

# Annual Governance Statement 2024/2025

## 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.

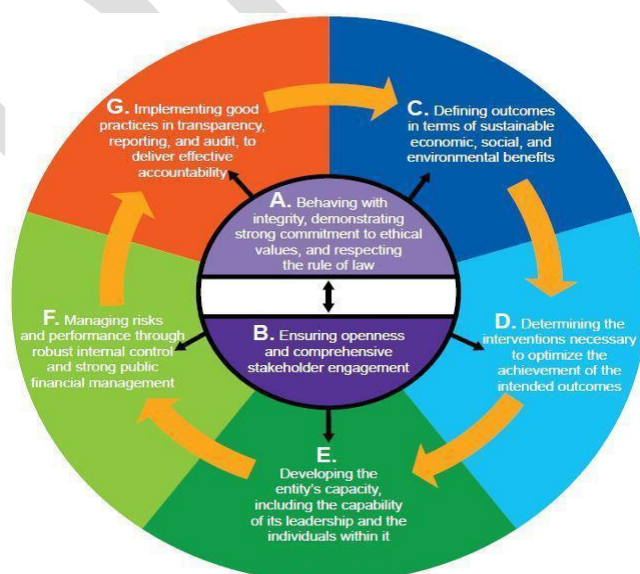
To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, open and accountable manner. These arrangements consist of all the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

The Council has also had regard to the recent addendum to the Framework (Delivering good governance in local government: Framework) dated May 2015 when producing this Annual Governance Statement.

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

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

<u><b>The Council, Cabinet and Leader</b></u> <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>	<u><b>Scrutiny and Review</b></u> <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>
<u><b>Decision Making</b></u> <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>	<u><b>Risk Management</b></u> <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>
<u><b>Paid Service and Statutory Officers</b></u> <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 2024/25.

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

<b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</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>• Code of Conduct for both members and staff</li> <li>• The Council's 'values and behaviours framework'</li> </ul>

	<ul style="list-style-type: none"> <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.</li> <li>• The Council has a publishable Complaints self-assessment for both the Housing Ombudsman and the Local Government and Social Care Ombudsman on our website. Our self-assessments and annual reports are reported annually to June Cabinet for a publishable Cabinet statement in line with Ombudsman requirements.</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 (updated February 2025) 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 produces an annual self-assessment for Regulator of Social Housing Consumer Standards. This has been presented to the established Council Housing Advisory Group, but will also be presented more formally to other Committees through 2025/26, following the development of a dedicated Council Housing Assurance Framework.</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> </ul>

	<ul style="list-style-type: none"> <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> <li>• The Council publishes all key decisions on its website</li> <li>• The Council live-streams Full Council meetings</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 (the continuing use of the Lancaster District People's Jury and the Placemaking with Young Adults Engagement Programme) 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 2024-25 additional engagement and scrutiny groups for Council Housing have been supported such as the Council Housing Advisory Group, Block Voice and Tenant Scrutiny Group – which through the past year have reviewed our block cleaning and are finalising a report to be published on our website. Council Housing also have agreed Tenant Voice Strategy 2024-2027 and Resident Engagement Strategy: A Commitment to Building Safety, which detail our approach to resident engagement.</li> <li>• The Council Housing Service in line with Regulatory requirements undertake an annual Tenant Satisfaction Survey the details of which are published on our website alongside the accompanying action plan.</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>• The Council's Public Realm team have engagement &amp; development officers who support communities and groups in regards to co design and management of public open spaces</li> <li>• During the process of review and subsequent adoption of the Climate Emergency Local Plan, the Council held a series of engagement events with statutory consultees, parish councils, local interest groups and residents. A similar approach is being taken to the current Local Plan, which is at an early stage of evidence gathering. One (live) example is the call for young people aged 18-30 to participate in a series of engagement events</li> </ul>
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	<p>called 'WALKshops' in Lancaster, Morecambe and Carnforth regarding placemaking. The Council are seeking to engage in lively discussion regarding sustainable infrastructure, vibrant neighbourhoods, or more green spaces.</p> <ul style="list-style-type: none"> <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, the Plain English and Style Guide, recently updated Media and Social Media Guidelines, and corporate identity policy.</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> <li>• The Council has reviewed its procurement processes and procedures to ensure compliance with the Procurement Act 2023 and has up-to-date systems and processes in place to ensure compliance with its procurement obligations. This includes the use of the Government's central digital platform and ensuring social value is achieved via the use of Social Value Portal.</li> <li>• A cross-party working group has been established by full council to work through issues of local government reorganisation with appropriate terms of reference being set.</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 Programme are designed to deliver the strategic priorities</li> <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 remains up-to-date i.e. it</li> </ul>
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	<p>was adopted within the last five years (July 2020).</p> <ul style="list-style-type: none"> <li>• The Council's Climate Emergency Local Plan Review (CELPR) which sought to strengthen local planning policies regarding climate mitigation and adaptation has concluded. Following the formal Examination by the Government's Planning Inspectorate, the CELPR was found soundly prepared, and the Plan was adopted by Council in January 2025.</li> <li>• The Council continues to make good progress regarding assembling an evidence base for its new Local Plan (which will eventually replace the one adopted in 2020). Details of progress are reported on the Council's Local Plan Policy Hub webpages. In April 2025, Cabinet approved the timetable for the formal stages of the Local Plan. The 30-month formal part of the plan-making process will commence on 1 January 2026.</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 worked with Energy Systems Catapult (via external funding) to produce a Local Area Energy Plan (LAEP). The LAEP has since been adopted by the Council (October 2024) and it identifies the most cost-effective pathways to net zero for the Lancaster District.</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 quarterly to Cabinet and the Budget and Performance Panel</li> <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>

<b>Principle E: Developing the entity's capacity, including the capability of its leadership</b>
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**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"><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's repairs and maintenance, 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 summer 2023, resulting in an upgrade to Silver (Established) 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>• A new annual conversation framework was co-designed in early 2023 and launched from April 2023.</li></ul>
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**Principle F: Managing risks and performance through robust internal control and strong financial management**

Compliance Review	<ul style="list-style-type: none"><li>• 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</li><li>• 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.</li><li>• All services have Information asset registers and privacy notices are now</li></ul>
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	<p>in place for most the Council's service areas.</p> <ul style="list-style-type: none"> <li>• The Council has an Overview and Scrutiny Committee and a Budget and Performance Panel which have been set clear roles and responsibilities</li> <li>• 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.</li> <li>• Effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based</li> <li>• There is a calendar of dates for submitting, publishing and distributing timely reports to the Council's committees</li> <li>• 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)</li> <li>• An Audit Committee is in place, which is independent of the Executive and the Overview and Scrutiny function</li> <li>• 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).</li> <li>• 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.</li> <li>• The Council has several counter-fraud policies in place which assist against fighting fraud and corruption</li> <li>• 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</li> <li>• The Council has an 'Anti Money Laundering Reporting Officer'</li> <li>• The Council's Annual Governance Statement is prepared in compliance with CIPFA's 'delivering good governance in Local Government'</li> <li>• 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</li> <li>• 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. The Information Governance Framework has been implemented but there are still areas for improvement including the consent process and contract management. These works are being progressed.</li> <li>• Secure arrangements are in place for the transfer of sensitive data (SFTP, Sharepoint Link 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 the retention schedule, attached to the records management policy, is currently being improved.</li> <li>• Those making decisions are provided with information that is fit for</li> </ul>
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	<p>purpose, relevant, timely and gives clear explanations of technical and financial issues and their implications</p> <ul style="list-style-type: none"> <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 (PSIASS) 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 and agreed by the Audit Committee in March 2025.</li> <li>• The Council's Monitoring Officer has been trained as a RIPA Authoriser (training took place in January 2025) as per the Investigatory Powers Commissioner's recommendations.</li> <li>• Arrangements for accountability and prevention of corruption when working with suppliers and partners are documented within the Council's Contract Procedure Rules. The Contract Procedure Rules were updated in January 2025.</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

RAG	Description	Number of Financial Management Standards				Movement
		21/22	22/23	23/24	24/25	
<b>GREEN</b>	Compliance is being demonstrated.	7	8	11	12	+1
<b>AMBER</b>	Minor to Moderate improvements are required to demonstrate full compliance.	8	9	6	5	-1
<b>RED</b>	Moderate to Significant improvements are required to demonstrate full compliance.	2	0	0	0	0
<b>Total</b>		<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>0</b>

Standard	Action Required	Responsible Officer	Timescale
<b>Responsibilities of the Leadership Team and Chief Financial officer (CFO)</b>	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	Responsibilities of the Leadership Team and Chief Financial officer (CFO)
<b>Governance and Financial Management Style</b>	Further embedding of Performance Management via the Council's "Annual Conversation"	Chief Officer (People and Policy) and Senior Leadership Team	Governance and Financial Management Style
<b>Long to Medium Term</b>	Further work will be required as part of the 2026/27 budget	Chief Finance	Long to Medium Term Financial

<b>Financial Management</b>	<p>setting process to address the significant forecast deficits and minimise the use of reserves, in both the General Fund and HRA</p> <p>Each lead portfolio member to be more involved in developing and setting the budget for their service areas.</p> <p>As part of the process to address the structural deficit service plans will need to be reflect how the services and the Council will be financially sustainable</p>	Officer	Management
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## 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 2024/2025 Internal Audit Annual Report and Head of Internal Audit Opinion recognises that like other organisations across the public sector is facing a number of challenging issues and wider organisational factors particularly with regards to changes in the political landscape, financial challenges and increasing collaboration across organisations. The Head of Internal Audit also recognises that the Council has directed Internal Audit into known risk areas, thereby effectively utilizing internal audit resource.

The overall opinion of the Head of Audit, as detailed in the report is that:

“...for the period 1<sup>st</sup> April 2024 to 31<sup>st</sup> March 2025 provides Limited Assurance, that that there is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls impacts on the overall system of internal control and puts the achievement of the organisation’s objectives at risk.

**Context:** This opinion is provided in the context 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 changes in the political landscape, financial challenges and increasing collaboration across organisations.

***In considering the overall opinion, we do acknowledge that the Council has directed Internal Audit into known risk areas, thereby effectively utilising internal audit resource. There is oversight of key action plans by the council’s leadership team, specifically relating to the critical and high risk rated actions arising from the Procurement review. The council have put in a place a number of measures following the review to address the control weaknesses identified and are continuing to focus upon the remaining areas.***

Moving forward, the Council is committed to strengthening of its control framework with a continuing focus on action plans overseen by the Chief Executive.”

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

The Council is making progress with its purchasing process review and making changes to strengthen control in this area.

#### **External Audit Assurance 2020/21 – 2022/23**

The Council’s external auditors, 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. Like other Council’s across the country, we have been significantly impacted by the crisis in the public sector audit sector and the resulting audit backlog. This resulted in the External Auditor’s opinions for the 2019/20 – 2022/23 financial statements were delayed for a number of years. To address this backlog Department for Levelling Up, Housing & Communities published deadlines for outstanding issues to be resolved. This approach was re-confirmed in July 2024

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

The Audits of the 2019/20 - 2022/23 Financial Statements have now been concluded, and the External Auditors, Deloitte issued unmodified opinions for both 2019/20 and 2020/21. In line with the backstop arrangements disclaimed opinions were issued for 2021/22 and 2022/23.

The following Value for Money (VfM) Risk Assessment and Conclusions supporting Deloitte's opinions

Financial Year	Risk Assessment	Conclusion
2020/21	No risk of significant weakness	No significant weakness identified
2021/22	No risk of significant weakness	No significant weakness identified
2022/23	No risk of significant weakness	No significant weakness identified

There were a small number of other improvement recommendations made, many of which the Council have already actioned and will continue to implement over the coming year.

A copy of the audited financial statements was published on the Council's website ahead of the 13<sup>th</sup> December 2024 backstop deadline

#### **External Audit Assurance 2023/2024**

KPMG have been appointed as the Council's External Auditors for the 5-year period 2023/24 to 2028/29. Given the volume of work outstanding from previous years and the changes to the backstop dates resulting in both Deloitte and KPMG requiring significant officer support over the same period meeting the February 2025 backstop deadline was always going to be a challenge. Priority was given to finalising the outstanding audit work to enable Deloitte to issue their opinions and also to the statutory work of the Council around budget production, setting of Council Tax etc. Regrettably **we did not achieve the deadline**, and a note has been published on the Council's website [Statement of Accounts - Lancaster City Council](#)

All outstanding issues relating to the 2023/24 audit have been provided and we are awaiting confirmation from KPMG of their timescale for issuing the disclaimed audit opinion.

#### **Outstanding Objections and Audit Certificates**

The Council has been subject to a number of longstanding objections to the Council's Financial Statements, which has had a considerable impact on both the Audit Opinions and Certification. The objection to the 2019/20 Financial Statements was concluded June 2021, and audit certificate from Deloitte.

#### **2020/21 to 2022/23**

The outcome of the objections was formally communicated to the objector by Deloitte in February 2025. The communication outlined in detail the External Auditor's considerations and conclusion against each of the grounds for objection and confirms that for a number of reasons none have been upheld. Section 28 (3) (b) of the Local Audit & Accountability Act 2014 allows the objector 21 days from the date of receipt to appeal against the decision to the court. It is understood that the objector has communicated a desire to exercise this right to Deloitte.

Until the issue of the objections is finally resolved the External Auditor will not be able to issue the Audit Certificates and formally closed the 2020/21 to 2022/23 audits.

#### **2023/24**

The objections appear to be similar in nature to those received in previous years and to assist KPMG have been cross referenced to the findings from Deloitte. However, KPMG will need to



form their own view of the validity of the objections which will impact on their ability to issue the audit certificate and conclude the 2023/24 audit.

### **A review of key performance indicators**

The Council uses a number of key outcome indicators to assess the quality of governance arrangements. Performance in 2024/25 is set out in the table below.

<b>Indicator</b>	<b>Performance in 2024/25</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)	45 incidents were reported to the DPO in 2024/25
Number of Data Breaches reported to the Information Commissioner's Office (ICO)	Of 45 reported to the DPO, none (0) were reported to the ICO.
Outcomes from Standards Committee or Monitoring Officer investigations	Nine (9) breaches of the code of conduct were reported to the Monitoring Officer. Matters were either discontinued on 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 2024/25. Allegations of fraud have been made and are under investigation in accordance with the Council's policies.
Local Government Ombudsman (LGO) referrals upheld	10 referrals have been made to the LGO in 2024/25. One of these is currently being investigated and we await the outcome. Four referrals to the Housing Ombudsman were made in 2023/24. One referral was investigated and upheld with a finding of maladministration. And two others are currently under review by the Housing Ombudsman, we are awaiting their decision. Remedies included an apology, review of complaint handling failures, compensation and demonstration of improvement.

## **GOVERNANCE ISSUES AND SIGNIFICANT CHALLENGES**

### **Issues Identified in Prior Years**

Information Governance was identified as governance issues in 2019/20 and commented on during previous Governance reviews. Further commentary on the progress to address these is provided below.

### **Significant Governance Issues**

#### 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 Information Asset Registers and recorded legal bases for the collection of Sensitive Personal Data. The IG Team are working in conjunction with all of the Council's departments to get these issues resolved.

Whilst some recommendations have been implemented, there are still a 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 2023 AGS referred to a number of other governance issues which were identified following annual governance meeting with key officers. Audit Committee were last updated on the progress of these at their meeting on 19<sup>th</sup> March 2025. The actions which remain outstanding are all underway, or there is a plan for when the actions will start. The outstanding actions and their timescales are:

- Policy Review – this is an ongoing task to provide reminders to policy owners about reviewing their policy when it is coming up for renewal or if it becomes overdue.
- Information on Website – there is a project in place to replace the website software. The content will be reviewed as part of this. The work has recently commenced and it's likely that we will have a new website by the end of the financial year. The content will be revised in sections, rather than all being updated by this time next year.
- Review of Festival Market Management – our internal auditors carried out a review during 24/25. The agreed actions are due to be completed by the end of 2025.

A further Governance issues around contract management have been added to the Action Plan. Concerns with contracts relates to issues around storage of contracts, management of contracts and oversight of KPIs.

The Audit Committee will be provided with regular progress updates.

### **Significant Challenges for 2024/25 and Beyond**

## Purchasing

The use of procurement cards for purchasing is an issue. Problems identified include issues with appropriate spending, payment processing, training, systems and procedures and monitoring of procurement cards.

Internal audit and officers have undertaken a thorough review of procurement card spending. The number of cards has been reduced from 140 to 90. Further training has been given to card holders and authorisers. Issues with officer spending have been and continue to be investigated and addressed. Further monitoring of card transactions has been introduced.

The number of procurement cards, the level of authorised spend and category of spend is currently under review. It is expected that the number of procurement cards will be further reduced.

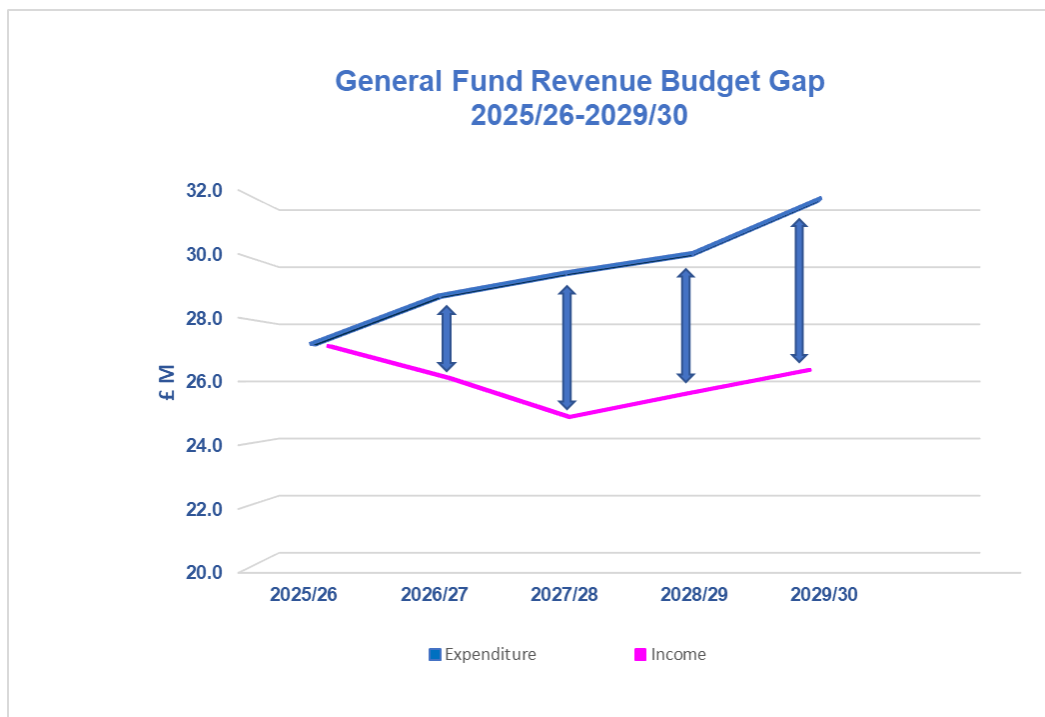
The number of purchases via purchasing card has been reduced as the Council moves away from frequent use of procurement cards.

The Council has also commenced a wider review of its spending with a view to procuring preferred suppliers for goods and services. This to further to safeguard the Council's spending, and to secure cost savings.

## **Financial Sustainability**

Similar to other Councils across the country we continue to face unprecedented levels of financial and economic uncertainty in terms of Local Government funding. 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 to address future budget gaps

General Fund Budget Gap



#### Cumulative Deficit as Percentage of Revenue Budget

	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M
Net Revenue Budget	27.201	28.749	29.489	30.118	31.873
Budget Gap (Incremental)	0.000	2.633	4.699	4.513	5.480
% of Net Revenue Budget (Incremental)	0%	9%	16%	15%	17%
Budget Gap (Cumulative)	0.000	2.633	7.332	11.845	17.325
% of Net Revenue Budget (Cumulative)	0%	9%	25%	39%	54%

The forecast gaps are structural in nature, meaning that the Council's forecast spending exceeds the income it expects to receive, and this is compounded year on year. This position represents a significant challenge over the short and medium term. It is imperative that the Council's OBR process continues, and this will be fundamental in driving down budget gaps from 2026/27 and beyond and in realising financial sustainability.

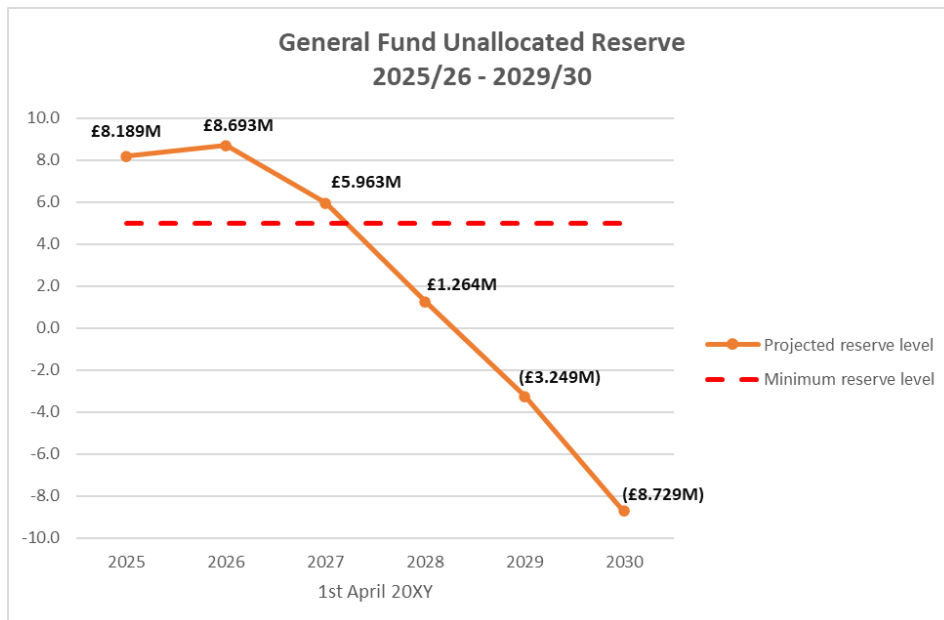
#### Reserves & Balances

A Council's reserves are an essential part of good financial management. They help the Council to cope with unpredictable financial pressures and plan for future spending commitments. The level, purpose and planned use of reserves are important factors for the Council as part of the MTFS.

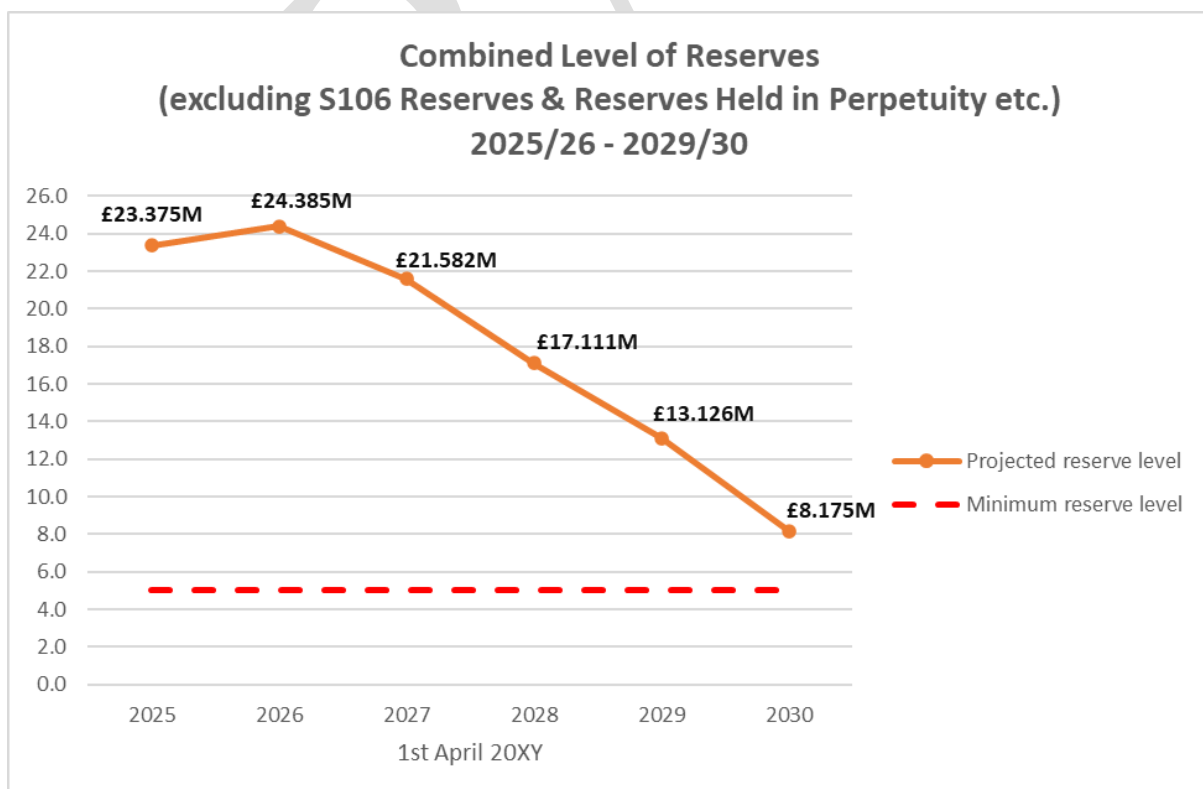
By their nature reserves are finite and, within the existing statutory and regulatory framework, it is the responsibility of the s151 Officer to advise the Council about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use.

In accordance with the s151 Officers' advice the minimum level of General Fund unallocated reserve is £5M and £0.750M for the HRA

The graph and below provide details of our current forecast level of General Fund Balances including the impact of funding the forecast deficit from this reserve.



The graph below provide details of our current forecast level of all available Council reserves. The analysis excludes a number of essentially ring-fenced reserves such as s106, reserves held in perpetuity, revenue grants unapplied & elections. It does include reserves such as Business Retention and Renewals Reserves. These reserves are held for specific purposes, particularly the Business Rates Retention Reserve which is a mandated reserve. Its purpose is to manage the risk of fluctuations in business rates income, including changes in the Council's appeals provision and movements in forecast prior year surpluses or deficits. Whilst the transfers can be made to the general fund it is required to be maintained at a prudent level to manage the risks with business rates and not to support ongoing budget deficits. The graph below is used to underline the seriousness of the current situation against the Council's entire resources, not only the general fund.



The Council's Housing Revenue Account continues to face unprecedented levels of financial and economic uncertainty in terms of Government rent setting restrictions as well as the current



and changing landscape around social housing regulation. Expectations on service delivery continues to increase coupled with a challenging financial picture.

Of particular note linked to regulation is:

- The introduction of Tenant Satisfaction Measures during 2023/24. This year is the second year of data collection of which we have seen improved satisfaction across the board, whilst recognising there is more work to do – these results are formally reported to the Regulator during 2024. [Tenant Satisfaction Measures - Lancaster City Council](#)
- The mandatory registration of high-rise buildings was completed in 2023 with safety case files compiled at the end of March 2024 – call-in of these files is awaited,
- The ongoing Government-led professionalisation of the housing sector review – currently awaiting further details,
- The ongoing Government-led implementation of Awaab's Law (linked with property condition against Housing Health and Safety Rating System hazards) – currently awaiting further details, as well as awaiting further details of an anticipated new Decent Homes Standard,
- Ofsted-style inspections from the Regulator being introduced from April 2024, on a four-yearly cycle, now coming to the end of the first year,
- Housing Ombudsman Spotlight reports into poor sector performance and accompanying self-assessments, and
- A renewed focus on the customer complaints process through the introduction of a joint complaints code with the Local Government and Social Care Ombudsman, and mandatory submission of self-assessments and annual reports. (Self-assessment and performance information can be found here: [Complaints - Lancaster City Council](#))

All of these, together with other routine operational pressures has placed significant financial stress on the Council's Housing Revenue Account (HRA). As a result, the level of reserves within the HRA 30 Business Plan has dipped below the s151 Officer recommended minimum levels and is expected to do so for 12-18 months, as work to reverse this decline takes effect. However, these reserve forecasts do not include the impact of any future projects and as such careful monitoring of expenditure and the impact on reserve levels will be paramount going forward.

### **Progress from last year's AGS**

The Council has made further progress with regard to Risk Management. Some consultancy work was commissioned to help us build in the 'three lines of defence' model to our risk management approach and provide suggestions on how to further improve our risk management processes. As a result, we will be moving from a 4 x 4 to a 5 x 5 (impact and likelihood) risk matrix to enable us to differentiation between risk severity and concentrate our efforts on managing the highest scoring risks. As part of this exercise, the Council's risk appetite for different risk categories will be re-visited, having adopted it in January 2024.

Two of the recommendations from the 23/24 audit are still outstanding, as they will be addressed when the risk matrix is updated and the 'three lines of defence' model implemented.

The Council took part in an LGA Corporate Peer Challenge in April 2024. This challenge, in the form of a review of the council's corporate functions, was independently undertaken by the Local Government Association (LGA).

A positive feedback report was subsequently published. The overriding view of the peer challenge was that over the last two years the Council has undergone a period of rapid improvement, is making real improvements for people and place, and is well-placed for the

future to deliver on the needs of its communities. Following the review the Council produced a plan for addressing recommendations made. A further review was undertaken in January 2025 by the AGA. The review found that the plan for addressing the recommendations of the Peer Challenge had been acted upon and that 85% of the recommendations were on track and progressing well. Praise was given for the Council's approach to community wealth building, economic resilience, and environmental sustainability.

### **Forward look on Governance**

The Government's Local government reorganisation is a significant change that the Council is currently working on and will continue to work over the coming years. Current and new practices and procedures need to be looked at in light of future change and good governance is needed to ensure that reorganisation is smooth and efficient and works well for Lancashire. A cross-party group has been established to consider proposals on reorganisation and to oversee this work.

A lot of work has been undertaken within 2023/24 and 2024/25 in getting the Council prepared for the changes under the Procurement Act 2023. The Act came into force on 24 February 2025. The Council has overhauled its template documentation, guidance and procedures and is in a good position to meet its obligations under the 2023 Act. It has also amended its Contract Procedure Rules. Looking to the future, further work is needed on the Council's procurement policy, strategy and social value.

Council housing produces an annual self-assessment for Regulator of Social Housing Consumer Standards. This will be presented formally to relevant Committees through 2025/26, following the development of a dedicated Council Housing Assurance Framework.

The Council has asked Internal Audit to focus on areas of known weakness. There are several outstanding audit actions that need to be completed. This will be a priority for the Council over the next financial year.

### **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 2024/25 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 Caroline Jackson**  
Leader of Lancaster City Council

**Mark Davies**  
Chief Executive of Lancaster City Council

Date:

DRAFT