

# [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.

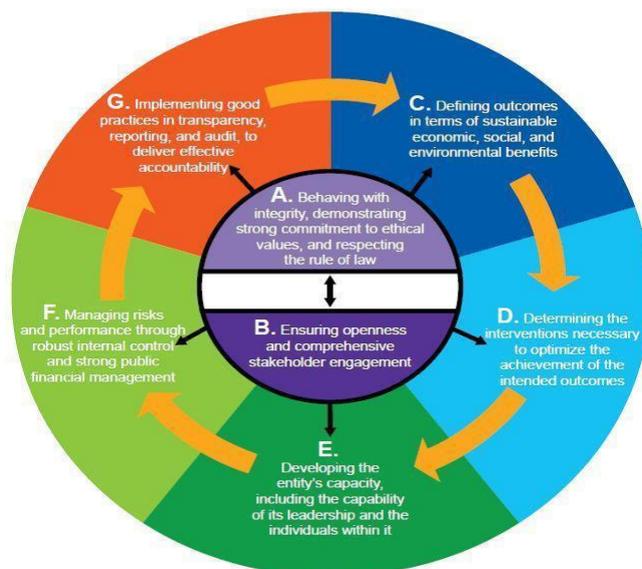
To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, open and accountable manner. These arrangements consist of all the 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"> <li>• Provide leadership, develop strategy, and set policy</li> <li>• Engage with and support the Council’s communities and neighbourhoods to thrive and succeed</li> </ul>	<p><u>Scrutiny and Review</u></p> <ul style="list-style-type: none"> <li>• The Overview and Scrutiny Committee reviews Council policy and can scrutinise and challenge decisions</li> <li>• The Budget and Performance panel reviews operational and financial performance</li> <li>• The Audit Committee reviews internal control, fraud, risk management and governance</li> </ul>
<p><u>Decision Making</u></p> <ul style="list-style-type: none"> <li>• Meetings are held in public</li> <li>• Agendas, minutes and decisions are recorded on the Council’s website</li> </ul>	<p><u>Risk Management</u></p> <ul style="list-style-type: none"> <li>• Risk management strategy ensures proper management of risks</li> <li>• Risk registers identify both strategic and operational risk</li> </ul>
<p><u>Paid Service and Statutory Officers</u></p> <ul style="list-style-type: none"> <li>• 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</li> <li>• The Council’s Section 151 Officer is responsible for safeguarding the Council’s financial position and ensuring value for money</li> <li>• The Chief Officer (Governance) is the Council’s Monitoring Officer, who is responsible for ensuring legality and promoting high standards of public conduct</li> </ul>	

## 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><b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></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"> <li>• Code of Conduct for both members and staff</li> <li>• The Council’s ‘values and behaviours framework’</li> <li>• The Council Housing service has agreed staff and manager Charters.</li> <li>• Registers of interest policies for both staff and members</li> <li>• The Council has a corporate complaints handling policy and housing complaints policy. This has been combined into one Policy from 1<sup>st</sup> April</li> </ul>

	<p>2024 following the guidance from the joint Complaints Code from the applicable Ombudsmans.</p> <ul style="list-style-type: none"> <li>• Council Housing have a publishable Complaints self-assessment on our website</li> <li>• Council and Committee minutes show any declarations made at meetings are viewable on each Councillor’s record on the website</li> <li>• An electronic Gifts and Hospitality register for both staff and Members</li> <li>• Both Standards and Overview and Scrutiny Committees</li> <li>• There are policies and procedures in place for dealing with unacceptable behaviours for both officers and Members</li> <li>• 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.</li> <li>• A ‘Raising Concerns’ Policy (amended January 2023) is in place and sits with the Council’s Monitoring Officer</li> <li>• 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)</li> <li>• Training is provided for regulatory committees on a regular basis.</li> <li>• Compliance with specific legislation, law or guidance is documented in decision making documents</li> <li>• Council housing also produces an annual compliance statement and has a self-assessment process for Consumer Standards.</li> <li>• 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.</li> <li>• The Constitution includes terms of references, defines decision making powers and describes roles and functions</li> <li>• The Constitution is regularly reviewed and kept up to date</li> </ul>
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<b>Principle B: Ensuring openness and comprehensive stakeholder engagement</b>	
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"> <li>• 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.</li> <li>• An annual ‘Narrative Report’ is published and accompanies the Statement of Accounts</li> <li>• 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</li> <li>• The Council publishes information in accordance with the Local Government Transparency Code 2015 and continues to monitor effective compliance with the Code.</li> <li>• An Overview and Scrutiny and Budget and Performance Panel report is published annually</li> </ul>

	<ul style="list-style-type: none"> <li>• The Council publishes all key decisions on its website</li> <li>• A Freedom of Information publication scheme is in place</li> <li>• Standardised report pro-formas for decision making are in place and a published timetable of reporting deadlines for committees is published</li> <li>• The Council ensures that appropriate consultation and engagement takes place</li> <li>• The Council publishes all current and closed consultations on its website</li> <li>• Customer feedback forms are in place in key outlets e.g. Salt-Ayre Leisure Centre</li> <li>• 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 (<a href="https://keepconnected.lancaster.gov.uk">https://keepconnected.lancaster.gov.uk</a>)</li> <li>• 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.</li> <li>• 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.</li> <li>• Housing Options has a bi-monthly stakeholders meetings with stakeholders through homeless advisory group/homelessness forum.</li> <li>• The Council has a Community Connector team whose role is to engage and connect with partners, communities and elected members.</li> <li>• 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</li> <li>• The Council has several communication guidance documents in place e.g. the Intranet Policy and the Plain English and Style Guide</li> <li>• The Council complies with publication dates for reports and the ‘forthcoming decisions list (forward plan)</li> <li>• Robust arrangements are in place for both the shared service arrangements with Revenue and Benefits and the Corporate Enquiry Team</li> <li>• The Budget and Performance Panel was fully consulted in relation to the Council’s budget</li> <li>• The Council’s vision, strategic plans, priorities and targets are developed in consultations with the local community and other key stakeholders</li> <li>• Online publication of Councillors’ interest in accordance with the Localism Act 2011</li> </ul>
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**Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits**

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"> <li>• Corporate key performance indicators (revised as and when appropriate) are reported quarterly to Cabinet and the Budget and Performance Panel</li> <li>• A ‘Narrative Report’ is published within the Statement of Accounts to reflect the Council’s key achievements</li> <li>• There are effective arrangements in place to deal with failure in service delivery via the Council’s corporate complaints procedure</li> <li>• The Medium-Term Financial Plan, Revenue Budget and Capital</li> </ul>
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	<p>Programme are designed to deliver the strategic priorities</p> <ul style="list-style-type: none"> <li>• The Council has a capital programme of works</li> <li>• The Council has an approved Capital Investment Strategy</li> <li>• Individual capital projects are equality impact assessed</li> <li>• All key decisions are required to consider (where applicable) the impact on Climate, Equality, Wellbeing &amp; Social Value, Health &amp; Safety and Community Safety. This includes consideration of fair access to services</li> <li>• The Council has an adopted local plan which is up-to-date i.e. adopted within the last five years (July 2020).</li> <li>• 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.</li> <li>• 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.</li> <li>• Procedures are in place to address conflicting interests e.g. the call-in procedure and codes of conduct for members and officers.</li> <li>• 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.</li> <li>•</li> <li>• Formal decisions take into account an assessment of environmental impact, proportionate to the nature of the decision</li> </ul>
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<b>Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	
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"> <li>• Effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and consideration on which decisions are based</li> <li>• Member and Officer briefings took place for more complex areas of decision making</li> <li>• 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</li> <li>• The MTFs sets out the framework for corporately managing the Council's resources in the years ahead</li> <li>• Corporate Key Performance Indicators are in place and are reported</li> </ul>

	<p>quarterly to Cabinet and the Budget and Performance Panel</p> <ul style="list-style-type: none"> <li>• Both Capital and Revenue bids consider 'social value'.</li> <li>• Proper, professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making</li> <li>• The Council considers public surveys, demographic information and public health reports when developing the Council Plan</li> </ul>
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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"> <li>• 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.</li> <li>• 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</li> <li>• The Council has received both blue and green flag status for its clean beaches and parks and open spaces</li> <li>• The Leader, Chief Executive and Section 151 Officer regularly attend Lancashire Leaders, Lancaster Chief Executives and Lancashire Chief Finance Officer meetings</li> <li>• 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.</li> <li>• The Senior Leadership Team meet regularly with portfolio holders and Cabinet as a whole.</li> <li>• 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.</li> <li>• 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</li> <li>• All new members receive a full corporate induction, ongoing support and role-specific training</li> <li>• An Accreditation review for Investors in People was carried out in January 2021, resulting in an upgrade to Silver accreditation (valid for 3 years).</li> <li>• An induction programme is provided for all new staff and Members</li> <li>• 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.</li> <li>• 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.</li> </ul>
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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"> <li>• Secure arrangements are in place for the transfer of sensitive data (SFTP and encryption tools available within Office 365)</li> <li>• 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</li> <li>• 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</li> <li>• Budget monitoring reports are issued to budget holders on a regular basis</li> </ul>
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**Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

Compliance Review	<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"> <li>• The Council endeavors to publishes information in accordance with the Local Government Transparency Code 2015.</li> <li>• Each year we publish information on our website outlining how we spend Council Tax income.</li> <li>• A 'Narrative Report' is published within the Statement of Accounts to reflect the Council's key achievements</li> <li>• The Council's website is comprehensive, accurate and user friendly</li> <li>• The Council has an on-line Planning Application Policy</li> <li>• 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</li> <li>• An effective internal audit function is resourced and maintained enabling them to deliver an annual internal audit opinion</li> <li>• The Council ensures that there is a process in place for the follow up of audit recommendations</li> <li>• The Council complies with both the Public Sector Internal Audit Standards and CIPFA's Statement on the role of the Head of Audit (2019)</li> <li>• In accordance with the Audit and Account Regulations 2015, an annual assessment of the effectiveness of the internal audit function is completed annually</li> <li>• 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.</li> <li>• In accordance with the Public Sector Internal Audit Standards (PSIAs) the Head of Audit &amp; Assurance developed a risk based Internal Audit Plan (2023/2024). This was approved by Audit Committee 22<sup>nd</sup> March 2023.P</li> <li>• 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.</li> </ul>
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	<ul style="list-style-type: none"> <li>• Arrangements for accountability and prevention of corruption when working with suppliers and partners are documented within the Council's Contract Procedure Rules</li> </ul>
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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

<b>Standard</b>	<b>Action Required</b>	<b>Responsible Officers</b>	<b>Timescale</b>
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.

<b>Indicator</b>	<b>Performance in 2021/22</b>
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 DPO, 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

	<p>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.</p>
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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 21<sup>st</sup> 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.

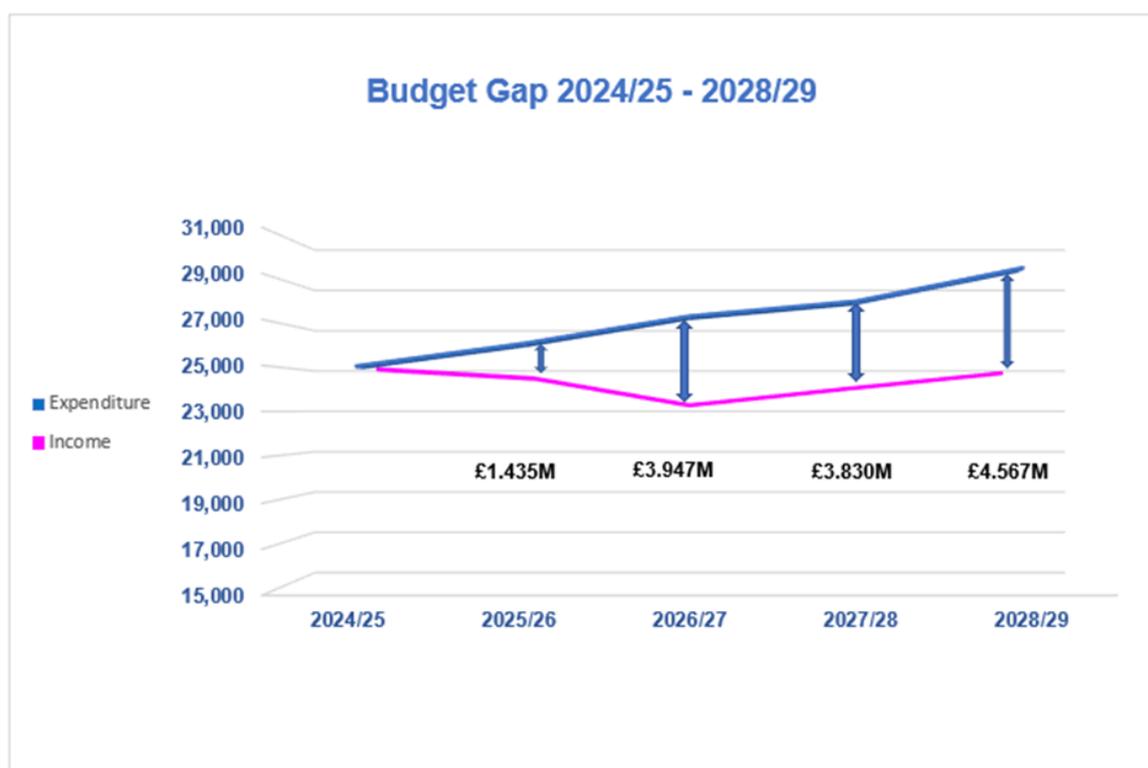
## Purchasing

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: