has a plan to improve its engagement with key stakeholders.</p>		<p>Connected. Engagement with residents/ service users is also conducted in line with individual service changes proposed within the budget, as part of the development and delivery of those proposals.</p> <p>The Council engages with stakeholders and partners through joint working arrangements, partnership boards and representation on external bodies' governing boards. The Council provides funding to support the Voluntary, Community and Faith Sector (VCFS) infrastructure locally and commissions these bodies to work with residents and other bodies.</p> <p>The Council utilises online communication channels such as e-bulletins, Twitter and Facebook.</p> <p>Assessment: Green</p> <p><u>Actions Required</u> A continued review and consideration of the most effective methods of stakeholder engagement on financial matters.</p> <p><u>Ownership</u> Senior Leadership Team and Cabinet</p> <p><u>Deadline</u> February 2024 – As part of the 2024/25 budget process</p>
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	31-32	The authority has a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication 'Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal'.	GREEN	<p>The main forums for reviewing all financial aspects of the capital programme are the Capital Assurance Group (CAG), Cabinet and Budget & Performance Panel.</p> <p>CAG is tasked with reviewing the accompanying business cases (Strategic or Full), which contain both quantitative evaluation of costs and benefits and qualitative evaluation of fit to Council Priorities and outcomes for residents/ service users. The project documentation includes an evaluation of risk and uncertainty and the extent that this</p>

		<p>The authority offers guidance to officers as to when an option appraisal should be undertaken.</p> <p>The authority's approach to option appraisal includes appropriate techniques for the qualitative and quantitative assessment of options.</p> <p>The authority's approach to option appraisal includes suitable mechanisms to address risk and uncertainty.</p> <p>The authority reports the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s).</p>		<p>can be mitigated for given options. Membership of CAG includes the chairs of Budget and Performance and Overview and Scrutiny Committees to allow any issues to be raised prior to submission to Cabinet, or Full Council if applicable for consideration and approval.</p> <p>As noted, all capital proposals have to produce the following business cases:</p> <ul style="list-style-type: none"> - Strategic Outline Case (SOC) - Full Business Case (FBC) <p>At each of the following stages of the five-case model, business cases must include the following five areas:</p> <ul style="list-style-type: none"> - The Strategic Case, - The Economic Case, - The Commercial Case, - The Financial Case and - The Management Case. <p>The accounting treatment and impact is determined at the time of the decision</p> <p>The Council's project management framework is clear that that there are no major investments, or service changes without developing a business case including an options appraisal and project initiation documents although this not yet fully embedded significant improvements have been made in application across the Council</p> <p>The Council has an established a Projects Team overseen by a Programme Manager who ensures timely reporting of progress against plan. Delivering our Priorities (DoP) quarterly reports are presented to Cabinet and Budget & Performance Panel. The DoP reports contains not only financial and project reporting but performance against the Council's key performance indicators (KPI's)</p>
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					<p>External specialism is engaged when required and members of the Finance Team and are involved in the review and challenge of all financial modelling along with key input from other key support services and the service area leading on delivery.</p> <p>Assessment: Green</p> <p><u>Action Required</u> Further work is required to fully embed project management and the accompanying disciplines throughout the Council and ensure that is consistently applied.</p> <p><u>Ownership</u> SLT and Programme Manager</p> <p><u>Deadline</u> On-going</p>
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Monitoring Financial Performance

N	The Leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	33	<p>The authority provides the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability.</p> <p>The reports cover both forward- and backward-looking information in respect of financial and operational performance.</p> <p>There are mechanisms in place to report the performance of the</p>	GREEN	<p>The Council's Budget, Statement of Accounts and MTFS reflect the main risks to sustainability. These are reported throughout the annual financial cycle in monitoring reports to SLT, Cabinet, Council and B&PP. The Budget and MTFS are formally agreed by Full Council in February.</p> <p>Quarterly financial and non-financial DoP reports are provided to SLT, Cabinet and Budget & Performance Panel. The reports identify significant variances and provides some commentary on any corrective actions being taken. The reports cover the position to date and the forecast for the remainder of the financial year. It also includes of the various capital schemes and planned use of reserves.</p>
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			<p>authority's significant delivery partnerships.</p> <p>The reports are provided to the leadership team in a timely manner and in a suitable format.</p> <p>The leadership team is happy with the reports that it receives and with its ability to use these reports to take appropriate action</p>	GREEN	<p>DoP reporting also provides information in respect of the Council's basket of key operational performance indicators and major projects. Reports are clear, written to a standard format and contain narrative, tabular and graphic representations as well as service and subjective analysis of the information.</p> <p>Reporting to officers and portfolio holders is usually 1-month after the quarter end with reporting to Members in the following two weeks, dependent upon Committee cycles, which can create a time lag. Work has been undertaken to better align reporting to the Committee cycles as part of the 2024/25 budget planning process.</p> <p>The Head of Internal Audit has regular meetings with the s151 Officer to discuss current and emerging risks.</p> <p>Assessment: Green</p> <p><u>Action Required</u> The Council will continue to review the format and usefulness of its performance reporting.</p> <p>The Council is currently reviewing its key KPIs to make sure they clearly support the Council's Priorities</p> <p><u>Owners</u> CFO and SLT</p> <p><u>Deadline</u> On-going</p>
O	The Leadership team monitors the elements of its balance sheet that pose a significant risk to	33	The authority has identified the elements of its balance sheet that are most critical to its financial sustainability.	GREEN	The Council has historically considered its reserves position, investments and borrowing, and debt levels as most critical and therefore reporting is currently only made on these elements of the balance sheet.

	<p>its financial sustainability.</p>	<p>The authority has put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet.</p> <p>The authority is taking action to mitigate the risk identified.</p> <p>The authority reports unplanned use of its reserves to the leadership team in a timely manner.</p> <p>The monitoring of balance sheet risks is integrated into the authority's management accounts reporting processes.</p>		<p>Forecast use of reserves is reported on a quarterly basis to the Cabinet, Budget and Performance and SLT. This highlights any changes to planned use/ contribution to balances as well as movements in budgeted contributions to/from earmarked reserves. This then feeds into any MTFs refresh, or revised budget process, along with intelligence about key risks.</p> <p>Borrowing and investments are reported to Cabinet, Budget and Performance and Council on a bi-annual basis as part of the Treasury Management reporting. Prudential Code requirements are adhered to provide the risk management of treasury activity. In addition, the Council uses external expertise to evaluate capital investment business cases to ensure they are affordable, sustainable and prudent when viewed across the Council as a whole.</p> <p>Additional reporting on areas including collection rates, arrears and write offs are now incorporated</p> <p>A Corporate Asset Management Strategy is being prepared by Property Services containing condition surveys and information regarding the whole-life cost of assets produced over the medium term. This is being incorporated within the Council's budgets and decision-making process to inform it's retain, preserve, enhance or disposal decisions.</p> <p>Assessment: Green</p> <p><u>Action Required</u> Continued review and refinement of the presentation of financial information</p> <p><u>Ownership</u> CFO</p>
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					<u>Deadline</u> On going
External Financial Reporting					
P	The Chief Finance Officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.	35	<p>The authority's leadership team is aware of the CFO's responsibilities in terms of the preparation of the annual financial statements.</p> <p>The authority's CFO is aware of their responsibilities in terms of the preparation of the annual financial statements.</p> <p>These responsibilities are included in the CFO's role description, personal objectives and other relevant performance management mechanisms.</p> <p>The authority's financial statements have hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.</p>	GREEN	<p>Both the Council's leadership team and CFO are aware of the CFO's responsibilities in terms of the preparation of the annual financial statements. These responsibilities form part of the CFO's role description and personal objectives.</p> <p>The Council's Statement of Accounts are prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom. A declaration to this effect is made within the accounts and signed by the S151 Officer.</p> <p>Although the audit work is now complete as result of a long-standing and complex objection the audits of the 2019/20 and 2020/21 are yet to be concluded. The Council has been significantly impacted by the much-publicised crisis within Public Sector Audit regime and the considerable number of audit opinions remaining outstanding. As a result of the external auditor's inability to resource the audit and further objections received regarding the 2021/22 and 2022/23 financial statements audit work is yet to commence.</p> <p>All parties are working to ensure that the provisional backstop date 30 September 2024 for the conclusion of audits up to 2022/23 is achieved and the impact on the 2023/24 audit is minimised.</p> <p>Assessment: Green</p> <p><u>Actions Required</u> Accounts are prepared within statutory deadlines and working papers produced to a good standard. The Council will continue to work with the External Auditors to resolve historic issues</p>

					<u>Ownership</u> CFO
Q	The presentation of the final outturn figures and variations from budget allows the Leadership team to make strategic financial decisions.	35	<p>The authority's leadership team is provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget.</p> <p>The information in these reports is presented effectively.</p> <p>These reports are focused on information that is of interest and relevance to the leadership team.</p> <p>The leadership team feels that the reports support it in making strategic financial decisions.</p>	GREEN	<p>The presentation of the Revenue and Capital outturn position is reported to Cabinet and Budget & Performance Panel for scrutiny in line with the Council's constitution. The report includes comparison of outturn to budget and explains the reasons for any key variances from budget in line with the in-year quarterly budget monitoring process.</p> <p>The report sets out the impact of these variances on general balances and earmarked reserves and makes proposals for further contributions to/ or from these.</p> <p>These reports focus on material issues, which require action or awareness from the leadership team and therefore are appropriately focused</p> <p>In addition, the narrative report that accompanies the Statement of Accounts provides a link to achievement of outcomes and performance. The Members understand variances from budget and how they have been managed.</p> <p>Assessment: Green</p> <p><u>Actions Required</u> The Council will continue to review the format and usefulness of its performance reporting.</p> <p><u>Ownership</u> CFO</p>

AUDIT COMMITTEE**Annual Governance Statement
2023/24****31 July 2024****Report of the Monitoring Officer****PURPOSE OF REPORT**

To approve the draft Annual Governance Statement (AGS) for 2023/24 for inclusion in the Annual Statement of Accounts following a review of the Council's governance arrangements.

This report is public

RECOMMENDATIONS

(1) To consider the Annual Governance Statement (AGS) for 2023/24 and be recommended for adoption and for signing by the Chief Executive and the Leader of the Council, subject to any minor non-material changes.

1.0 Introduction

- 1.1 The AGS is a valuable means of communication. It enables an authority to explain to the community, service users, taxpayers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes.
- 1.2 In accordance with the Accounts and Audit Regulations 2015 the Council is required to prepare an AGS, which is published alongside the Statement of Accounts.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) jointly issued a Framework and guidance in relation to the AGS; 'Delivering Good Governance in Local Government'. The guidance urges local authorities to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the corporate governance and internal control framework of an organisation.
- 1.4 The Framework recognises that effective governance is achieved through seven core principles.

- A. **Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;**
- B. **Ensuring openness and comprehensive stakeholder engagement;**
- C. **Defining outcomes in terms of sustainable economic, social, and environmental benefits;**
- D. **Determining the interventions necessary to optimise the achievement of the intended outcomes;**
- E. **Developing the entity's capacity, including the capability of its leadership and the individuals within it;**
- F. **Managing risks and performance through robust internal control and strong public financial management; and**
- G. **Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

2.0 Proposal Details

- 2.1 The draft AGS for 2023/24 is attached at Appendix A. All key officers and the Head of Internal Audit were given the opportunity to provide information and key evidence to support how the organisation has complied with the principles set out in paragraph 1.4 above during the year.
- 2.2 The timescale to produce the AGS coincides with that for the approval of the audited financial accounts. The AGS must be approved at a meeting of the Council or delegated committee, in this case, the Audit Committee.
- 2.3 The Leader of the Council and the Chief Executive will be asked to sign the AGS certifying that they are aware of the governance issues within the Authority and of the measures that are needed to mitigate them.

3.0 Details of Consultation

- 3.1 Members of the Senior Leadership Team and other key officers across the Council have had the opportunity to participate in the formulation of this document.

4.0 Options and options analysis (including risk assessment)

- 4.1 As the production of a draft AGS is a legislative requirement, no alternative options are identified.

5.0 Conclusion

- 5.1 The draft AGS and the results of the review reflect the developments and issues impacting the Council's governance arrangements during the last twelve months. Addressing the significant issues identified in the statement will help ensure the Council maintains and improves its standards of governance in the future.

**CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

The report has no direct impact on the above issues.

FINANCIAL IMPLICATIONS

None arising directly from this report.

OTHER RESOURCE IMPLICATIONS, SUCH AS HUMAN Resources, Information Service, Property, Open Spaces:

None arising directly from this report.

SECTION 151 OFFICER'S COMMENTS

The S151 Officer has no comments to make on this Report.

LEGAL IMPLICATIONS

Legal Services has no further comments to make on this Report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has authorised this report.

BACKGROUND PAPERS

N/A

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[Draft] Annual Governance Statement 2023/2024

INTRODUCTION AND ACKNOWLEDGEMENT OF RESPONSIBILITY

Lancaster City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used efficiently, effectively and economically.

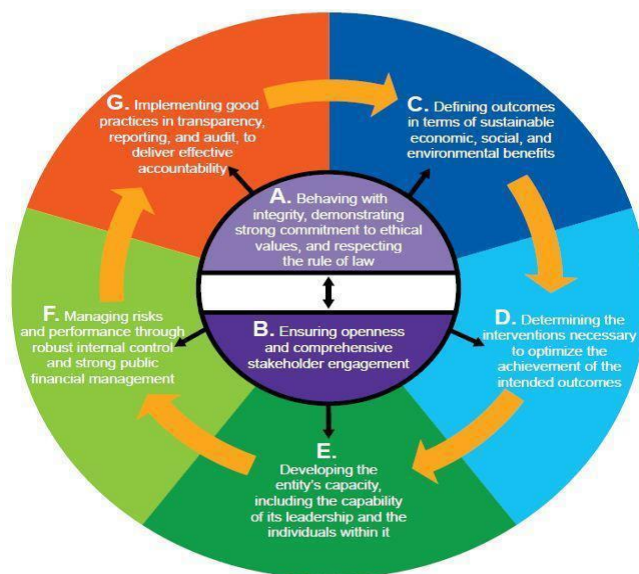
To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, open and accountable manner. These arrangements consist of all the systems, processes, culture and values which direct and control the way in which we work and through which we account to, engage with and lead our communities.

The Accounts and Audit Regulations (2015), require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

THE GOVERNANCE FRAMEWORK

The Council has adopted a Code of Corporate Governance (approved in November 2022). The Preparation and publication of this Annual Governance Statement is in accordance with the principles set out in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016) (The Framework). The Framework contains seven core interlinked principles detailed in table 1 below

Table 1. Principles for Delivering Good Governance in Local Government



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.

Key elements of the Council’s governance framework are summarised below.

Table 2. Overview of the key elements of the Council’s Governance Framework

<p><u>The Council, Cabinet and Leader</u></p> <ul style="list-style-type: none"> • Provide leadership, develop strategy, and set policy • Engage with and support the Council’s communities and neighbourhoods to thrive and succeed 	<p><u>Scrutiny and Review</u></p> <ul style="list-style-type: none"> • The Overview and Scrutiny Committee reviews Council policy and can scrutinise and challenge decisions • The Budget and Performance panel reviews operational and financial performance • The Audit Committee reviews internal control, fraud, risk management and governance
<p><u>Decision Making</u></p> <ul style="list-style-type: none"> • Meetings are held in public • Agendas, minutes and decisions are recorded on the Council’s website 	<p><u>Risk Management</u></p> <ul style="list-style-type: none"> • Risk management strategy ensures proper management of risks • Risk registers identify both strategic and operational risk
<p><u>Paid Service and Statutory Officers</u></p> <ul style="list-style-type: none"> • The Head of Paid Service is the Chief Executive who is responsible for all Council staff and leading an effective corporate management team of Chief Officers to deliver the strategies within the policy framework set by Elected Members • The Council’s Section 151 Officer is responsible for safeguarding the Council’s financial position and ensuring value for money • The Chief Officer (Governance) is the Council’s Monitoring Officer, who is responsible for ensuring legality and promoting high standards of public conduct 	

HOW WE COMPLY WITH THE CIPFA / SOLACE FRAMEWORK

Set out below is how the Council has specifically complied with the seven core principles set out in the CIPFA / SOLACE framework during 2023/24.

Table 3: Summary of Compliance against the Local Code of Corporate Governance

<p>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	
<p>Compliance Overview</p>	<p>The following key policies, procedures, and practices remained in place and were applied throughout the year.</p> <ul style="list-style-type: none"> • Code of Conduct for both members and staff • The Council’s ‘values and behaviours framework’ • The Council Housing service has agreed staff and manager Charters. • Registers of interest policies for both staff and members • The Council has a corporate complaints handling policy and housing complaints policy. This has been combined into one Policy from 1st April

	<p>2024 following the guidance from the joint Complaints Code from the applicable Ombudsmans.</p> <ul style="list-style-type: none"> • Council Housing have a publishable Complaints self-assessment on our website • Council and Committee minutes show any declarations made at meetings are viewable on each Councillor’s record on the website • An electronic Gifts and Hospitality register for both staff and Members • Both Standards and Overview and Scrutiny Committees • There are policies and procedures in place for dealing with unacceptable behaviours for both officers and Members • Effective monitoring and review of counter fraud policies are in place and are monitored and reviewed annually by the Corporate Enquiry Team to ensure they are applied consistently. • A ‘Raising Concerns’ Policy (amended January 2023) is in place and sits with the Council’s Monitoring Officer • The Council complies with CIPFA’s Role of the Chief Financial Officer and the role of the Head of Audit in Local Government (provided by MIAA) • Training is provided for regulatory committees on a regular basis. • Compliance with specific legislation, law or guidance is documented in decision making documents • Council housing also produces an annual compliance statement and has a self-assessment process for Consumer Standards. • Council Housing have an adopted Breaches Policy which outlines the steps which should be taken and when referrals to the Regulator of Social Housing should be made should there be a breach of required standards. • The Constitution includes terms of references, defines decision making powers and describes roles and functions • The Constitution is regularly reviewed and kept up to date
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Principle B: Ensuring openness and comprehensive stakeholder engagement	
Compliance Overview	<p>The following key policies, procedures, and practices remained in place and were applied throughout the year.</p> <ul style="list-style-type: none"> • The Council’s Council Plan is published to all staff, elected members, partners and the community. The Council Plan 2024/27 was adopted in December 2023. • An annual ‘Narrative Report’ is published and accompanies the Statement of Accounts • The Section 151 Officer publishes annual accounts within statutory deadlines to the community to report on the organisation’s activities, achievements and its financial position and performance • The Council publishes information in accordance with the Local Government Transparency Code 2015 and continues to monitor effective compliance with the Code. • An Overview and Scrutiny and Budget and Performance Panel report is published annually

	<ul style="list-style-type: none"> • The Council publishes all key decisions on its website • A Freedom of Information publication scheme is in place • Standardised report pro-formas for decision making are in place and a published timetable of reporting deadlines for committees is published • The Council ensures that appropriate consultation and engagement takes place • The Council publishes all current and closed consultations on its website • Customer feedback forms are in place in key outlets e.g. Salt-Ayre Leisure Centre • The Council has subscribed to the Engagement HQ Platform, Keep Connected. The platform is an easy and secure way for the public to participate in projects (https://keepconnected.lancaster.gov.uk) • Participative democracy (People’s Jury) has been used to inform the Council’s strategy for dealing with climate change and this approach continues to be developed. • Council Housing have an established Tenant Voice group which meets bi-monthly. Throughout 2023-24 additional engagement and scrutiny groups for Council Housing have been established: Council Housing Advisory Group, Block Voice and Tenant Scrutiny Group. • Housing Options has a bi-monthly stakeholders meetings with stakeholders through homeless advisory group/homelessness forum. • The Council has a Community Connector team whose role is to engage and connect with partners, communities and elected members. • During the year virtual meetings and events for stakeholders and residents were held. Officers have been able to arrange meetings via Microsoft Teams when concerns arise, increasing the Council’s partnership working • The Council has several communication guidance documents in place e.g. the Intranet Policy and the Plain English and Style Guide • The Council complies with publication dates for reports and the ‘forthcoming decisions list (forward plan) • Robust arrangements are in place for both the shared service arrangements with Revenue and Benefits and the Corporate Enquiry Team • The Budget and Performance Panel was fully consulted in relation to the Council’s budget • The Council’s vision, strategic plans, priorities and targets are developed in consultations with the local community and other key stakeholders • Online publication of Councillors’ interest in accordance with the Localism Act 2011
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<p>Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits</p>	
<p>Compliance Overview</p>	<p>The following key policies, procedures, and practices remained in place and were applied throughout the year.</p> <ul style="list-style-type: none"> • Corporate key performance indicators (revised as and when appropriate) are reported quarterly to Cabinet and the Budget and Performance Panel • A ‘Narrative Report’ is published within the Statement of Accounts to reflect the Council’s key achievements • There are effective arrangements in place to deal with failure in service delivery via the Council’s corporate complaints procedure • The Medium-Term Financial Plan, Revenue Budget and Capital

	<p>Programme are designed to deliver the strategic priorities</p> <ul style="list-style-type: none"> • The Council has a capital programme of works • The Council has an approved Capital Investment Strategy • Individual capital projects are equality impact assessed • All key decisions are required to consider (where applicable) the impact on Climate, Equality, Wellbeing & Social Value, Health & Safety and Community Safety. This includes consideration of fair access to services • The Council has an adopted local plan which is up-to-date i.e. adopted within the last five years (July 2020). • The Council has commenced a Climate Emergency Local Plan review which seeks to make amendments to the Local Plan following the Council's Climate Emergency. The Examination process is ongoing and we are awaiting receipt of the Planning Inspector's final report. • The Council has commenced a further full review of its Local Plan. It has concluded a scoping consultation, is currently commissioning consultants to provide specialist evidence and will shortly commence its issues and opportunities consultation and will thereafter continue with its work on preparing the draft plan. • Procedures are in place to address conflicting interests e.g. the call-in procedure and codes of conduct for members and officers. • The Council declared a climate emergency in January 2019. Since then, it has developed several workstreams aimed at ensuring that its' own activities have a net zero carbon impact by 2030. To support the wider ambition of decarbonising the whole district, the Council is working with Energy Systems Catapult (via external funding) to produce a Local Area Energy Plan (LAEP). The LAEP will identify the most cost-effective pathways to net zero for the Lancaster District. The LAEP is at the final workshop stage, and the completed Plan will be available later this summer. • • Formal decisions take into account an assessment of environmental impact, proportionate to the nature of the decision
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Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes	
Compliance Overview	<p>The key arrangements for managing performance and delivery, to inform interventions, continued to operate throughout the year. These included</p> <ul style="list-style-type: none"> • Effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and consideration on which decisions are based • Member and Officer briefings took place for more complex areas of decision making • The MTFs, Revenue Estimates and Capital Programme are configured to meet the requirements of the Council Plan and Ambitions document and are published annually. They are key documents for forecasting budget requirements and planning ahead • The MTFs sets out the framework for corporately managing the Council's resources in the years ahead • Corporate Key Performance Indicators are in place and are reported

	<p>quarterly to Cabinet and the Budget and Performance Panel</p> <ul style="list-style-type: none"> • Both Capital and Revenue bids consider 'social value'. • Proper, professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making • The Council considers public surveys, demographic information and public health reports when developing the Council Plan
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Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

<p>Compliance Overview</p>	<p>The key arrangements for building our capacity and capability continued to operate throughout the year. Leadership forums, including Wider Leadership Forum were maintained</p> <ul style="list-style-type: none"> • The Council is an active member of both the Local Government Association and District Council Network and has senior Members and Chief Executive in national representative roles. • The Council is member of APSE and regularly benchmarks several key Council services e.g. Street Cleansing, Council Housing, Internal Audit, Waste Management, Pest Control and Leisure • The Council has received both blue and green flag status for its clean beaches and parks and open spaces • The Leader, Chief Executive and Section 151 Officer regularly attend Lancashire Leaders, Lancaster Chief Executives and Lancashire Chief Finance Officer meetings • The Chief Executive is responsible and accountable to the Authority for all aspects of operational management and has regular meetings/1-1's with the Leader, Cabinet and the Senior Leadership Team. • The Senior Leadership Team meet regularly with portfolio holders and Cabinet as a whole. • The Section 151 Officer is responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control and attends Senior Leadership Team meetings on invitation. • There is a clearly defined management structure and a scheme of delegation to officers, which is underpinned by the Members' Code of Conduct and a Protocol for Officer and Member relations • All new members receive a full corporate induction, ongoing support and role-specific training • An Accreditation review for Investors in People was carried out in January 2021, resulting in an upgrade to Silver accreditation (valid for 3 years). • An induction programme is provided for all new staff and Members • The Council has several policies and incentives to support the Health and Wellbeing agenda e.g. Agile Working, Absence Management, discounted gym membership and the Cycle to Work Scheme. • The process for employee annual appraisal was paused early in the pandemic. The process was reviewed and revised in late 2022 and early 2023 leading to a new process of employees' annual conversations being commenced in April 2023.
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Principle F: Managing risks and performance through robust internal control and strong financial management
Compliance Review

- The regulations, policies and governance arrangements set out in the Code of Corporate Governance have been applied through the year for the Council. Examples of these include
- The Council has a Risk Management Policy which was updated in March 2023 and further refreshed in March 2024 to include details on risk appetite.
- All services have Information asset registers and privacy notices are now in place for most the Council's service areas.
- The Council has an Overview and Scrutiny Committee and a Budget and Performance Panel which have been set clear roles and responsibilities
- Key Performance Indicators are reported quarterly to Cabinet and the Budget and Performance Panel and a 'Narrative Report' is published within the Statement of Accounts.
- Effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based
- There is a calendar of dates for submitting, publishing and distributing timely reports to the Council's committees
- The Council has an effective Internal Audit Service and all current Audit reviews are conducted under the Auditing Practices Board Guidelines and in line with Public Sector Internal Audit Standards (PSIAS)
- An Audit Committee is in place, which is independent of the Executive and the Overview and Scrutiny function
- The Head of Internal Audit and Assurance (Louise Cobain of MIAA) is Consultative Committee of Accountancy Bodies (CCAB), Chartered Public Finance Accountant (CPFA) 2005 qualified and also holds a Chartered Management Institute Level 5 Leadership and Management Programme (2018).
- The implementation of internal audit report recommendations is monitored by the Council's Head of Internal Audit and Audit Service and Assurance (provided by MIAA) and the Audit Committee. MIAA has External Quality Accreditation (which is required every five years. This was undertaken in 2020 by CIPFA which confirms MIAA's full compliance with the Public Sector Internal Audit Standards. MIAA also undertakes annual self-assessments against standards which again confirms full compliance.
- The Council has several counter-fraud policies in place which assist against fighting fraud and corruption
- The Council has a Anti Money Laundering Policy in place which is reviewed by the Audit Committee. A revised Anti Money Laundering Policy was approved by Audit Committee in March 2023
- The Council has an 'Anti Money Laundering Reporting Officer'
- The Council's Annual Governance Statement is prepared in compliance with CIPFA's 'delivering good governance in Local Government'
- The Council uses an on-line e-learning portal to promote the General Data Protection Regulations (GDPR) and information security and is mandatory for all new starters
- The Council has a designated Data Protection Officer and continues to work towards ensuring it is fully compliant with GDPR. Progress is being made on a recent DP Audit and Action Plan. There are still areas for

	<p>improvement including work on the creation of an Information Governance Framework.</p> <ul style="list-style-type: none"> • Secure arrangements are in place for the transfer of sensitive data (SFTP and encryption tools available within Office 365) • The Council has both a records management policy and a confidential waste policy in place. The records management and retention policy was last updated February 2023 and is due to be reviewed in August 2024 • Those making decisions are provided with information that is fit for purpose, relevant, timely and gives clear explanations of technical and financial issues and their implications • Budget monitoring reports are issued to budget holders on a regular basis
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Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

<p>Compliance Review</p>	<p>The Council endeavors always to be open and transparent. The regulations, policies and governance arrangements set out in the Code of Corporate Governance have been applied throughout the year for the Council and can be accessed here:</p> <ul style="list-style-type: none"> • The Council endeavors to publishes information in accordance with the Local Government Transparency Code 2015. • Each year we publish information on our website outlining how we spend Council Tax income. • A 'Narrative Report' is published within the Statement of Accounts to reflect the Council's key achievements • The Council's website is comprehensive, accurate and user friendly • The Council has an on-line Planning Application Policy • Annual presentations are delivered for elected Members concerning the Council's finances as part of the production of the Revenue Estimates, the Capital Programme and the update of the MTFS • An effective internal audit function is resourced and maintained enabling them to deliver an annual internal audit opinion • The Council ensures that there is a process in place for the follow up of audit recommendations • The Council complies with both the Public Sector Internal Audit Standards and CIPFA's Statement on the role of the Head of Audit (2019) • In accordance with the Audit and Account Regulations 2015, an annual assessment of the effectiveness of the internal audit function is completed annually • The Audit Committee members are able to have private and confidential discussions with the Head of Internal Audit and Assurance. This is safeguarded by the functions and responsibilities of the Audit Committee in the Council's Constitution. • In accordance with the Public Sector Internal Audit Standards (PSIAs) the Head of Audit & Assurance developed a risk based Internal Audit Plan (2023/2024). This was approved by Audit Committee 22nd March 2023.P • The Council has a RIPA Policy in place and officers who use social media to carry out surveillance have received relevant training. The RIPA Policy was reviewed by the Audit Committee in November 2023 and will be reviewed again in November 2024.
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	<ul style="list-style-type: none"> • Arrangements for accountability and prevention of corruption when working with suppliers and partners are documented within the Council's Contract Procedure Rules
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Financial Management Code

The CIPFA Financial Management Code 2019 (FM Code) was introduced during 2020-21, to improve the financial resilience of organisations by embedding enhanced standards of financial management. The implementation of the FM Code is mandatory from 2021-22, and the Council has assessed compliance with the Code, against each of the seven standards. This concluded that the current working practice and noted planned improvements (subject to works set out in the table below) will meet the expectations of the Code of Practice against each of the standards:

- Responsibilities of the Chief Finance Officer and Leadership Team.
- Governance and Financial Management Style.
- Long to Medium Term Financial Management.
- The Annual Budget.
- Stakeholder Engagement and Business Plans.
- Monitoring Financial Performance; and
- External Financial Reporting

Table

Standard	Action Required	Responsible Officers	Timescale
Responsibilities of the Leadership Team and Chief Financial officer (CFO)	Increased use of benchmarking data and peer review for inclusion in business case and as part of Outcomes Based Resourcing (OBR) to focus on VfM aspects.	Senior Leadership Team	February 2025 - To be incorporated as part of budget process
	Recruitment to address the capacity issues within finance function	Chief Finance Officer	September 2024
Governance and Financial Management Style	Further embedding of Performance Management via the Council's "Annual Conversation"	Chief Officer (People and Policy) and Senior Leadership Team	March 2025
	Review of Financial procedure rules	Chief Finance Officer	November 2024
Long to Medium Term Financial Management	Further work will be required as part of the 2025/26 budget setting process to address the significant forecast deficits and minimise the use of reserves.	Chief Finance Officer	February 2025 – As part of the budget process
	Each lead portfolio member to be more involved in developing	Senior Leadership Team	

	and setting the budget for their service areas.		
	Asset Management systems and plans containing condition surveys and information regarding the whole-life cost of assets need to be developed over the medium term and maintained. Current asset management plans will be reviewed as part of the new model.		
	As part of the process to address the structural deficit service plans will need to be re-aligned to reflect to Council's ambitions and outcomes		

REVIEW OF EFFECTIVENESS

We have responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Council who have responsibility for the development and maintenance of the governance environment and by Internal Audit's annual report.

Issues arising from the review of the effectiveness of our governance framework are monitored by the Office of the Chief Executive and the Council's Audit Committee.

The Council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below:

Assurance from Internal and External Audit

Internal Audit Assurance

One of the key assurances the Council receives is the Internal Audit Annual Report. In this report, the Internal Audit Service gives an opinion on the Council's internal control, risk management and governance framework.

The 2023/2024 Internal Audit Annual Report and Head of Internal Audit Opinion recognises that "the Council like other organisations across the public sector is facing a number of challenging issues and wider organisational factors particularly with regards to financial challenges and increasing collaboration across organisations and systems":

The overall opinion of the Head of Audit, as detailed in the report is that " In considering the overall opinion, we have considered that Internal Audit resource has been directed into known risk areas by Council Officers and the Audit Committee. Moving forward, the Council needs to ensure that there is a continued focus on the strengthening of its control framework and completing management actions on a timely basis."

The 'Executive Summary' in MIAA's report further provides that:

"The 2023/24 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress reports across the financial year. Review coverage has been focused on:

- The organisation's assurance framework;
- Core and mandated reviews, including follow up; and
- A range of individual risk-based assurance reviews."

With regards to MIAA's recommendations / Management, the report states that:

- We have raised 50 recommendations as part of the reviews undertaken during 2023/24 (not including confidential reviews). All recommendations raised by MIAA have been accepted by management.
- Of these recommendations: none were critical and 5 were high risk recommendations in relation to the reviews of Contract Management and Payroll including Additional Payments.
- During the course of the year, we have undertaken follow up reviews from 2019/20, 2021/22, 2022/23 and 2023/24 and can conclude that the organisation implemented/superseded 61 actions during 2023/24.
- The total number of recommendations yet to be implemented as at April 2024 is 67, 17 of these are high risk and relate to the reviews of Purchase to Pay, Collection of Income and Reconciliations, Resilience and Emergency Preparedness, Time
- Recording Systems, Financial Controls, CCTV, Contracts, IKEN Review and Payroll.
- Of the 67 actions yet to be implemented, none are critical risk 7 high risk, 10 medium risk and 17 low risk were overdue or overdue and in progress at April 2024. The remaining 33 recommendations were not yet due.

As part of the Shared Revenues & Benefits Service Agreement, Lancaster City and Preston City Council have completed the internal audit reviews of Housing Benefits (by Preston City Council) and National Non-Domestic Rates (Lancaster City Council's internal auditors).

External Audit Assurance

The Council's external auditors, Deloitte provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. Deloitte's appointment as external auditors were made in 2017 for the period covering the accounts for 2018/19 to 2022/23. The Council agreed at its meeting 23 February 2023 for the Public Sector Audit Appointments (PSAA) to appoint its external auditor for the appointing period spanning the audits from 2023/24 to 2027/28. The procurement process conducted by PSAA took place during the sum Spring/Summer of 2022. Following the procurement process KPMG have been appointed as the External Auditor for the Council for 5 years from 2023/24 to 2027/28.

Outstanding Audit Opinions

Although the audit work is now complete as result of a long-standing and complex objection the audits of the 2019/20 and 2020/21 are yet to be concluded. The Council has been significantly impacted by t the much-publicised crisis with Public Sector Audit regime and the considerable number of audit opinions remaining outstanding. As a result of the external auditor’s inability to resource the audit and further objections received regarding the 2021/22 and 2022/23 financial statements audit work is yet to commence.

A number of regulators and public sector bodies including the National Audit Office (NAO), Department for Levelling Up Housing and Communities (DLUHC), Chartered Institute of Public Sector Accountancy (CIPFA), the Financial Reporting Council (FRC), the Local Government Association (LGA) and Public Sector Audit Appointments (PSAA) have brought forward a series of proposals which they hope will address the situation.

Phase 1: Reset - clearing the backlog of audit opinions up for 2022/23 and earlier years by 30 September 2024

Phase 2: Recovery – preventing a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform – addressing systemic challenges in the system and embedding timely financial reporting and audit.

All parties are working to ensure that the backstop date 30 September 2024 for the conclusion of audits up to 2022/23 is achieved and the impact on the 2023/24 audit is minimised.

A review of key performance indicators

The Council uses a number of key outcome indicators to assess the quality of governance arrangements. Performance in 2023/24 is set out in the table below.

Indicator	Performance in 2021/22
Formal reports issued by the Section 151 Officer or Monitoring Officer	No formal reports have been issued by the Section 151 Officer or the Monitoring Officer.
Number of data incidents reported to the Data Protection Officer (DPO)	58 incidents were reported to the DPO in 2023/24
Number of Data Breaches reported to the Information Commissioner’s Office (ICO)	Of 58 reported to the DP0, none were reported to the ICO.
Outcomes from Standards Committee or Monitoring Officer investigations	5 breaches of the code of conduct were reported to the Monitoring Officer. One matter went to the Standards Committee. Other matters were either discontinued on the screening and finding of no breach by the Monitoring Officer or resolved by local resolution by the Monitoring Officer
Proven frauds carried out by councillors or members of staff	There have been no proven frauds carried out by Councillors’ or members of staff in 2023/24.
Local Government Ombudsman (LGO) referrals upheld	13 referral has been made to the LGO in 2023/24. One referral was investigated and upheld and

	carried a recommendation. Six referrals to the Housing Ombudsman were made in 2023/24. Two referrals were investigated and upheld with a finding of maladministration in one case and severe maladministration in another. Remedies included apologies, compensation and demonstration of improvement.
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GOVERNANCE ISSUES AND SIGNIFICANT CHALLENGES

Issues Identified in Prior Years

Human Resource Assurance Work and Information Governance were identified as governance issues in 2019/20 and commented on during the last Governance reviews 2020/21 and 2021/22, further commentary on the progress to address these is provided below.

Significant Governance Issues

Human Resources Assurance Work

In March 2023 MIAA produced a report on the effectiveness of a HR review and on the steps taken to address concerns under an Action Plan. The Action Plan contained 35 recommendations.

MIAA's March report also identified further actions required. This included (1) putting reporting in place against progress on the HR action plan; (2) All HR Policies and Procedures to be reviewed; (3) An Internal Audit Review of Honorariums and Additional Salary Payments to be included in a wider Payroll Review 2023/24 Internal Audit Plan.

Since March 2023 the Council has closed six of the remaining ten actions (of the original 35). The People and OD Committee were updated on progress at the meeting on 21st November 2023 and there will be a further update once all actions are closed. The HR Policy review is well under-way with phase two now complete. The Payroll and Additional Payments audit was completed in April 2024 with an action for HR being implemented.

The Council is currently taking steps to progress all outstanding actions and the further recommendations of MIAA.

Information Governance

The Council's Information Governance (IG) Team continues to work on compliance with the General Data Protection Regulations which came into force on the 25 May 2018. Our Internal Audit carried out a review of IG policy and processes in May 2020. Internal Audit recommendations, at this time, recognised that significant progress has been made in some areas. However, there were still a number of areas that required immediate attention, therefore only 'limited' assurance was provided.

A follow up review has been undertaken by Internal Audit with a final report being issued in June 2023. The report notes that "there has been some progress made to implement the recommendations from the original report". However, there are still issues around the Council's Data Protection Framework and its oversight/governance with regards to the development and delivery of the Data Protection Framework.

Whilst some recommendations have been implemented, there are still a significant number of issues to be addressed. The June 2023 report identified eight main areas that require immediate attention and continues to provide 'Limited Assurance' in respect of Data Protection: Policy and Processes.

IG have formulated an Action Plan against the recommendations of Internal Audit. The plan shows progress in a number of key areas and identifies issues yet to be resolved and further steps to be taken. The Senior Leadership Team are taking this matter seriously and is putting in place governance and resource measures to ensure that Internal Auditors' recommendations are tackled as a matter of priority – with the main areas requiring immediate attention being dealt with first.

Other Governance Issues

The last AGS referred to a number of other governance issues which were identified following an Annual Governance meetings with key officers. These were documented in an action plan and have been actioned and monitored. The Audit Committee were last updated on progress on 22 November 2023. Three out of six actions have now been completed with three actions currently underway. Good progress has been made on most outstanding issues.

The Senior Leadership Team and Audit Committee will be kept updated on progress against the outstanding issues.

Significant Challenges for 2023/24 and Beyond

Risk Management –

The Council's Internal Audit team undertook a review of Risk Management in 2022, the findings of which were published in July 2022. The Head of Internal Audit Opinion, in respect of Risk Management, was that "No Assurance" could be given and that this was a significant factor in the Head of Internal Audit Opinion overall assurance being limited.

The Risk Management Report 2022/23 issued in June 2023 provides an opinion of "Moderate Assurance". After a further 10 months of improvements works were undertaken, the Risk Management Report 2023/24 issued in April 2024 provides an opinion of "Substantial Assurance". Clearly showing that the changes put in place have been effective.

The key findings in the report issued in April 2024 state: "Overall, it was found that there is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are generally being applied in areas reviewed."

The auditors went on to state: "All the recommendations identified in the previous report have been satisfactorily addressed."

The Leadership Team continue to take risk management matter seriously. Oversight of strategic risk management now belongs with the Chief Officer for People and Policy.

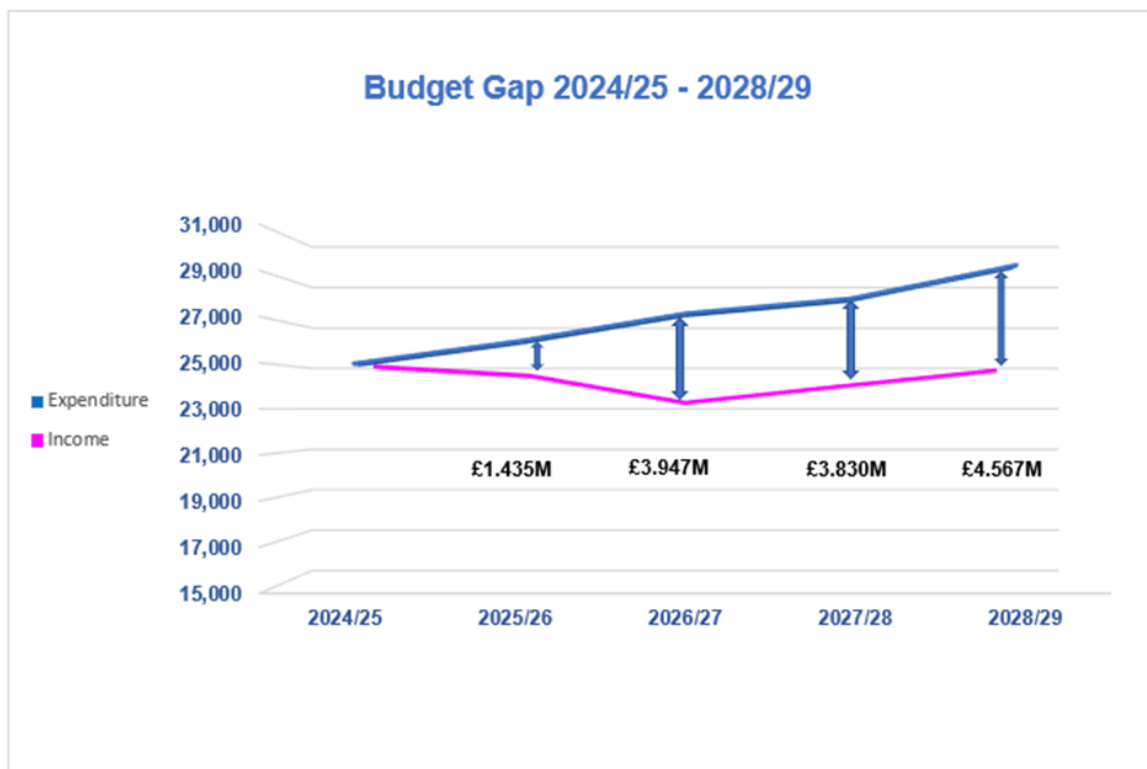
Purchasing

Issues have recently been identified with procurement card use. Officers are working with internal auditors to review current practices and procedures.

Financial Sustainability

Consistent with all public sector bodies the Council continues to face unprecedented levels of financial and economic uncertainty in terms of Local Government funding and the significant inflationary pressures stemming from cost-of-living crisis. This, and specific local issues such as those surrounding temporary postponement of decommissioning plans for Heysham power station, do hamper the degree of confidence with forecasts can be made and inevitably some key estimates and assumptions are likely to change in the coming months. As a result, balancing the budgets in the short and medium term represents a significant challenge and has resulted in some difficult and unpalatable decisions having to be made.

Although there are many variables contained within the calculation of the deficit, as outlined in the Council’s Medium Term Financial Strategy the forecast budget deficit for 2025/26 exceeds £1.4M, with the total 5-year deficit c£4.5M.



The Council’s reserves are an essential part of good financial management. However, by their nature reserves are finite and, funding the deficit purely from the Council’s reserves is not an option as it does not address the underlying structural issues. They can however be utilised to help to ensure the smooth transition of several initiatives aimed at eliminating the deficit.

As the Council continues to deliver high-quality frontline services to the District’s residents, a continued focus on the application of Outcomes Based Resourcing/ Fit for the Future principles such as strategic prioritisation, service transformation and continuous improvement will play a significant part in achieving the level of savings required. All officers and Members must work together and recognise that they will face a number of difficult but important

decisions over the coming financial years which will affect the manner in which it delivers its services.

Progress from last year's AGS

There has been good progress since last year's AGS. In particular, the Council has continued to make good improvement with regards to Risk Management. The Council's Risk Management Strategy & Policy have been updated and approved with incorporates a risk scoring model and all of the recommendations of the 2022/33 Risk Management have been completed. A further review of Risk Management has been completed in 2023/24, providing substantial assurance.

Good progress has also been made with regards to HR assurance work with only four actions remaining out of 35 recommendations and the Council continues to make steady progress with other governance issues identified in the last AGS.

REVIEWING AND REPORTING ARRANGEMENTS

The CIPFA/SOLACE guidance recommends that authorities should undertake annual reviews of their governance arrangements to ensure continuing compliance with best practice as set out in the framework.

This year the Annual Governance Statement for 2023/24 has been produced with the help and engagement with all key officers, who have the most appropriate knowledge, expertise and levels of seniority providing information and key evidence to support how the organisation has complied with the principles set out in guidance.

As well as demonstrating how the Council is meeting each of the principles, it is also an opportunity to identify any issues or gaps that could lead to a weaker governance structure.

The AGS is submitted for consideration by the Leader and Chief Executive who then sign to certify they are aware of the governance issues within the Council and of the measures that are required to improve the controls around the Council's governance framework.

CERTIFICATION

The Leader of the Council and Chief Executive both recognise the importance of having a solid foundation of good governance and sound financial management. They pledge their commitment to address the matters highlighted in this Statement, and to further enhance our governance arrangements to enable delivery of our Corporate Plan.

Signed on behalf of Lancaster City Council:

Councillor Phillip Black
Leader of Lancaster City Council

Mark Davies

Chief Executive of Lancaster City Council

Date:

AUDIT COMMITTEE

Statement of Accounts Update

31 July 2024

Report of Chief Finance Officer

PURPOSE OF REPORT

To provide the Committee with an updated position regarding the conclusion of the audits of the 2019/20, 2020/21, 2021/22 and 2022/23 Statement of Accounts, and the preparations for production of the 2023/24 Financial Statements.

This report is public.

RECOMMENDATIONS

The Audit Committee is recommended to note the following areas.

1. The progress of the audit of the 2019/20, 2020/21, 2021/22, 2022/23 Statement of Accounts
2. Preparation for production and audit of the 2023/24 Statement of Accounts

1.0 INTRODUCTION

1.1 This report provides an update on key areas and events of the since the last Audit Committee meeting 24 March 2024. The paper covers the following areas.

- Addressing the Audit Backlog
- Statement of Accounts 2019/20 – 2022/23
- Preparation and audit of the 2023/24 Statement of Accounts

1.2 Links to previous Statement of Accounts updates can be found at the end of this document as part of the Background Papers

2.0 ADDRESSING THE AUDIT BACKLOG

2.1 As previously reported a series of proposals for addressing the significant national audit backlog and embedding timely audit have been published The proposals have 3 stages but currently provide substantial discretion to auditors to determine how to prioritise their work in the run-up to each backstop date.

- Phase 1: Reset - clearing the backlog of audit opinions up for 2022/23 and earlier years by 30 September 2024
- Phase 2: Recovery – preventing a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- Phase 3: Reform – addressing systemic challenges in the system and embedding timely financial reporting and audit.

- 2.2 On 30 July 2024 The Right Honourable Jim McMahon Minister of State for Local Government and English Devolution made a statement regarding the local audit backstop dates [Local Government Statement](#). The statement confirms the new Government is to retain the backstop approach, but is proposing to amend the dates to

Financial Years Statements	Original Audit Deadline	Revised Audit Deadline
All years up to and including. 2022/23	30 September 2024	13 December 2024
2023/24	31 May 2025	28 February 2025
2024/25	31 March 2026	27 February 2026
2025/26	31 January 2027	31 January 2027
2026/27	30 November 2027	30 November 2027
2027/28	30 November 2028	30 November 2028

- 2.3 The statement also provided detail of when an authority would be exempt from a backstop date:
- where auditors are considering a material objection
 - where recourse to the court could be required
 - from 2023/24, where the auditor is not yet satisfied with the body's Value for Money arrangements.
- 2.4 If an authority fails to publish the final statement of accounts by a backstop date it will be required to publish an explanation, which it must send to the Secretary of State. The Government will publish a list of authorities and auditors that miss a date. Further mechanisms might be explored for taking action where authorities provide inadequate reasons for delay.
- 2.5 The previous proposals for fees are confirmed, i.e.:
- where an auditor has carried out work in good faith, they are due the appropriate fee, even if the audit is disclaimed
 - where an authority has paid fees that are more than the total work carried out, the auditor must return the balance.
- 2.6 The Council's incoming Auditors (KPMG) will need to plan and undertake their audit of the 2023/24 financial statements across the same time period. As previously reported KPMG does not have the assurance over a range of areas including closing balances that would normally support opening balances for 2023/24 and so an increase in audit work is expected in the short term and achieving the February 2025 deadline will present operational challenges as the revised deadlines coincide with the Council's annual budget cycle.
- 2.7 Although discussed in in more detail paragraph 3 below, to remind all Members audit work on the 2019/20 and 2020/21 financial statements is substantially complete. However, work on the 2021/22 and 2022/23 Financial Statements is yet to commence. As a result, it is likely that the Council will receive a disclaimed audit opinion for 2021/22 and 2022/23.
- 2.8 The s151 Officer would like to inform Members of the Committee that given the long-established and reported issues with the audit the Council will receive a disclaimed opinion for its 2021/22 and 2022/23 financial statements. To be clear any disclaimed opinions attributable to the backstop date do not necessarily indicate significant financial reporting or financial management issues.

3.0 STATEMENT OF ACCOUNTS 2019/20 – 2022/23

Objections to the Statement of Accounts

- 3.1 The Committee will recall that the 2019/20, 2020/21, 2021/22 and the 2022/23 Statement of Accounts are subject to formal objections by a local Council Taxpayer. In order to discharge its duties in regard to the objection and finally conclude the audits, the External Auditors requested that the Council seek assurances from a number of external third parties. Whilst two of the requests were presented to the External Auditor several months ago Members of the Committee will recall delays in obtaining the final assurance.
- 3.2 Following a series of meetings in April and May between the remaining party and the Council's solicitors an agreement has now been reached to draw this matter to a conclusion. Details of this agreement have been shared with the External Auditor who has not raised any issues and feels, subject to sight of the final agreement is sufficient to allow him to address the substantive nature of the objections and finally conclude this matter.
- 3.3 Committee Members should be aware that the annual Audit Fee does not contain an amount for dealing with objections and so the associated costs will be borne by the Council. Current estimates are an additional cost to the Council of c£60K. This figure does not include a significant amount of internal officer time.

Work to Support the Value for Money Conclusions

- 3.4 In addition to providing an opinion of the Council's Financial Statements the External Auditor is required to consider and report on the Council's arrangements for securing economy, efficiency, and effectiveness in the use of resources.
- 3.5 Information requested by the External Auditor to support their consideration is being collated across the Council. However, as the assessments relate to both 2019/20 and 2020/21 the information requested can stretch back to 2017/18 and earlier. The External Auditors have requested additional information relating to 2 major projects, unfortunately staff absence and upcoming audit work in one area has resulted in delay.
- 3.6 Satisfactory conclusion of these areas of work should allow the External Auditor to issue his opinion of the 2019/20 and 2020/21 statements.

4.0 PREPARTION AND AUDIT OF THE 2023/24 STATEMENT OF ACCOUNTS

- 4.1 Members will recall that at its March meeting the Committee noted the s151 Officers request to delay publication of the draft 2023/24 Financial Statements. In line with regulation a notice was published on the Council's website advising of this delay.
- 4.2 Preparation of the Statement of Accounts is progressing well with only minor areas outstanding. The aim is to publish the draft Statement of Accounts on the Council's website **Friday 2nd August 2024**. Regulation requires that all Council's provide a 30-day inspection period during which any person interested, or any journalist may, on reasonable notice, inspect and make copies of the accounts or any Local Government Elector may raise an objection to any item of account. Notice will shortly be given that the required 30-day inspection period will run 5th August – 16th September 2024.
- 4.3 The External Auditors are currently undertaking their initial planning work and required to present an annual audit plan setting out their approach to auditing the financial statements. It is expected that KPMG will present their plan to this Committee shortly.

5.0 DETAILS OF CONSULTATION

5.1 The report provides the Committee with an update on the progress of the audit of the Statement of Accounts 2019/20 to 2022/23 Statement production and so consultation has been limited to discussion with the current and incoming External Auditors.

6.0 OPTIONS AND OPTIONS ANALYSIS

6.1 As the report is for noting no alternative options are put forward, but the Committee could make supplementary recommendations regarding any matters arising.

7.0 CONCLUSION

7.1 Members should note the progress and matters arising to date.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):

No implications directly arising.

LEGAL IMPLICATIONS

S27 of the Local Audit and Accountability Act 2014 makes provision for an elector of the Council's area to make an objection to the local auditor in respect of the grounds set out at paragraph 3.4 of this Report. On receipt of an objection the local auditor must decide (a) whether to consider the objection, and (b) if the auditor does so, whether to take action within paragraph (a) and (b) of s27(1) in response.

In considering any objection, the auditor will need to have regard to the provisions of the 2014 Act and the code of audit practice applicable to the Council. The Local auditor must in carrying out functions under the 2014 Act, have regard to guidance issued by the Comptroller and Auditor General under paragraph 9 of Schedule 6 of the 2014 Act. This includes the Auditor Guidance Note 4.

An objector aggrieved by a decision of a local auditor not to consider the objection or not to apply for a declaration under s28 of the 2014 Act may within 6 weeks from notification of the decision require the auditor to provide written reasons for the decision and within 21 days from receipt of the written reasons may appeal against the decision to the court.

FINANCIAL IMPLICATIONS

There are no financial implication flowing directly from this report.

However, Member's should be aware of the additional audit fees that may accrue because of the objection to the financial statements.

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces

No implications directly arising.

SECTION 151 OFFICER'S COMMENTS

This report forms part of the Chief Finance Officer's responsibilities, under his role as s151 Officer.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Statement of Accounts 2019/20

<http://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts>

Statement of Accounts 2020/21

<http://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts>

Contact Officer: Paul Thompson

Telephone: 01524 582603

Email: pthompson@lancaster.gov.uk

Ref:

Statement of Accounts 2021/22

<https://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts>

Statement of Accounts 2022/23

[Statement of Accounts - Lancaster City Council](#)

External Audit Plan 2020/21

[Agenda for Audit Committee on Wednesday, 23rd March 2022, 6.10 p.m. - Lancaster City Council](#)

Statement of Accounts Updates

[Agenda for Audit Committee on Wednesday, 22nd May 2024, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 20th March 2024, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 22nd November 2023, 6.00 p.m.](#)

[Agenda for Audit Committee on Wednesday, 26th July 2023, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 24th May 2023, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 22nd March 2023, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 23rd November 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 25th May 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 23rd March 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 24th November 2021, 6.10 p.m. - Lancaster City Council](#)

AUDIT COMMITTEE

**Audit Committee Proposed Training & Work Programme
2024/25**

Report of Chief Finance Officer

31 July 2024

PURPOSE OF REPORT
To consider the Proposed Training & Work Programme for 2024/25
This report is public

RECOMMENDATION

- (1) That the Audit Committee note the proposed Programme, as detailed in Appendix A and make any further suggestions if required.

1.0 INTRODUCTION

1.1 Audit Committees are a key component of the Council’s Corporate Governance framework. Their overall purpose being to provide those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

2.0 PURPOSE OF THE REPORT

2.1 To provide the Audit Committee with details of expected reports and deadlines to enable it to meet its obligations as outlined in section 1.1 above and within its Terms of Reference.

3.0 DETAILS OF CONSULTATION

3.1 None specifically regarding this report, however the content and timing of the various reports have been discussed and agreed with the relevant officers.

4.0 OPTIONS AND OPTIONS ANALYSIS

4.1 The options available are to accept the proposed work programme attached at Appendix A or recommend alternatives as necessary.

5.0 CONCLUSION

- 5.1 The attached proposed work programme will enable the Audit Committee to meet its obligations as outlined in section 1.1 above and its Terms of Reference

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)	
Not applicable	
FINANCIAL IMPLICATIONS	
None directly arising from this report	
SECTION 151 OFFICER'S COMMENTS	
The Section 151 Officer has authored this report in his capacity as Chief Finance Officer	
LEGAL IMPLICATIONS	
None directly arising from this report	
MONITORING OFFICER'S COMMENTS	
The Monitoring Officer has been consulted and has no further comments	
BACKGROUND PAPERS	Contact Officer: Paul Thompson Telephone: 01524 582603 E-mail: pthompson@lancaster.gov.uk Ref:

Audit Committee Training & Work Programme 2024/25

Contacts

Paul Thompson CFO/ s151 Officer (01524) 582603 pthompson@lancaster.gov.uk
 Sarah Moorghen Democratic Support Officer (01524) 582132 smoorghen@lancaster.gov.uk

Meeting Date	Training/ Report	Agenda Publication	Training Provider/ Report Author
22nd May 2024	<p>Training 17.15 - 17.45 Effectiveness of Internal Audit</p> <p>Report Risk Management Update Internal Audit Annual Report & Head of Internal Audit Opinion Internal Audit Progress Report Audit Committee Assurances in Relation to the Financial Reporting Process Statement of Accounts Update Audit Committee Training & Work Programme</p>	14th May 2024	<p>Mersey Internal Audit Agency</p> <p>Chief Executive Head of Internal Audit Head of Internal Audit CFO/ s151 Officer CFO/ s151 Officer CFO/ s151 Officer</p>
31st July 2024	<p>Training 17.15 - 17.45 Cancelled</p> <p>Report Risk Management Q1 Update Internal Audit Progress Report CIPFA Financial Management Code Annual Governance Statement 2023/24 Statement of Accounts Update</p>	23rd July 2024	<p>Chief Executive Head of Internal Audit CFO/ s151 Officer Monitoring Officer CFO/ s151 Officer</p>
27th November 2024	<p>Training 17.15 - 17.45 Statement of Accounts 2023/24 - Performance</p> <p>Report Risk Management Q2 Update Internal Audit Progress Report Counter Fraud Annual Report 2023/24 Statement of Accounts Update AGS Action Plan Monitoring External Audit Plan: Year ending 31 March 2023</p>	21st November 2024	<p>Chief Executive HoIA Corporate Fraud Manager CFO/ s151 Officer CFO/ s151 Officer KPMG</p>
19th March 2025	<p>Training 17.15 - 17.45 Statement of Accounts 2024/25 Narrative Sections</p> <p>Report Risk Management Q3 Update Review of Audit Committee Terms of Reference Internal Audit Charter Internal Audit Strategy and Risk Based Plan 2025/26 Internal Audit Progress Report Review of Internal Audit Effectiveness Annual Review of Audit Committee Performance Review of the Council's Counter Fraud Policies Annual Review of the Regulation of Investigatory Powers Act 2020 (RIPA) Policy and Procedure AGS Action Plan Monitoring Statement of Accounts Update Proposed Accounting Policies and Critical Judgements used in the Preparation of the Statement of Accounts 2024/25</p>	11th March 2025	<p>Chief Executive HoIA HoIA HoIA HoIA HoIA HoIA Corporate Fraud Manager Information Governance Manager Monitoring Officer CFO/ s151 Officer CFO/ s151 Officer</p>