

Annual Governance Statement 2022/2023

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.

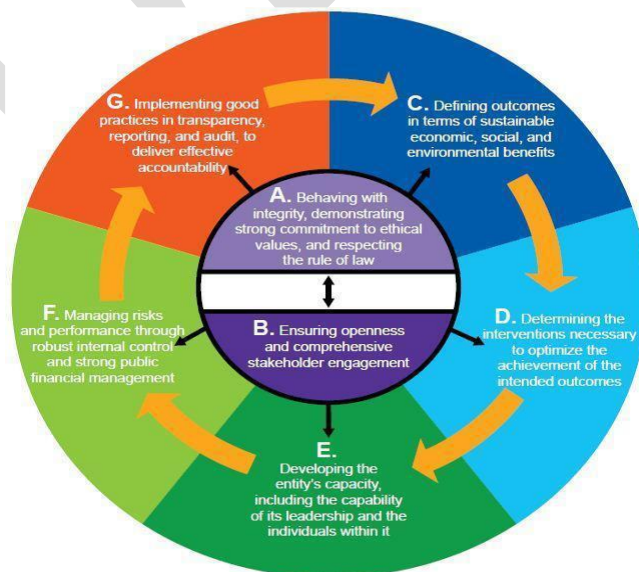
To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, open and accountable manner. These arrangements consist of all the 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 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). 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 scrutinize 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 2022/23.

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’ • 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

	<ul style="list-style-type: none"> • 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 are in the process of creating a breaches policy with regards to Regulatory Standards • Council housing also produces an annual compliance statement and has a self-assessment process for Consumer 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 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 continues to monitor effective compliance 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 subscribed to the Engagement HQ Platform, Keep

	<p>Connected. The platform is an easy and secure way for the public to participate in projects (https://keepconnected.lancaster.gov.uk)</p> <ul style="list-style-type: none"> • 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 a District Wide Tenants forum (Tenant Voice) with annual reporting. • Housing Options has a 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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Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits

<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 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 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
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	<p>is currently in the stage of consulting on proposed modifications.</p> <ul style="list-style-type: none"> • 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, and work on a Local Area Energy Plan is about to be started. • 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 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
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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. 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
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	<p>Finance Officer meetings</p> <ul style="list-style-type: none"> • 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) 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. • 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

<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 (last updated March 2023) • 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
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	<p>and the Overview and Scrutiny function</p> <ul style="list-style-type: none"> • 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 improvement including work on the creation of an Information Governance Framework, an awareness campaign, data flow mapping and , work on 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 and detention policy was last updated February 2023. • 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	
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"> • 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.

	<ul style="list-style-type: none"> • 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 an Internal Audit Plan (2022/2023). This was approved by Audit Committee in March 2023. • 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 is currently under review. • 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 2024 - To be incorporated as part of 2024/25 budget process
	Recruitment to address the capacity issues within finance function	Chief Finance Officer	September 2023
Governance and Financial Management Style	Re-establishment of Performance Management via the Council's "Annual Conversation"	Chief Officer (People and Policy) and Senior Leadership Team	March 2024
	Review of Financial procedure rules	Chief Finance Officer	November 2023
Long to Medium Term Financial Management	Further work will be required as part of the 2024/25 budget setting process to address the significant forecast deficits for 2024/25 and beyond and minimise the use of reserves.	Chief Finance Officer Executive Team and Cabinet	February 2024 – As part of the 2024/25 budget process
	Each lead portfolio member to be more involved in developing 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		
Stakeholder Engagement and Business Plans	Review and consideration of the most effective methods of	Senior Leadership Team	February 2024 – As part of the

	stakeholder engagement on financial matters.	Cabinet	2024/25 budget process
	Further work is required to fully embed project management and the accompanying disciplines throughout the Council and ensure that is consistently applied.	Senior Leadership Team Programme Manager	February 2024 – As part of the 2024/25 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.

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 2022/2023 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 "...for the period 1st April 2022 to 31st March 2023 provides Moderate Assurance, 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 of the organisation's objectives at risk.

In considering the overall opinion, we have recognised the improvement and development of Risk Management at the Council in the last year and this has been reflected in the Council moving just over the threshold from the previous overall limited opinion in 21/22 to an overall moderate opinion for 22/23. We have also considered that Internal Audit resource has been directed into known risk areas by Council Officers and the Audit Committee which has resulted in a number of moderate and limited assurance opinions being provided for individual reviews. Moving forward, the Council needs to ensure that there is a continued focus on the strengthening of its control framework."

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

“The 2022/23 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 71 recommendations as part of the reviews undertaken during 2022/23. All recommendations raised by MIAA have been accepted by management.
- Of these recommendations: none were critical and 10 were high risk recommendations in relation to the reviews of Collection of Income & Reconciliations, Council Tax, Efficiency Programme Delivery, Council Resilience, Recruitment and Project Management.
- During the year, we have undertaken follow up reviews and can conclude that the organisation have had 33 actions implemented or superseded during 2022/23
- The total number of recommendations yet to be implemented as at March 2023 is 61, with 41 of these not yet due, of the remaining 20 recommendations 18 of these relate to the previous in house audit team and do not have a risk rating. The two which have a risk rating are one medium and one low.”

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 audit deadlines have impacted the external auditor’s ability to resource the audit and together with a long-standing objection the 2019/20, 2020/21 and 2021/22 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 still expected to external oversight as the recommendations from the Redmond Review are fully considered.

Deloitte appointment as external auditors was 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 summer 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.

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 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)	42 incidents were reported to the DPO in 2022/23
Number of Data Breaches reported to the Information Commissioner's Office (ICO)	Of 42 reported to the DPO, 2 were reported to the ICO. No sanctions were imposed but advice given 1) further training of staff 2) adequate technological solutions. Both recommendations implemented
Outcomes from Standards Committee or Monitoring Officer investigations	10 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 2022/23
Local Government Ombudsman (LGO) referrals upheld	Eight referral has been made to the LGO in 2022/23. None were upheld but one carried a recommendation. This was partly upheld. Five referrals to the Housing Ombudsman were made in 2022/23, none have been finalised by the Housing Ombudsman as yet.

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

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 an internal audit report with minimal assurance and gave rise to a number of recommendations (35 in all). The last AGS 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.

In March 2023 MIAA produced a report on the effectiveness of the HR review. As set out in the introduction to the report "Since the publication of the 2020 report there have been a number of significant changes within the HR Team. Following the instalment of an interim head of HR in July 2021, there has been a new permanent Head of HR appointed during 2022, who has instigated and implemented a HR restructure in September 2022."

The recommendations identified by the 2020 audit report (where still applicable) were transferred to the Council's Action Plan and have been progressed accordingly.

In March 2023 report confirms that "the Action Plan was last updated in October 2022 with 22 actions being noted as completed, nine actions as no longer applicable and four actions outstanding requiring the update of HR policies."

The HR review summary of the 35 recommendations confirms that nine actions are no longer applicable, five actions marked as complete by the Council have been assessed as in progress and require further work. Four actions require the review and update of HR policies, and one action requires internal audit review across the Council on Honorariums. The remaining 16 actions have been confirmed as completed.

MIAA have also identified further actions required. This includes (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.

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 identifies 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 23 November 2022. Three out of eight actions have now been completed with five 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 2022/23 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.

There has been significant improvement since the last review July 2022. The latest Risk Management Report 2022/23 issued 6 June 2023 provides an opinion of "Moderate Assurance". The key findings in the June 2023 provides:

"There has been good progress since our previous review. The refreshed risk management implementation project led by the Projects and Performance Manager has delivered in line with its expectations. A key positive difference to the previous implementation has been engagement with service users to facilitate risk recognition and system familiarisation. At the conclusion of our review of the improvement project, good progress has been made in populating the registers, and the first review cycle by the Projects and Performance Manager was commencing at the conclusion of our review. This would identify areas for improvement and provide users with 'on the job' training to enhance register quality."

Work since October 2022 has included approving a refreshed Risk Management Policy (March 2023 and updating the GRACE (Governance, Risk Assessment and Control Evaluation) system with strategic and operational risks. In line with quarterly reporting function, risks are to be reviewed by the assigned risk owners every 90 days.

The Internal Auditor has made further recommendations for improvement including formal assessment of risk management resources and a training programme to support further improvement.

The Senior Leadership Team continue to take this matter seriously. Oversight of strategic risk management now belongs to the Office of the Chief Executive. The Senior Leadership Team continue to prioritise the comprehensive review of the end-to-end policies, plans, controls, and capacity in place for Risk Management. This includes the recognition of areas of good practice and 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

Consistent with all public sector bodies the Council continues to face unprecedented levels of financial and economic uncertainty in terms of Local Government funding, on-going pandemic recovery, 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. Despite a range of proposals including the identification of £2.423M of savings and income generation opportunities a draw on reserves of £0.577M was required for 2023/24.

Based on current assumptions the forecast budget deficit for 2024/25 exceeds £1.5M, with the total 5-year deficit c£5M. 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. 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 principles such as strategic prioritisation, service transformation and continuous improvement will play a significant part in achieving the level of savings required. All Members must work together and recognise that they will face a number of difficult but key 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 significant progress since last year's AGS. In particular, the Council has made good improvement with regards to Risk Management seeing the Internal Auditor's opinion change from no assurance to "Moderate Assurance". A refreshed risk management implementation project has been delivered in line with expectations and the Council's assessment and management of risk is much improved as a result.

Good progress has also been made with regards to HR assurance work with only 16 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 2022/23 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 Phillip Black
Leader of Lancaster City Council

Mark Davies
Chief Executive of Lancaster City Council

Date: