

Annual Governance Statement 2021/2022

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.

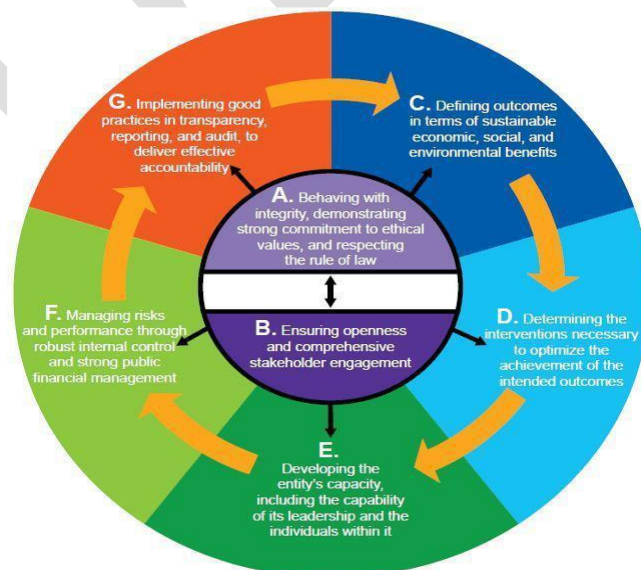
To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, open and accountable manner. These arrangements consist of all the 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), 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 GOVERNANCE FRAMEWORK

The Council has adopted a Code of Corporate Governance which is currently under review. 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>Management Team 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 Head of Legal Services 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

The COVID pandemic continued to have a significant effect on the Council’s governance in 2021-2022. During this period, the district has transitioned through different government coronavirus lockdowns and measures. In early April 2021 restrictions started to lift including the re-opening of non-essential retail and public buildings. Restrictions were re-introduced in early December 2021 with the Prime Minister’s announcement of a move to plan B measures in England following the spread of the Omicron variant. The plan B measures were lifted by the end of January 2022. The Council has, wherever required, adapted existing governance arrangements as part of its response to the pandemic and plans for recovery. We have set out below, for each governance principle, our self-assessment of compliance in the year and highlighted where COVID has impacted governance arrangements and where this has actually been an opportunity to enhance and seek to sustain the benefits of these changes.

THE COVID – 19 PANDEMIC

The Council has continued to support the wider Government response to the pandemic. The Council both directly and acting as an agent for Government departments, delivered services in response to the pandemic and provided Financial Support to third parties including

businesses within the area. This support has been significant and where appropriate has required the reallocation of staffing resources from business as usual to ensure the administration process used was sound and effectively undertaken as follows:

- Maintaining front line services- in accord with the Council's emergency and business continuity plans essential services continued to be delivered throughout the pandemic. Staff from non-essential services were reallocated to help deliver essential services or to deliver and support new pandemic related services- e.g., the formation of a covid response team including outbreak management, surveillance and monitoring, the creation of a community hub and the business hub. Furthermore, additional staff capacity was allocated to supporting the pan Lancashire work of the resilience forum.
- Supporting businesses - Rate relief together with grants for businesses in the retail, hospitality or leisure sector have to date helped out thousands of businesses with grants totalling £64M. Front line officers supported businesses how to trade safely and the district council trailblazed a covid safe award which became a national award. Officers from the Council also worked with civil servants from many government departments to support drafting guidance and policies and sharing good practice.
- Supporting residents – the Council has supported vulnerable residents and tenants through the community hub. With the help of volunteers, community groups and businesses, the Council contacted and supported residents, and continues to offer support to those who are vulnerable. This support took many forms including provision of food, ongoing phone calls, pickup and delivery of medicines, commissioning of bereavement counselling, distribution of funds to help families with practical household needs.
- ICT infrastructure so that staff can work remotely from home wherever possible, and providing office equipment, furniture to support that.
- Virtual Council meetings, affording appropriate access to members of the public and transparency in decision making whilst observing social distancing, continued until 7 May 2021 in accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.
- In person meetings held after 7 May 2021 were re-arranged to ensure appropriate social distancing and COVID measures were put in place.
- COVID-19 pages on the Council website provide further information see [Coronavirus information - Lancaster City Council](#)

As the circumstances of the pandemic changed and restrictions started to be lifted, the Council started planning to support the district with reopening. An Economic Re-opening, Recovery and Renewal Framework was approved by Cabinet in September 2021. The Framework sets out the Council's broad approach to supporting the local economy following the Pandemic.

The impact of the pandemic on the Council will be long term. It has and will continue to affect our communities, business and residents in many ways and create significant resource implications for the Council and our partners.

For the Council itself we have already seen significant financial impacts. Through increasing demand for services and a potential for reduction in income. The impact upon the long-term financial position is very difficult to accurately assess with key elements of the Statutory Accounts such as the Collection Fund (which manages Council Tax and Business Rate collection) severely impacted. The Government is allowing Councils to manage Collection Fund losses over a three-year period to phase the impact of income lost in 2020/21 and allow time for collection to recover. If this recovery does not happen then there is a risk of the legacy of COVID having a more longer lasting financial impact on the Council.

Set out below is how the Council has specifically complied with the seven core principles set out in the CIPFA / SOLACE framework during 2021/22.

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

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
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"> • Code of Conduct for both members and staff • The Council’s ‘values and behaviours framework’ • Registers of interest policies for both staff and members • 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 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 • 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
COVID-19 Impact and Council response	<p>Council, Cabinet and Committee continued to be held virtually until 7 May 2021. Virtual meetings were compliant with access to information and public access requirements. Key decisions to be made by Cabinet continued without delay or deferment of Council business, with some decisions taken by the Leader/ Portfolio Holders as necessary. Face to face council meetings started again in May 2021 following risk assessment, testing requirements and increased ventilation. Measures were put in place to ensure appropriate social distancing, sanitation, and face coverings.</p>
	<p>We applied, wherever required, our statutory powers and our scheme of delegation to ensure continuity of core Council services and to deliver the emergency response and outbreak management activity at pace, in line with COVID related funding conditions and regulations. All such decisions and actual expenditure are recorded and evidenced.</p>

Principle B: Ensuring openness and comprehensive stakeholder engagement

<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"> • The Council’s Corporate Plan is published to all staff, elected members, partners and the community • 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 is working towards greater publication in accordance with the Code. • An Overview and Scrutiny and Budget and Performance Panel report is published annually • 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 a Consultation Strategy 2018 – 2022 and 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 • 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 extra ordinary 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
<p>COVID-19 Impact and Council</p>	<p>We continued to contribute to and collaborate with partner organisations to deliver a joined-up response to COVID through joint working in a wide variety of settings, notable examples are:</p>

response	<ul style="list-style-type: none"> • Developing and delivering coordinated policy and support for vulnerable citizens and those shielding, distributing food and household essential parcels to clinically extremely vulnerable people and those who needed it, through the community hub. • Supporting the national test and trace operation through our customer service centre. • Providing buildings to allow the delivery of the national testing system and the NHS vaccination program, as well as Nightingale Court. • Business engagement through the local Chamber of Commerce as well both the Morecambe and Lancaster BIDS and directly via the Business Grants helpline and through the business hub. • Contributing to the recourses of the Lancashire Local Resilience forum in particular specific role taken up by the Chief Executive and Head of Public Protection in addition to their existing duties. Contributory roles taken up by many other Council staff.
----------	---

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"> • 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 Programme are designed to deliver the strategic priorities • 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 approved local plan • 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. • Procedures are in place to address conflicting interests e.g. the call-in procedure and codes of conduct for members and officers. • The Council has declared a climate change emergency and has committed to becoming net carbon zero by 2030. A strategy has been developed to deliver on this • Formal decisions take into account an assessment of environmental impact, proportionate to the nature of the decision
COVID-19 Impact and Sustainable Recovery	Lancaster District Plan 2030- Beyond the Crisis was approved by Cabinet in September 2020, to provide leadership on recovery from the pandemic and address challenges, uncertainty and new opportunities. This plan remains in place.

Council response	<p>Its overall aim is to deliver the Council’s strategic priorities and to support recovery to a sustainable, safe and socially just District that is healthy, connected, empowered and enabled.</p> <p>The plan is delivered through 5 themed groups, all of which are interdependent-</p> <ul style="list-style-type: none"> • Group 1- Climate Emergency • Group 2- Finance and Resources (internal focus) • Group 3a- Healthy and Happy Communities • Group 3b- Community Power and Resilience • Group 4- Regenerative and Distributive Economy <p>The Plan is underpinned by principles that ensure the plan remains dynamic and flexible enough to respond to changes in need.</p> <p>In September 2021 Cabinet approved an Economic Re-opening, Recovery and Renewal Framework which provides a basis for the Council’s support for the economy following the Covid Pandemic. This includes setting outcomes around sustainable economic recovery, restored local confidence, stronger partnerships and safe and healthy economy.</p>
------------------	---

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 quarterly to Cabinet and the Budget and Performance Panel • 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
COVID-19 Impact and Council response	<p>Progress against the COVID-19 Recovery Plan continued to be reported to Cabinet, Council, Overview and Scrutiny throughout 2021 and COVID related issues continue to be addressed into 2022. Since March 2021 corporate activity and resources have largely reverted back to pre-pandemic</p>

	<p>levels. Although, the Pandemic has had lasting impact on how the Council uses and organises its resources. There is now a greater degree of flexibility in staff being able to work from home remotely and office accommodation has been changed to allow increase 'hot-desking'.</p>
	<p>A temporary scheme of delegation addressing decision making and spending during the pandemic was introduced in June 2020 to ensure each allocation of the Council's resources was carefully considered and approved.</p>

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Compliance Overview	<p>The key arrangements for building our capacity and capability continued to operate throughout the year. The process for annual appraisals was temporarily paused early in the pandemic. Leadership forums, including Wider Leadership Forum were maintained</p> <ul style="list-style-type: none"> • 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 Chief Executive and Section 151 Officer regularly attend Lancashire Leaders 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 Executive 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 Executive 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, and an additional Health and Wellbeing Good Practice Award • 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.
COVID-19 Impact and Council response	<p>The health & wellbeing of our employees during the COVID pandemic and lockdown period has been a top priority, and as well as ensuring we engage with staff as stakeholders, we have focused on building a resilient and high performing workforce:</p> <ul style="list-style-type: none"> • Maintaining wellbeing and HR policy information on dedicated staff

	<p>intranet sites with links to active internal and external support networks, resources and staff well-being check in surveys; and actions arising from those surveys; and</p> <ul style="list-style-type: none"> • Regular live broadcast to staff from Executive to communicate key well-being messages, updates and Q&A.
	<p>The Council's move to the Cloud-based Microsoft 365 environment continues to secure communication and data security and has also enhanced our ability to work remotely and collaboratively.</p>

Principle F: Managing risks and performance through robust internal control and strong financial management

<p>Compliance Review</p>	<ul style="list-style-type: none"> • 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 • All services have Information asset registers and privacy notices are now in place for most the Council's service areas and are being reviewed by Internal Audit Service • 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 • An effective Internal Audit Service was in place from October 2021 following the resignation of the Council's previous Internal Audit and Assurance Manager in April 2021, 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
--------------------------	--

	<p>reviewed by the Audit Committee. A revised Anti Money Laundering Policy was approved by Audit Committee in March 2022</p> <ul style="list-style-type: none"> • 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 improvement including review and update on all Data Protection Policies, documenting the basis for type and category of information held, work in Privacy Notices and work around GDPR and contracts. • 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 policy is currently under review and being updated. • 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
<p>COVID-19 Impact and Council response</p>	<p>Quarterly budget monitoring reports provided a COVID/ Non-COVID forecast information as well as commentary on the position of the Capital Programme and any delays in delivery.</p> <p>COVID related expenditure was coordinated and governed centrally in accordance with delegated authorities. All specific grant funds and allocations were accounted for and controlled in compliance with the terms of the conditions of the grant and our financial rules and procedures.</p>

<p>Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	
<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

	<ul style="list-style-type: none"> • 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 an Internal Audit Plan (2021/2022). This was approved by Audit Committee in November 2021. • 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 March 2022 and remains under annual review. • Arrangements for accountability and prevention of corruption when working with suppliers and partners are documented within the Council's Contract Procedure Rules
<p>COVID-19 Impact and Council response</p>	<p>At the onset of the pandemic in accordance with regulations face to face meetings were temporarily cancelled with virtual meetings commencing 28th April 2020 and ending on 7 May 2021. Reports and minutes were published and made available to the public in the usual way.</p>
	<p>A temporary scheme of delegation addressing decision making and spending during the pandemic was introduced in June 2020 to ensure each allocation of the Council's resources was carefully considered and approved.</p>

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.	Executive Team	February 2023 - To be incorporated as part of 2023/24 budget process)
	Recruitment to address the capacity issues within finance function	Director of Corporate Services & CFO	August 2022
Governance and Financial Management Style	Ensure that Internal Audit deliver sufficient audit work and coverage to support the annual HoIA Opinion and AGS	Head of Internal Audit Chief Finance Officer	July 2022
	Review of Financial procedure rules	Chief Finance Officer	March 2023
	Undertake a comprehensive review of the local code of Corporate Governance	Chief Finance Officer/ Monitoring Officer	November 2022
Long to Medium Term Financial Management	Utilisation of OBR principles as it works to address the structural deficit as part of the 2023/24 budget process.	Cabinet Executive Team	December 2022 – As part of the 2023/24 budget process
	As part of the process to address the structural deficit service plans will need to be re-aligned to reflect to Council's	Chief Finance Officer Cabinet Executive Team	December 2022 – As part of the 2023/24 budget process

	ambitions and outcomes		
Annual Budget	Seek an in-year reduction in the use of reserves to deliver a balanced budget for 2023/24 and beyond	CFO, Executive Team Cabinet	December 2022 – As part of the 2023/24 budget process
Stakeholder Engagement and Business Plans	Review and consideration of the most effective methods of stakeholder engagement on financial matters.	Executive Team Cabinet	February 2023 – As part of the 2023/24 budget process
	Further work is required to fully embed project management and the accompanying disciplines throughout the Council and ensure that is consistently applied.	Executive Team and Programme Manager	December 2022 – As part of the 2023/24 budget process

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.

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 2021/2022 Internal Audit Annual Report and Head of Internal Audit Opinion recognises that the Council, like other organisations across the public sector, has continued to face unprecedented challenges due to COVID-19. The overall opinion of the Head of Audit *"...for the period 1st April 2021 to 31 March 2022 provides Limited Assurance that there is a compromised system of internal control as weaknesses in the design and/or inconsistent*

application of controls has impacted on the overall system of internal control puts achievement of the organisation's objectives at risk."

In October 2021, MIAA were requested to support the Council, both in terms of providing a Head of Internal Audit service and delivery of the 2021/22 internal audit plan. The previous in-house internal audit provision had ceased and there had been little or no internal audit activity for the period April – October 2021. As such, the Internal Audit Plan developed by MIAA, focused upon mandated and core assurances and priority areas highlighted within Lancaster City Council's 2020/21 Annual Governance Statement.

Reviews have focused upon risk management, core financial systems, conflicts of interest, grants and confirmation of compliance with specific grant conditions. Eighteen recommendations have been raised as part of the work completed by MIAA, including one critical and four high risk rated recommendations relating to the review of risk management. Actions and timescales for implementation of the recommendations have been discussed and agreed with the Council. Assessment of the progress of the implementation of agreed actions is a key part of the internal audit plan and will be included within the regular reports to the Audit Committee.

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

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. The revised COVID-19 deadlines have impacted the external auditor's ability to resource the audit and as a result both the 2019/20 and 2020/21 financial statements audit is yet to be concluded.

All External audit work is conducted with regard to the Code of Practice produced by the National Audit Office. Going forward certain changes are expected to external oversight as the recommendations from the Redmond Review are considered.

A review of key performance indicators

The Council uses a number of key outcome indicators to assess the quality of governance arrangements. Performance in 2021/22 is set out in the table below.

Indicator	Performance in 2020/21
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)	23 incidents were reported to the DPO in 2020/21 All were checked and none were reported to the ICO
Number of Data Breaches reported to the Information Commissioner's Office (ICO)	Of the 23 incidents reported to the DPA, one breach was reported to the ICO with no sanction being imposed.
Outcomes from Standards Committee or Monitoring Officer investigations	8 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 2021/22
Local Government Ombudsman (LGO) referrals upheld	One referral has been made to the LGO in 2021/22. This was partly upheld. No referrals to the Housing Ombudsman were made in 2021/22.

GOVERNANCE ISSUES AND SIGNIFICANT CHALLENGES

Issues Identified in Prior Years

Risk Management and Information Governance were identified as governance issues in 2019/20 and commented on during the last Governance review 2020/21, further commentary on the progress to address these is provided below.

Significant Governance Issues

Human Resources Assurance Work

Following a number of concerns, Internal Audit undertook a review in late 2020 into the Council's Human Resources highlighting a number of control weaknesses which resulted in a minimal assurance and gave rise to a number of recommendations. The Last Governance Report confirmed that action had been undertaken to address the more serious concerns and that work was progressing to address other issues. The Audit Committee has been provided with updates on progress.

The HR Assurance Update provided to Audit Committee on 21 July 2021 summarised steps taken in 2020 and in early 2021. This included twenty actions recorded as either having been undertaken or planned to be completed. The Report indicated that the recruitment process for an interim Head of HR had begun and that an offer had been made.

A new head of Human Resources was appointed in March 2022 and is currently reviewing the Action Plan with a view to taking further steps to address outstanding recommendations of the Internal Audit.

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 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.

As the circumstances of the Covid pandemic have changed over the course of 2021/22, the IG team have made progress against the recommendations made by Internal Audit. Although, much of the work required under the recommendations is collaborative and requires significant participation from all Council departments. This means that change is not as quick as one would like. Moreover, progress remained limited until early 2022 owing to the need to prioritise the response to the pandemic and the re-allocation of large numbers of staff.

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.

Provision of Internal Audit

In April 2021, the Council's Internal Audit Manager left the Authority. The Council appointed MIAA to provide Internal Audit Services in October 2021. There was therefore a six-month period when the Council did not have staff delivering the internal audit function. This created a significant governance issue.

MIAA have been appointed to deliver the Council Internal Audit Service and will be part of the Council's internal control, governance, and risk management framework.

Other Governance Issues

A number of other governance issues were identified following the Annual Governance meetings with key officers. These have been documented in an action plan which will be monitored by the Executive Team on a quarterly basis and the Audit Committee will be kept updated on progress.

Significant Challenges for 2022/23 and Beyond

Strategic Risk Management

Strategic risk management continues to be raised as an area of concern. Whilst the Council has a Strategic Risk Register, it still requires significant improvement. It currently does not align all of the Council's key strategic risks, within the context of the Council's agreed priorities and outcomes. As a result, Internal Audit have not been able to utilise this risk register to inform and prioritise their audit work. The Executive are taking this matter seriously. From 22/23 oversight of strategic risk management will belong to the Office of the Chief Executive. The executive team have prioritised a comprehensive review of the end-to-end policies, plans, controls, and capacity in place for Risk, Improvement, Audit and Assurance, and will provide regular updates on this work to Audit Committee. This will lead to a significant improvement in the Council's risk management strategy and framework.

Financial Sustainability

There remain significant uncertainties in terms of Local Government funding over the next couple of years. These have been exacerbated by national circumstances such as COVID-19, Brexit as well as significant increases in utilities and contract prices and also by local issues around decommissioning plans for the Heysham power station.

Following significant work by Cabinet and Executive to carefully consider a series of options and proposals, including a detailed review of the Council's capital programme mitigating the associated revenue consequences the 2022/23 revenue budget was approved at Full Council 23 February 2022 without a draw on the Council's reserves.

However, based on current assumptions the forecast budget deficit exceeds £3.9M, with the year-on-year cumulative structural deficit is forecast to exceed £9M by 2025/26. Although there are many variables contained within the calculation of the deficit, funding purely from the Council's reserves is not an option as it does not address the underlying structural issues. Reserves can however be utilised to help to ensure the smooth transition of a number of initiatives aimed at eliminating the deficit.

It must be recognised that the overall size of the challenge the Council faces in addressing its underlying structural deficit is significant and the formulation of a balanced budget over the medium and longer term will require the delivery of considerable savings.

Continued focus on delivering the Funding the Future Strategy and the application of Outcomes Based Resourcing principles such as strategic prioritisation, service transformation and continuous improvement will play a significant part in achieving the level of savings required. The Council must recognise that it will face a number of key decisions over the next financial year which will affect the manner in which it delivers its services.

REVIEWING AND REPORTING ARRANGMENTS

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.

Owing to the Covid-19 pandemic and key staff being redeployed to work in other areas, this year the Annual Governance Statement for 2021/22 has been pulled together via 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 Caroline Jackson
Leader of Lancaster City Council

Mark Davies
Chief Executive of Lancaster City Council

Date: