Chorley Council

GOVERNANCE COMMITTEE

WEDNESDAY, 30TH MAY 2018, 2.30 PM
COMMITTEE ROOM 1, TOWN HALL, CHORLEY

AGENDA

APOLOGIES

1   **MINUTES OF MEETING WEDNESDAY, 21 MARCH 2018 OF GOVERNANCE COMMITTEE**

2   **DECLARATIONS OF ANY INTERESTS**

Members are reminded of their responsibility to declare any pecuniary interest in respect of matters contained in this agenda.

If you have a pecuniary interest you must withdraw from the meeting. Normally you should leave the room before the business starts to be discussed. You do, however, have the same right to speak as a member of the public and may remain in the room to enable you to exercise that right and then leave immediately. In either case you must not seek to improperly influence a decision on the matter.

3   **DRAFT STATEMENT OF ACCOUNTS 2017/18**

Report of the Chief Finance Officer (to follow)

4   **CHARITY AND TRUST ACCOUNTS 2017/18**

Report of the Chief Finance Officer (enclosed)

5   **OUTCOME OF COTSWOLD HOUSE HOMES ENGLAND AUDIT AND FUTURE AUDIT OF PRIMROSE GARDENS**

Report of the Chief Finance Officer (to follow)

6   **EXTERNAL AUDIT PROGRESS UPDATE**

Chorley Borough Council – Planned audit fee for 2018/19 (enclosed). A verbal update will be provided at the meeting.

7   **INTERNAL AUDIT ANNUAL REPORT 2017/18**

Report of the Head of Shared Assurance Services (enclosed)

Meeting contact Nina Neisser on 01257 515140 or email nina.neisser@chorley.gov.uk

8	**ANNUAL GOVERNANCE STATEMENT**	(Pages 35 - 48)
	Report of the Director of Policy and Governance (enclosed)	
9	**COMMERCIAL HEALTH CHECK**	(To Follow)
	Report of the Director of Policy and Governance (to follow)	
10	**STRATEGIC RISK UPDATE REPORT**	(Pages 49 - 62)
	Report of the Director of Policy and Governance (enclosed)	
11	**RIPA APPLICATION UPDATE**	
	The Monitoring Officer will present a verbal report at the meeting.	
12	**ANY URGENT BUSINESS PREVIOUSLY AGREED WITH THE CHAIR**	

GARY HALL
CHIEF EXECUTIVE

Electronic agendas sent to Members of the Governance Committee Councillor Paul Leadbetter (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Jean Cronshaw, Alan Cullens, Gordon France, Yvonne Hargreaves, Steve Holgate and Kim Snape.

If you need this information in a different format, such as larger print or translation, please get in touch on 515151 or chorley.gov.uk

Chorley Council

MINUTES OF	**GOVERNANCE COMMITTEE**
MEETING DATE	**Wednesday, 21 March 2018**
MEMBERS PRESENT:	Councillor Paul Leadbetter (Chair), Councillor Anthony Gee (Vice-Chair) and Councillor Jean Cronshaw, Alan Cullens, Gordon France, Debra Platt and Kim Snape
OFFICERS:	Gary Hall (Chief Executive/Statutory Finance Officer), Chris Moister (Head of Legal, Democratic & HR Services/Monitoring Officer), Garry Barclay (Head of Shared Assurance Services), Rebecca Huddleston (Director (Policy and Governance)), Dawn Highton (Principal Auditor), Angela Barrago (Health and Wellbeing Manager) and Dianne Scambler (Democratic and Member Services Officer)
EXTERNAL REPRESENTATIVES:	Mark Heap (Grant Thornton UK LLP) and Simon Hardman (Grant Thornton UK LLP)

18.G.12   Minutes of meeting Wednesday, 24 January 2018 of Governance Committee

RESOLVED – That the minutes of the Governance Committee meeting held on 24 January 2018 be confirmed as a correct record for signing by the Chair.

18.G.13   Declarations of Any Interests

No declarations of any interests were declared.

18.G.14   External Audit Plan 2017/18

The External Auditors, Grant Thornton, gave an overview of the planned scope and timing of the audit for the year ending 31 March 2018, allowing Members to understand the key requirements in bringing the plan together and the risks and consequences of the work being carried out.

The audit would focus on risks and the Committee's attention was drawn to the following significant risks that required specific audit consideration and procedures to address the likelihood of a material financial statement error:
* Management override controls
* Valuation of pension fund net liability
* Valuation of property, plant and equipment (PPE)

Their risk assessment regarding the Council arrangements to secure value for money had identified the following VFM may be a significant risk:

- Financial management and the Council's medium term financial planning arrangements.

Interim work had started in January 2018 and was still underway with final visits scheduled to take place in June and July.

RESOLVED – That the report be noted.

18.G.15   Audit Progress and Sector Update Report

The Committee received a report that showed the progress made by our External Auditors in delivering their responsibilities. The report also provided a summary of emerging national issues and developments that may be relevant to the Council and included a number of challenge questions in relation to these issues that the Committee may wish to consider.

Several points were highlighted within the report, which included, the Financial Statements Audit, Value for Money work, Changes to the prudential framework of capital finance, The Prudential Code and Treasury Management Code, Certification of claims and returns and Supply Change Insights.

Regular meetings with the Finance team and Chief Executive to discuss emerging issues were also taking place on a regular basis.

RESOLVED – That the report be noted.

18.G.16   Internal Audit Plan 2018-19 & Internal Audit Charter

The Head of Shared Assurance Services submitted a report that reminded Members of the respective roles of managers and Internal Audit to maintain a sound system of governance and internal control within the Council. The report also sought Committee's approval of the 2018/19 Internal Audit Plan.

The 2018/19 Internal Audit Plan had been compiled in consultation with Directors following detailed risk assessments. The Audit Plan contained the programme of reviews for the next financial year and was appended to the report.

The Plan is based on a resource of 340 audit days for Chorley Council and 140 days for Shared Services and comprised of a mix of in-house and bought-in resources from Lancashire Audit Services (Lancashire County Council).

The Committee were also informed that the Internal Audit Charter had been reviewed against the requirements of the new UK Public Sector Internal Audit Standards (PSIAS) in readiness for its Peer Review in April 2018.

RESOLVED – Approval for the Internal Audit Plan and the Internal Audit Charter for signing by the Chair, Councillor Paul Leadbetter.

18.G.17   Risk Management Framework

The Head of Shared Assurance Services presented a report that informed of progress made in embedding risk management disciplines throughout the Council against the Council's Risk Management Framework. The report also updated on recent

improvements that had been made and demonstrated how the Council is ensuring that the management of risk remains at the centre of its day-to-day work.

During 2017/18 the Shared Assurance Services procured and implemented the GRACE (Governance, Risk Assessment and Control Evaluation) system for use within both Chorley and South Ribble Councils. Its main purpose was to facilitate a modern risk based approach to internal auditing by engaging service departments in self-assessment of their own process/system risks.

Following extensive officer training, the scope of the GRACE system has been expanded to enable completion of risk registers at all levels within each organisation including the Strategic Risk Register, Service Risk Registers and those in relation to key projects, procurements and partnerships.

Benefits of using GRACE included a consistent approach to risk assessment across the Council, an increased focus for staff and ownership of risk within the teams.

In response to members concerns about local authorities having to be more entrepreneurial in their attempts to develop sustainable income streams, proactively encouraged by Central Government. The Chief Executive explained that the Director (Governance and Policy) was currently undertaking a detailed piece of work that would outline the Council's future approach to commercialism.

RESOLVED – That the report be noted.

18.G.18   RIPA Application Update

The Monitoring Officer reported that there had been no RIPA applications made.

Chair   Date

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Chorley Council

Report of	Meeting	Date
Chief Finance Officer	Governance Committee	30 May 2018

CHARITY AND TRUST ACCOUNTS 2017/18

PURPOSE OF REPORT

1. To present for approval the accounts for the year ended 31 March 2018 for charities and trusts for which the Council is the sole trustee.

RECOMMENDATION(S)

2. That the accounts presented in Appendix A to E be approved.

EXECUTIVE SUMMARY OF REPORT

3. The Council's Statement of Accounts 2017/18 does not include the previous Trust Funds disclosure. As an alternative, figures are presented in this report, which therefore provides an opportunity of providing more detail about each charity or trust.

Confidential report Please bold as appropriate	Yes	**No**

CORPORATE PRIORITIES

4. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	

BACKGROUND

5. As part of the process of decluttering the Council's Statement of Accounts in 2015/16, the previous Trust Funds note was omitted. Figures relating to the trusts were not material, and inclusion of the note in the statement would not improve users' understanding of the Council's financial position. Excluding the note from the statement means that the external auditors have not been obliged to audit it.

6. Having excluded the note from the 2017/18 Statement of Accounts, this report gives Governance Committee members the opportunity to review and approve the accounts for each of the charities or trusts, presented as Appendix A to E. A brief summary of the financial performance of each charity or trust is presented in the following paragraphs. There is no statutory requirement for the accounts to be audited. Figures are not rounded so that all transactions can be seen in full. The note to the accounts had figures rounded to the nearest thousand pounds, which means that low value transactions were not visible.

7.   Three of the charities or trusts hold external investments. No sums have been disinvested and reinvested, but the market value of investments varies from year to year. Such changes in market value are reflected in the relevant accounts.

EDWARD MCKNIGHT MEMORIAL FUND

8.   This fund was established many years ago to pay for educational lectures in memory of Edward McKnight, Chorley's first librarian, who died in 1911. It has a cash balance, held by Chorley Council, which receives interest at the average rate earned on the Council's investments. It has not incurred any expenditure for many years. Its accounts are presented as Appendix A. These show that cash held for the fund as at 31 March 2018 was £5,324.70.

WILLIAM COCKER CHARITY

9.   The William Cocker Charity is not registered with the Charity Commission, and there is no need to do so because of its low turnover. It was established for the provision of recreation grounds in Chorley, and the interest earned on its external investment is paid to Chorley Council for that purpose. Appendix B presents the accounts for the charity.

PROCEEDS OF SALE OF FORMER FREE LIBRARY

10.   This registered charity was established in 1992 using the proceeds of the sale of the Avondale Road Library, previously known as the Free Library. The objects of the charity are such charitable purposes for the general benefit of the inhabitants of Chorley.

11.   On 25 July 2017, Council sitting as the Charitable Trust, approved a payment of £17,928.73 to CADOS as a contribution towards improvements to the flooring at Chorley Little Theatre.

12.   The main source of income is interest on the charity's external investments, but Chorley Council also pays interest (at the average rate earned on its investments) on the cash balance it holds for the charity. The balance held by the Council was £3,802.67 as at 31 March 2018, and all figures are presented in the accounts in Appendix C.

W B PARK'S CHARITY

13.   It is understood that W B Park's Charity was established for the extension of the Infectious Diseases Hospital, Withnell. The Council holds a cash balance of £1,704.89 for the charity, which does not have interest added because of the difficulty of applying the charity's resources to an appropriate purpose. It is not a registered charity, and its accounts are presented as Appendix D.

H T PARKE'S BATHS FUND

14.   The H T Parke's Baths Fund was established for the maintenance of Brinscall Baths. The interest earned on its external investment is paid to Chorley Council for that purpose. The fund is not registered as a charity. Appendix E presents its accounts for 2017/18.

IMPLICATIONS OF REPORT

15.   This report has implications in the following areas and the relevant Directors' comments are included:

Finance	√	Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

16. This report has replaced the disclosure note previously presented in the Council's annual Statement of Accounts, and it gives members the opportunity to review and query performance of each charity or trust before approving their accounts.

COMMENTS OF THE MONITORING OFFICER

17. The Monitoring Officer has no comments.

GARY HALL
CHIEF EXECUTIVE & STATUTORY FINANCE OFFICER

Background Papers			
Document	**Date**	**File**	**Place of Inspection**
Gov.uk – Prepare a charity's annual accounts	March 2016	Electronic document	Town Hall

Report Author	**Ext**	**Date**	**Doc ID**
Martin Fisher	5354	25/04/18	Charity and Trust Accounts 2017-18.docx

Edward McKnight Memorial Fund

2016/17 £	Receipts & payments account for the year ended 31 March 2018	2017/18 £
	Receipts	
15.36	Interest on cash held by Chorley Council	14.00
15.36	**Total receipts**	**14.00**
	Payments	
	No expenditure in year	
0.00	**Total payments**	**0.00**
15.36	**Net receipts/(payments)**	**14.00**
5,295.34	Bank and cash at the start of the period	5,310.70
5,310.70	Bank and cash at the end of the period	**5,324.70**

31 March 2017 £	Statement of assets and liabilities at 31 March 2018	31 March 2018 £
	Cash assets	
5,310.70	Cash held by Chorley Council	5,324.70
5,310.70	**Total cash assets**	**5324.70**
5,310.70	**Total assets**	**5,324.70**

William Cocker Charity

2016/17 £	**Receipts & payments account for the year ended 31 March 2018**	2017/18 £
	Receipts	
83.49	Interest on investments	124.86
83.49	**Total receipts**	**124.86**
	Payments	
(83.49)	Provision of recreation grounds in Chorley (paid to Chorley Council)	(124.86)
(83.49)	**Total payments**	**(124.86)**
0.00	**Net receipts/(payments)**	**0.00**
0.00	Bank and cash at the start of the period	0.00
0.00	Bank and cash at the end of the period	**0.00**

31 March 2017 £	**Statement of assets and liabilities at 31 March 2018**	31 March 2018 £
	Other assets	
3,596.42	External investments	3,559.44
3,596.42	**Total other assets**	**3,559.44**
3,596.42	**Total assets**	**3,559.44**

Proceeds of Sale of Former Free Library
(registered charity 1010457)

Receipts & payments account for the year ended 31 March 2018		
2016/17 **£**		**2017/18** **£**
	Receipts	
3,055.90	Interest on investments	3,773.67
46.95	Interest on cash held by Chorley Council	29.00
3,102.85	**Total receipts**	**3,802.67**
	Payments	
	Contribution towards improvements to the flooring at Chorley Little Theatre	(17,928.73)
0.00	**Total payments**	**(17,928.73)**
3,102.85	**Net receipts/(payments)**	**(14,126.06)**
14,825.88	Bank and cash at the start of the period	17,928.73
17,928.73	Bank and cash at the end of the period	**3,802.67**

Statement of assets and liabilities at 31 March 2018		
31 March 2017 **£**		**31 March 2018** **£**
	Cash assets	
17,928.73	Cash held by Chorley Council	3,802.67
17,928.73	**Total cash assets**	**3,802.67**
	Other assets	
109,988.51	External investments	109,055.29
109,988.51	**Total other assets**	**109,055.29**
127,917.24	**Total assets**	**112,857.96**

W B Park's Charity

Receipts & payments account for the year ended 31 March 2018

2016/17 £		2017/18 £
	Receipts	
	No income in year	
0.00	**Total receipts**	**0.00**
	Payments	
	No expenditure in year	
0.00	**Total payments**	**0.00**
0.00	**Net receipts/(payments)**	**0.00**
1,704.89	Bank and cash at the start of the period	1,704.89
1,704.89	Bank and cash at the end of the period	**1,704.89**

Statement of assets and liabilities at 31 March 2018

31 March 2017 £		31 March 2018 £
	Cash assets	
1,704.89	Cash held by Chorley Council	1,704.89
1,704.89	**Total cash assets**	**1,704.89**
1,704.89	**Total assets**	**1,704.89**

H T Parke's Baths Fund

Receipts & payments account for the year ended 31 March 2018

2016/17 £		2017/18 £
	Receipts	
101.84	Interest on investments	101.84
101.84	**Total receipts**	**101.84**
	Payments	
(101.84)	Maintenance of Brinscall Baths (paid to Chorley Council)	(101.84)
(101.84)	**Total payments**	**(101.84)**
0.00	**Net receipts/(payments)**	**0.00**
0.00	Bank and cash at the start of the period	0.00
0.00	Bank and cash at the end of the period	**0.00**

Statement of assets and liabilities at 31 March 2018

31 March 2017 £		31 March 2018 £
	Other assets	
2,530.87	External investments	2,443.03
2,530.87	**Total other assets**	**2,443.03**
2,530.87	**Total assets**	**2,443.03**

![Grant Thornton logo]

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23 April 2018

Dear Gary

Chorley Borough Council - Planned audit fee for 2018/19

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the PSAA website.

From 2018/19 all grant work, including housing benefit certification, now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the PSAA website. The Council's scale fee for 2018/19 has been set by PSAA at £34,846 (2017/18: £45,255).

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2018/19, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2018/19 will be undertaken

under this Code. Further information on the NAO Code and guidance is available on the [NAO website.](#)

The scale fee covers:
- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion
The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:
In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Billing schedule
Fees will be billed as follows:

Main Audit fee	£
September 2018	8,711
December 2018	8,711
March 2019	8,712
June 2019	8,712
Total	**34,846**

Outline audit timetable
We will undertake our audit planning and interim audit procedures in January to April 2019. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June to July 2019 and work on the whole of government accounts return in July if required.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January to April 2019	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to July 2019	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to July 2019	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2019	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September 2019	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2018/19 are:

	Name	Phone Number	E-mail
Engagement Lead	Mark Heap	0161 234 6375	mark.r.heap@uk.gt.com
Engagement Manager	Simon Hardman	0161 234 6379	simon.hardman@uk.gt.com
In Charge Auditor	Richard Watkinson	0161 234 6345	richard.watkinson@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Public Sector Assurance regional lead partner, via sarah.howard@uk.gt.com.

Yours sincerely

Mark Heap
Engagement Lead
For Grant Thornton UK LLP

Chorley
C o u n c i l

Report of	Meeting	Date
Head of Shared Assurance	Governance Committee	30th May 2018

INTERNAL AUDIT ANNUAL REPORT 2017-18

PURPOSE OF REPORT

1.   To summarise the work undertaken by the Internal Audit Service during the 2017/18 financial year;

2.   To give an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control;

3.   To give an appraisal of the Internal Audit Service's performance;

4.   To summarise the results of an independent peer review of the Internal Audit Service undertaken by the Heads of Audit of 2 Lancashire authorities.

RECOMMENDATION

5.   That the Internal Audit Annual Report for 2017/18 be noted.

EXECUTIVE SUMMARY OF REPORT

6.   The Public Sector Internal Audit Standards require the Head of Shared Assurance to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance.

7.   **Control** – The Internal Audit Service provides an independent opinion on the adequacy of the internal control system. All recommendations for improvement are agreed with Senior Management and a summary is reported to the Governance Committee. Only one Internal Audit report with a limited controls assurance rating was issued during 2017/18.

8.   **Risk Management** – the Council's arrangements were further strengthened during 2017/18 by the continued development of the GRACE risk management system. Extensive training was delivered to Officers and the revised Risk Management Framework was approved by the Governance Committee in March.

9.   **Governance** – actions have been taken during 2017/18 to strengthen the Council's governance arrangements. The Annual Governance Statement Action Plan for 2018/19 includes details of actions to further strengthen Council's governance arrangements. The 2018 AGS has been produced following a rigorous assessment process, both internal and external.

Confidential report Please bold as appropriate	Yes	**No**

CORPORATE PRIORITIES

10.   This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy homes and communities		An ambitious council that does more to meet the needs of residents and the local area	x

INTERNAL AUDIT PLANS

11.   **Appendix 1** to this report provides a detailed account of the individual audits undertaken in respect of Chorley Council and Shared Services during the 2017/18 financial year. A summary of any actions that have been agreed with management to further improve controls within all the areas audited is also included within the appendix.

12.   The following tables also provide an analysis of the planned and actual auditor days used during the year together with an explanation of any variations that have occurred.

Chorley Council

	Planned (Days)	Actual (Days)	Variance (Days)
Audits undertaken	255	231	(24)
Audits not undertaken • Commercial Properties	15	1	(14)
Contingency	90	111	21
TOTALS	**360**	**343**	**(17)**

13.   With regard to audits not undertaken, the review of Commercial Properties has been carried forward to 2018-19 to allow time for the new officer structure to embed.

Shared Services

|	Planned (Days)	Actual (Days)	Variance (Days)
Audits undertaken	75	76	(1)
Contingency	45	43	2
TOTALS	**120**	**119**	**(1)**

CONTROLS ASSURANCE

14.   Public Sector Internal Audit Standards (PSIAS) require the "Head of Internal Audit" to give an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This responsibility falls on the Head of Shared Assurance Services on behalf of Chorley Council.

15.   Members will recall that individual audits are awarded a separate controls assurance rating from the following matrix:

Risk Rating		Full	Substantial	Adequate	Limited
	Critical	4	8	12	16
	Major	3	6	9	12
	Standard	2	4	6	8
	Minor	1	2	3	4
		Control Rating			

16.   Risk ratings (minor / major / standard / critical) are inherent to each system/area audited and they reflect the impact that they would have on the Council in financial and/or reputational terms if they were to fail.

17.   Control ratings (full / substantial / adequate / limited) are awarded after the audit is completed to reflect the level of internal control that is present in each system/area audited.

18.   During 2017/18 a total of 15 systems/areas were reviewed, 12 of which were critical and 3 were major systems. The chart below shows the controls assurance ratings that were awarded for the individual audits undertaken during the year:
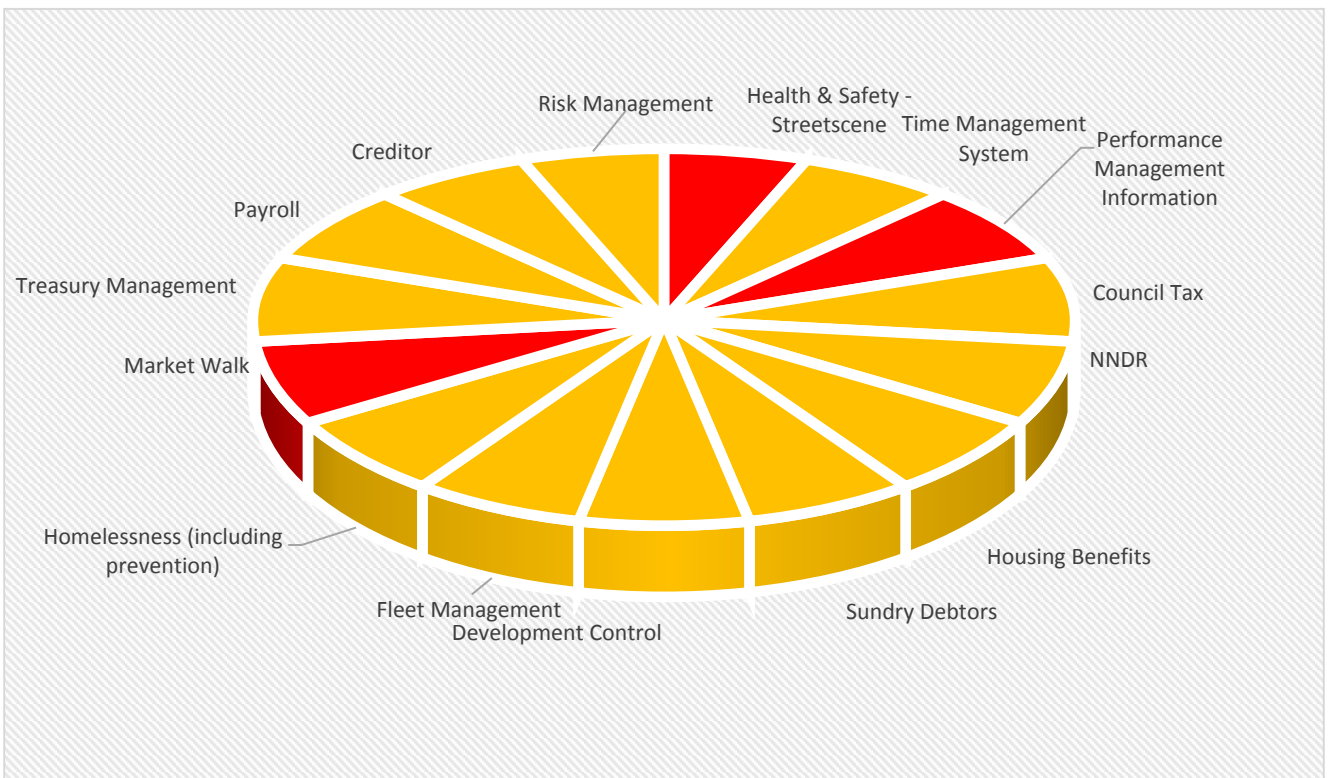
19.   The vast majority were awarded an amber assurance rating. Of the 12 critical systems reviewed during 2017/18, 4 received full assurance and 5 received substantial assurance. Of the red controls assurance ratings awarded only one audit, Health and Safety – Streetscene received a limited assurance rating. **Therefore when the individual ratings are aggregated it is our conclusion that the Council continues to operate within a strong control environment.**

20.   Members are also reminded that the control ratings shown relate to the point in time when the respective audit reports were issued during course of the year. They therefore represent a historical rather than a current judgement as managers have been charged with implementing corrective actions to address the control issues raised, which in turn has been supported by a programme of follow-up reviews by the Internal Audit Service.

21.   In arriving at an opinion on the effectiveness of the system of control it is important to take account of all independent sources of assurance obtained by the Council. Directors have provided examples of a range of these which include: Arts Council accreditation for Astley Hall; Public Services Network approval; Electoral Commission performance standards for electoral registrations and delivery of elections and SFEDI Business Advisors in Economic Development (Small Firms Enterprise Development Initiative), Food Standards Agency audits of inspections and enforcement.

INTERNAL AUDIT PERFORMANCE

Key Performance Indicators

22.   The table at **Appendix 2** summarises the key performance data for the Internal Audit Service during 2017/18 and demonstrates that the majority of performance indicators have either been achieved or exceeded with explanations for any variances provided on the Appendix.

ISO 9001:2008

23.   In January Internal Audit retained ISO 9001 accreditation for its Quality Assurance System which is continuously updated to reflect any changes in working practices. Retention of the standard demonstrates that the Audit Team is continuing to seek improved and more efficient working practices to maintain a high quality service.

QUALITY ASSURANCE & IMPROVEMENT PROGRAMME (PEER REVIEW)

24.   The Accounts and Audit Regulations 2015 require the Council to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account Public Sector Internal Audit Standards (PSIAS) or guidance"

25.   Members will recall that the Internal Audit Service has to provide confirmation to the Governance Committee on an annual basis that the requirements of the Public Sector Internal Audit Standards (PSIAS) are being complied with. This is usually achieved via the completion of an annual self-assessment but in addition the Council needs to arrange an independent external assessment at least once every 5 years. In Lancashire this is delivered via a programme of reciprocal peer reviews under the auspices of the Lancashire District Councils Audit Group.

26.   The peer review of the Shared Internal Audit Service was recently undertaken by the Heads of Audit from Wyre & Lancaster Councils and we are pleased to report that the Service fully conforms with all the requirements of the PSIAS.

IMPLICATIONS OF THE REPORT

27.   This report has no implications for specific services. The matters raised in the report are cross cutting and impact upon the authority as a whole.

GARRY BARCLAY
HEAD OF SHARED ASSURANCE SERVICES

Background Papers			
Document	**Date**	**File**	**Place of Inspection**
Internal Audit Plan 2017/18	April 17		K:\audit\SHARED AUDIT SERVICE\AUDIT\Audit Planning\2017 - 2018

Report Author	**Ext**	**Date**	**Doc ID**
Dawn Highton	5468	17th May 2018	

APPENDIX 1 - SUMMARY OF INTERNAL AUDIT WORK 2017/18

AUDITS UNDERTAKEN	AUDIT APPROACH	CONTROLS RATING	KEY CONTROL ISSUES
CHORLEY COUNCIL			
Annual Governance Statement	The Council is required under 10(1)(b) of the Accounts and Audit Regulations 2015, to publish an Annual Governance Statement (AGS). The role of Internal Audit was to co-ordinate a review of the system of governance and highlight any improvement actions to include in the Annual Governance Statement Action Plan.	Not applicable	Proactive input provided rather than an audit / review
Anti-Fraud & Corruption	To provide generic fraud awareness training and issue information bulletins highlighting specific fraud risks.	Not applicable	Proactive input provided rather than an audit / review
National Fraud Initiative (NFI)	The NFI is a data matching exercise, using sophisticated computer techniques which matches data within and between organisations to help detect fraud, overpayments and error. Internal Audit co-ordinated the Council's input to the 2016/17 main exercise and the 17/18 Council Tax Single Person Discount / Electoral Register exercise.	Not applicable	Investigations undertaken by Customer Services of the 2016/17 exercise are still on-going and to date have identified overpayments of housing benefit and council tax reduction scheme of £21,100 which is currently being recovered. Data for the Council Tax (Single Person Discount) and the Electoral Register was submitted in December 2017, with matches identified which are now being investigated.
Health & Safety - Streetscene	Under the provision of the Health and Safety at Work Act 1974, the Council has a responsibility to provide a safe place of work for each employee, service user, visitor, contractor and	**Red (16) Limited**	Whilst this review identified a considerable number of management actions, it should be acknowledged that the Service and approach to managing health & safety is in a transitional period. Steetscene has recently been restructured with a number of new team leaders appointed to take the Service forward.

	member of the public, by taking all reasonable steps as are necessary to eliminate hazards to health and safety and to eliminate the cause of foreseeable accidents. Due to the varied and high risk nature of the activities, it was agreed with the Senior Management Team that this review would focus purely on the operational and management arrangements for Health and Safety within the Streetscene Service		The Council recognized that the approach to the management of health and safety could be improved and in May 2017, Streetscene participated in a pilot scheme which is seeking to transform the approach to health and safety risk assessments in the Council. There are some aspects of health and safety management which are operating effectively and this includes the opportunity for staff and managers to discuss and communicate about health and safety concerns, and collaboratively develop safe ways of working. In addition, the compilation of a comprehensive training matrix including both mandatory and operational training needs demonstrates significant progress. The pilot scheme and our work, however confirmed that other aspects of health and safety management require improvement, as they are not operating as intended and in particular the quality of both risk assessments and supervisor monitoring is inconsistent and that whilst a significant amount of mandatory training has been undertaken, there is no formalised training plan to ensure the outstanding training is delivered. We have worked very closely with both the Health and Safety Advisor and the Waste and Streetscene Manager to compile an action plan with realistic, achievable dates by which the situation can be improved.
Time Management System	The Authority has recently introduced a new electronic time management system which is used to record officers attendance, time adjustments, additional hours worked and annual leave. Therefore it is essential that the data is correctly entered and authorised by line managers. The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.	**Amber (8)** **Substantial**	The controls in place for the management and administration of the new Time Management System provide substantial assurance and only minor control weaknesses identified.

Performance Management Information	Internal Audit assists the Performance and Partnerships Service in their oversight of performance data quality by undertaking service level checks on an annual basis. The Health and Wellbeing Team were selected for review in 17/18.	**Red (12)** **Adequate**	Our work has identified that the methodology for collating and calculating some of the performance indicators requires improvement and performance data needs to be re-calculated for 6 indicators
Council Tax	Council Tax was introduced with effect from 1 April 1993 by the Local Government Finance Act 1992. The tax is payable by residents on all domestic dwellings, with certain exceptions for exempted classes, as a way of contributing to local services. The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.	**Amber (4)** **Full**	No key control issues were identified.
Non Domestic Rates,	The Local Government Act 1988 introduced business rates in England which are a contribution made by businesses towards the cost of local services. The income collected is shared between the Government, Chorley Council and Lancashire County Council. The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.	**Amber (8)** **Substantial**	The controls in place for the management and administration of Non Domestic Rates provide substantial assurance with only minor control weaknesses identified.
Housing Benefit,	Housing Benefit is a means tested social	**Amber (4)**	No key control issues were identified.

	security benefit in the United Kingdom that is intended to help meet housing costs for rented accommodation. The primary legislation governing Housing Benefit is the Social Security Contributions and Benefits Act 1992. Customer Service objective is to administer Housing Benefit applications and assessments in compliance with the statutory guidance. The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.	**Full**	
Sundry Debtors	Day to day responsibility for administering the Council's Sundry Debtor system is performed by the Customer and Digital Service. The Service supports the timely and accurate invoicing and recovery of income due to the Council arising from work done, goods supplied or services rendered. The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.	**Amber (4) Full**	No key control issues were identified.

Development Control	The objective of the Development Control service is to carry out planning decisions in accordance with statutory requirements and timescales. The Town and Country Planning (General Permitted Development) (England) Order 2015 is the primary legislation governing permitted developments in England. In accordance with statutory planning legislation, the Council has introduced its own local planning policies which are formally set out in the Chorley Local Plan. The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.	**Amber (9)** **Adequate**	We recognise that there have been significant changes in both personnel and management systems during the current year and whilst we are able to provide assurance that most of the risks associated with Development Control are being effectively managed, the following control issues need to be resolved: • The practice and procedure advice notes are out of date and have not been reviewed since 2009; • There are a large proportion of planning applications requiring extensions of time; • The Financial Procedure Rules have not been reviewed since 2012; • There are instances of non-compliance with the Lone Working Policy and protocol for site visits
Waste Contract Procurement	We are a member of the project team to provide advice and guidance on governance, control and risk. In addition we have provided support to enable the production of a robust risk register, which is being continuously reviewed and assessed.	**Not applicable**	Proactive input provided rather than an audit / review
Fleet Management	Chorley Borough Council operates a fleet of vehicles which is managed by the Waste and Streetscene Service to deliver timely and professional services on a daily basis. The review was undertaken to gain assurance that effective fleet management controls are in place. The review focussed on the fleet elements of vehicle management and maintenance and not plant items as this area gives the greatest exposure to regulatory risk and maintenance issues.	**Amber (9)** **Adequate**	There is evidence that the fleet management function is being effectively managed at an operational day to day level. There are a range of improvements to be made in relation to: • Updating of the Fleet Strategy to set out the aims and objectives of the service; • Driver licence checks to ensure completeness; • Document retention to ensure compliance with legislation; • Monitoring and recording of performance management information to assist with management decision-making, service planning, accountability and transparency.

General Data Protection Regulations	The General Data Protection Regulation (GDPR) will apply within the UK from 25 May 2018. The main concepts and principles are much the same as those in the current Data Protection Act but there are new elements and significant enhancements that need to be made. The introduction of the GDPR also increases the financial risk to the Council due to the threat of significant fines. Members of the project team to provide advice and guidance on governance, control and risk.	**Not applicable**	Proactive input provided rather than an audit / review
Homelessness	The Council has a statutory duty under the Homelessness Act 2002 to carry out review of homelessness in the borough and to publish a strategy. Furthermore, the recently introduced "Homelessness Reduction Act 2017" places additional duties on the Council to help prevent the homelessness of all families and single people, regardless of priority need, who are eligible for assistance and threatened with homelessness. The objective of the audit is to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.	**Amber (9) Adequate**	Whilst our work has confirmed that there are good arrangements in place to mitigate the majority of risks facing the service and that they are operating as intended, there are some areas within the service which should be strengthened relating to: • the development of health and safety risk assessments; • the review and update of the Homelessness Prevention Strategy and • ensuring that the Council can meet the requirements of the new Homelessness Reduction Act.
Primrose Garden Retirement Village	We are a member of the project team to provide advice and guidance on governance, control and risk. In addition we have provided support to enable the	**Not applicable**	Proactive input provided rather than an audit / review

	production of a robust risk register, which is being continuously reviewed and assessed.		
Market Walk	The Market Walk shopping centre was purchased by the Council on 29 November 2013. The purchase enables the Council to have greater control and influence over the future development of the town centre and improves opportunities to implement Economic Development Strategies and the Town Centre Masterplan. In addition the purchase provides additional income which can be used to further invest in the town centre. The centre has 35 units with a net income of £1.7m (2016/17). The objective of the audit is to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.	**Red (12)** **Adequate**	Whilst we are able to provide assurance that the majority of the risks associated with Market Walk are being effectively managed, there are some key controls which have lapsed since our last review in 2015/16 which are summarised below: • Rent reviews are not being completed in a timely manner or clearly recorded on the rent schedule; • The procurement of the letting agents has not complied with CPRs; • There is no planned maintenance and inspections programme in place; • Performance figures are not being regularly reported to the Market Walk Steering Group.
Post Audit Reviews	To ensure that agreed management actions have taken place to address the control issues identified in Internal Audit reports.	Not applicable	All relevant management actions implemented in a timely manner
SHARED SERVICES			
Creditors	The Council's Creditors (accounts payable) function is maintained by Shared Financial Services. The Section is responsible for the processing of purchase orders, invoices and for payment of creditors of the Council using Authority Web. The objective of the audit was to provide	**Amber (4)** **Full**	No key control issues were identified

	assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.		
Payroll	Staff costs form a significant proportion of the Council's expenditure. Control of staff costs is a key component to the financial success of the Council. Therefore having a robust and reliable payroll service to make payments to staff promptly and accurately, and to provide information to management on the payments made is essential. The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.	**Amber (8) Substantial**	The controls in place for the management and administration of Payroll provide substantial assurance with only minor control weaknesses identified.
Treasury Management	The treasury management service fulfils an important role in the overall financial management of the Council's affairs. It deals with 'the management of the authority's investments and cashflows, its banking, money market and capital market transactions; the control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks' (CIPFA). The average daily investment figure for 2017/18 stands at £4m and borrowings stand at £43m The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls	**Amber (8) Substantial**	The controls in place for the management and administration of Treasury Management provide substantial assurance with only minor control weaknesses identified.

	implemented by management to ensure that the identified risks are being sufficiently managed.		
Risk Management	The Risk Management Framework is a key contributor to the internal assurance processes and the production of the Annual Governance Statement which reports the extent to which the Council has complied with its Governance Code. The GRACE (Governance, Risk Assessment & Control Evaluation) system has been adopted for use within the Council to enable the completion of risk registers at all levels including the Strategic Risk Register and those in relation key projects, procurements, partnerships and processes.

The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed | **Amber (8) Substantial** | The controls in place for the management and administration of Risk Management provide substantial assurance with only minor control weaknesses identified. |

INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 30th March 2018

	Indicator	Audit Plan	Target 2017/18	Actual to Date	Comments
1	% of planned time used	SS	90%	99%	Target exceeded
		CBC	90%	95%	Target exceeded
2	% audit plan completed	SS	100%	100%	Target achieved
		CBC	100%	92%	One review at draft report stage
3	% management actions agreed	SS	98%	100%	Target exceeded
		CBC	98%	100%	Target exceeded
4	% overall customer satisfaction rating (assignment level)	SS	90%	100%	Target exceeded
		CBC	90%	94%	Target exceeded

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Chorley Council

Report of	Meeting	Date
Director of Policy and Governance	Governance Committee	30 May 2018

ANNUAL GOVERNANCE STATEMENT

PURPOSE OF REPORT

1.   To present the draft Annual Governance Statement (AGS) to the Governance Committee for review and approval.

RECOMMENDATION(S)

2.   That the draft Annual Governance Statement appended to this report be approved and referred to the Executive Leader of the Council and the Chief Executive for signature.

EXECUTIVE SUMMARY OF REPORT

3.   Pursuant to the Local Government Act 1999, the Authority are required to continuously review our system of Governance. As part of this review we publish an Annual Governance Statement (AGS) alongside the annual financial statements.

4.   CIPFA and SOLACE issue guidance on the form of the AGS and the self-assessment process that authorities must undertake to compile it.

5.   This draft AGS is presented to Members of this Committee to review and approve. It has been properly drafted in accordance with the guidance issued. The assessments which have informed the preparation of the AGS demonstrate that the Council have strong governance arrangements.

6.   When approved the AGS will be formerly signed off by the Leader of the Council and the Chief Executive. It will then be submitted for external audit alongside the 2017/18 financial statements.

Confidential report Please bold as appropriate	Yes	**No**

CORPORATE PRIORITIES

7.   This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	X

BACKGROUND

8.   Under the Accounts and Audit Regulations 2015 every Council is required to conduct an annual review of the effectiveness of its system of governance and publish an AGS each year alongside its financial statements.

9.   CIPFA and SOLACE have issued a Framework and supporting guidance entitled "Delivering Good Governance in Local Government", under which councils are required to:
   - develop and maintain an up-to-date local code of governance consistent with certain "core principles" set out in the Framework;
   - review their existing governance arrangements against the Framework;
   - prepare a governance statement in order to report publicly on the extent to which the Council complies with its own code on an annual basis including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

10.   The CIPFA SOLACE Framework defines proper practice for the form and content of the AGS. The Framework requires the most senior officer (chief executive or equivalent) and the most senior member (leader or equivalent) to sign the AGS. They must be satisfied that the document is supported by reliable evidence and accurately reflects the Council's system of governance.

11.   The AGS is a corporate document and should involve (in addition to the most senior officer and the most senior member as signatories) a variety of people charged with delivering governance, including:
   - the monitoring officer in meeting his/her statutory responsibilities;
   - the responsible financial officer who is responsible for the accounting control systems and the preparation of the statement of accounts;
   - directors assigned with the ownership of risks and the delivery of services;
   - members (e.g. through audit or scrutiny committees); and
   - others responsible for providing assurance (e.g. Internal & External Audit).

12.   The AGS is owned by all senior officers and members of the authority. A shared approach should be taken to compiling the AGS because any delegation to a single individual or section will dilute its significance and encourage other people to distance themselves from their proper responsibilities.

13.   The guidance also states the need for a review body in the process such as the Governance Committee, which should be charged with critically reviewing the AGS and its supporting documentation. It is vital that this review body remains independent from the AGS compilation and is given real powers to make recommendations and ultimately changes to the process as it sees fit.

FORM OF THE ANNUAL GOVERNANCE STATEMENT

14.   The format of the AGS has been updated again this year in an effort to make it a more accessible document. Compliance with the Core Principles is now demonstrated in a tabular form. This makes it easier for readers to cross reference the evidence of compliance with the requirements. It is also written in a simpler form, with short statement sentences which provide the information needed.

15.   In future years, it is intended, in line with the digital strategy, to hyper link the documents referenced in the body of the AGS. This will make it even easier for readers to understand the methods of compliance.

16.   We continue to include reference to significant governance issues, actions taken in the previous year and identifying those matters that are rolling on into this year. As in previous years, the issues highlighted are not significant as such but are matters raised across the organisation and therefore it is proper to bring them out in the AGS.

CORPORATE SELF-ASSESSMENT

17.   A corporate group consisting of the following officers contributed to the self-assessment and draft AGS
- Chief Executive (S151 Officer)
- Director of Governance and Policy
- Head of Legal Democratic and HR Services(Monitoring Officer)
- Head of Shared Assurance Services
- Principal Auditor

18.   Section 5 of the Appendix discloses what the management group consider to be main opportunities to enhance the Council's governance arrangements taking account of organisational changes and the corrective action implemented following last year's self-assessment. This view has been derived from the group's cumulative knowledge of the Council's system of governance and the views of independent assurance sources such as External Audit.

19.   The role of the Chief Finance Officer and the role of the Head of Internal Audit has been assessed, to ensure that the roles are undertaken to professional standards and that the Council ensures that appropriate support arrangements are provided to enable them to fulfil their duties.

SERVICE ASSURANCE STATEMENTS

20.   In addition to the corporate self-assessment, assurance has also been obtained from Directorates, as it is they who are responsible for implementing the respective governance systems and procedures within their service areas. Service Assurance Statements have been compiled which require Directors in consultation with Heads of Service and Managers to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any non-compliance issues.

21.   Whilst the Service Assurance Statements will provide an assessment of individual service compliance, the completed Service Assurance Statements are primarily used to ascertain whether there are any common areas of concern across the organisation. If so, do these constitute significant governance issues. Again, any non-compliance issues emerging from the Service Assurance Statements have also been included in Section 5 of the AGS at the Appendix.

RESULTS OF ASSESSMENTS

22.   The Council were found to have strong governance arrangements with few identified areas for improvement. The Committee are asked to consider section 3 of the AGS which details at a high level how the Council discharge their obligations.

23.   Section 5 of the AGS identifies proposed areas for improvement. These are issues that have been highlighted as needing improvement, the issues are not in themselves significant. They are areas which suggest partial compliance with requirements or where there is insufficient evidence to demonstrate full compliance. There are no areas of significant none compliance by the Council.

IMPLICATIONS OF REPORT

24.   This report has implications in the following areas and the relevant Directors' comments are included:

Finance		Customer Services	
Human Resources		Equality and Diversity	

Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

25.   None.

COMMENTS OF THE MONITORING OFFICER

26.   None.

REBECCA HUDDLESTON
DIRECTOR OF POLICY AND GOVERNANCE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Chris Moister	5160	17 May 2018	

CHORLEY COUNCIL

ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

The residents of the Borough of Chorley expect the Council to conduct our business in a lawful and transparent way. In particular the Council have a duty to safeguard public money and account for it in an economic, efficient and effective way.

We have a continuing duty to review and improve how we discharge our functions focussing on the priorities of economy, efficiency and effectiveness.

To do this, the Council have put in place arrangements for the governance of its affairs. These arrangements assess the effectiveness of the exercise of its functions, and consider how well we manage risk.

We have approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website. This statement explains how the Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which control and direct the Council. It provides how we account to, engage with and lead the community. It enables us to monitor the achievement of our strategic objectives and to consider whether our objectives have led to the delivery of appropriate, cost effective services for that community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised. This enables us to manage risk efficiently, effectively and economically.

The governance framework has been in place at Chorley Council for the year ended 31 March 2018 and up to the date of approval of the annual report and statement of accounts.

3. The governance framework

The following table describes the key elements of the systems and processes that comprise the authority's governance arrangements. These are founded on the Core Principles and sub-principles taken from our Code of Corporate Governance.

Core Principle 1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
The Council's commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Behaving with integrity	✓ The council have established both for Councillors and Staff Codes of Conduct and training is provided on both. Standards of behaviour are also assessed during employees one-two-one meetings and appraisals. ✓ It is essential that not only decisions are taken with integrity but are seen to be so. The Council have established transparent decision making processes through the Contract Procedure Rules, an online	**Codes of Conduct Performance and Development process CPRs and Standing Orders (See Sec. 5 Action8) Register of Interests Whistleblowing Policy**

	declaration of interests process and the use of standing orders. The public can therefore review and take comfort in the integrity of the decision makers. ✓ The Council do however have processes and policies in place to provide avenues to challenge decision making through whistleblowing, complaints and the call in procedure.	**Customer Charter (See Sec. 5 Action 3)** **Call in procedures** **Anti-fraud and Corruption Policies (See Sec. 5 Action 5)**
Demonstrating strong commitment to ethical values	✓ The Council have adopted in our Contract Procedure Rules the requirement for partners and contractors to adopt our, or have equivalent ethical standards of behaviour. ✓ The Council have a Scrutiny Committee in place who act as the Council's watchdog, promoting open and transparent decision making, democratic accountability and to hold the executive to account for its actions.	**CPRs (See Sec. 5 Action8)** **Terms of reference for Scrutiny Committee**
Respecting the rule of law	✓ The Council's Constitution, policies and standing orders are all drafted in accordance with legislation. Application of these processes is tested through local assurance testing. ✓ The Council report and Decision Making Templates include a comment from the Monitoring Officer to ensure that the legal implications of decisions are considered. ✓ The Council is fully aware that they must pay attention to the advice of the Council's Monitoring Officer and have good reasons, which must be documented should they depart from it. In the event the Council acts unlawfully, the Monitoring Officer must report this to Full Council. The Monitoring Officer has never had cause to take this step.	**Constitution** **Service Assurance Statements – AGS process** **Committee Management System (report templates)** **Role of Monitoring Officer.**
Core Principle 2. Ensuring Openness and Comprehensive Stakeholder Engagement		
The Council's commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Openness	✓ The council have a robust approach to freedom of information and aim as part of our Digital Strategy to make as much information held by the Council accessible through our website as possible. ✓ The Council's Standing Orders have provision for public questions to be raised on any item on the agenda at both Full Council and Executive Cabinet meetings. ✓ All key decisions must be taken in writing and are published in accordance with the legislation. As part of the process both the Senior Financial Officer and the Monitoring Officer must be consulted and provide comments. Where appropriate, comments are also included in relation to equality and HR.	**Digital Strategy** **Council website** **Performance and Development process** **Committee Management System (report templates)** **Compliance with Transparency Act (See. Sec. 5 Action 6)**
Engaging comprehensively with institutional stakeholders	✓ The Council have a Communications Strategy which forms the basis for our relationships with our stakeholders. We ensure that we keep accurate records of stakeholder contacts to ensure they are engaged with properly and for the correct purposes. ✓ A communication and engagement toolkit is used within our project management methodology.	**Communications Strategy (See Sec. 5 Action 7)** **Communication and Engagement Toolkit**
Engaging stakeholders effectively including individual citizens and service users	✓ We use our Communications and Community Engagement Strategy to ensure that residents are properly consulted on matters which affect or interest them. This consultation contributes to the achievement of the Council's intended outcomes. Increasingly we are using web based and social media to engage with our residents but recognise that in order to consult properly we must use a mix of methods.	**Communications Strategy (See Sec. 5 Action 7)** **Community Engagement Strategy** **Digital Strategy**
Core Principle 3. Defining Outcomes in terms of Sustainable Economic Social and Environmental Benefits		
The Council's commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Defining outcomes	✓ The Council have a clearly defined vision which forms the premise of our Corporate Strategy. The Strategy itself is developed in consultation with residents and stakeholders	**Corporate Strategy** **Service Level Plans** **Corporate Projects**

	and its implementation is through the delivery of corporate projects and service level plans. All corporate projects have an initial document which defines the outcomes and projects are monitored through the MyProjects system.	**MyProjects**
Sustainable economic social and environmental benefits	✓ The Council have refreshed the Medium Term Financial Strategy to ensure that Capital investment is structured to maximise its life span whilst being adaptable for future use. Specific consideration is made of social and economic wellbeing of residents as evidenced by projects that provide affordable supported accommodation, employment opportunities and social benefits. ✓ The Council's contract procedure rules include the ability to consider social value when awarding contracts.	**Medium Term Financial Strategy Corporate Projects Compliance with Transparency Act (See Sec. 5 Action 6) CPRs (See Sec. 5 Action 8)**

Core Principle 4. Determining the Interventions Necessary to Optimise the Achievement of Intended Outcomes		
The Council's commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Determining interventions	✓ We have a robust approach to setting interventions. Members and Officers work closely together and consult on the preparation of the Corporate Strategy which sets the framework for council delivery. The benefits of interventions are considered not only based on cost but also upon need and impact in order to ensure best value is met. ✓ Feedback from residents in this process is very important to ensure what we deliver is both needed and wanted.	**Corporate Strategy Community Engagement Strategy Communications Strategy (See Sec. 5 Action 7) Digital Strategy Sustainable Community Strategy**
Planning interventions	✓ The Council have a strong framework for planning the implementation of our interventions. We publish a calendar of meetings, and the Key Decision forward plan to confirm dates for decisions to be taken but in addition ensure all report writers are aware of publication of agenda dates to press for reports to be prepared in good time. We have a clear Communications Strategy to ensure proper consultation and a Risk Register. ✓ We are promoting the use of the Project Management Toolkit which ensures that there is a clear scope, timetable and outcomes for each project and Key Performance Indicators are set to monitor each service. ✓ Each project or intervention has a budget and there are regular meetings between management accountancy both with project managers and service heads for monitoring purposes.	**Calendar of meetings Forward Plans Communications Strategy (See Sec. 5 Action 7) Corporate Risk Register Project Management Toolkit KPIs Budget monitoring Quarterly Budget Reporting**

Optimising achievement of intended outcomes	✓ We have a Corporate Strategy which has been agreed by Council and reflects the council's priorities. The Strategy is aimed at meeting the fundamental needs of local residents, like health housing and jobs, while continuing to get Chorley in the best social and economic position for the future.
	✓ We have a Transformation Strategy in place. The overriding aim of this strategy is to support the council to achieve its ambitions for public service reform namely by achieving;
	  • A greater integration of public services, particularly around prevention and early intervention;
	  • Focus on prevention and early intervention across public services;
	  • Decision making and accountability at the lowest practical level;
	  • The system-wide sharing of responsibility for management of demand and reduction of cost shunting between organisations.
	✓ The Medium Term Financial Strategy is refreshed regularly to ensure it stays current and reflects any changes in council priorities. This ensures proper budgetary planning.
		Corporate Strategy Transformation Strategy Medium Term Financial Quarterly Budget Reporting

Core Principle 5. Developing the Entity's Capacity, including the Capability of it's Leadership and the Individuals within it		
The Council's commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
Developing the entities capacity	✓ We have a Transformation Strategy and Medium Term Financial Strategy which the Council uses to plan for future changes to the organisation, planning for future capacity needs. Such transformation is achieved through rough cut costing, benchmarking and use of the Council's Corporate Strategy. ✓ We have an Organisational Development Strategy which outlines the Council's approach to organisational development. Its purpose is to; • Align with the Transformation Strategy to build organisational capability to support its delivery; • Identify opportunities to build organisational capability collaboratively with partners; • Build organisational capability to support business as usual activities at individual, service and organisational levels; • To ensure that the council has the leadership to support and drive changing governance models.	**Transformation Strategy (See Sec. 5 Action 4)** **Corporate Strategy** **Medium Term Financial Strategy** **Organisational Development Strategy**
Developing the capability of the entity's leadership and other individuals	✓ Roles are clearly defined within the Council through the use of job descriptions and structure charts. The Constitution details the responsibilities of officers and councillors and the identity of the statutory officers. ✓ Relationships are managed through regular and frequent member briefings. ✓ The Council have updated the Organisational Development Plan ensuring that all staff have the opportunity to benefit from personal and professional development, and this is monitored through one to ones and the annual appraisal process. ✓ Officers and Councillors alike are held to account through the Residents Panel, Neighbourhood Area Meetings with residents, Stakeholder Forums and the Chorley Partnership; as well as through Overview and Scrutiny Committee.	**Job descriptions** **Organisational Structure Chart** **Constitution (See Sec. 5 Action 8)** **Roles of Statutory Officers** **Organisational Development Plan** **Annual Appraisal Process** **Residents Panel** **Stakeholder Forums** **Chorley Partnership**
Core Principle 6. Managing Risks and Performance through Robust Internal Control and Strong Public Financial Management		
The Council's commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
Managing risk	✓ There is an established Risk Management Framework which ensures that risk is considered in all aspects of decision making. This includes the identification of risks but also ensuring responsibility for them is allocated correctly.	**Risk Management Framework (See Sec. 5 Action 2)**
Managing performance	✓ This is part of the Council's approach to business transformation. Service delivery is monitored through service meetings, performance indicators, benchmarking and budget monitoring. The Executive Members have regular service briefings in relation to their portfolios. Overview and Scrutiny Committee are engaged and Task Groups have responsibility for considering and suggesting improvements in relation to service delivery.	**Performance Indicators and Performance reporting** **Work of Overview and Scrutiny Committee and Task Groups**
Robust internal control	✓ The Council require all directorates to complete assurance statements which identify compliance issues which may exist across the Council. ✓ The Annual Governance Statement reflects on the adequacy and effectiveness of the Council's Governance Framework. This is then independently considered by External Audit. ✓ The Governance Committee complies with best practice and tests the Council's controls through the receipt of reports for consideration.	**Service Assurance Statements** **Annual Governance Statement** **Governance Committee Terms of Reference**
Managing data	✓ The Council have clearly defined policies and procedures for managing and storing data. Additional work is required	**ICT Strategy** **Digital Strategy**

	however to embed these and update the Council's IT systems.	**Data Security Policy GDPR Implementation Project (See Sec. 5 Action 1)**
Strong public financial management	✓ All decisions of the Council require a comment from the SFO, which will address budgeting issues and compliance with Best Value and the Council's contract procedure rules. There are regular meetings between budget holders / project managers and Finance to monitor budgets and any changes can be identified early.	**Committee Management System (report templates) CPRs (See Sec. 5 Action8) Budget monitoring and Quarterly Budget Reports**
Core Principle 7. Implementing Good Practices in Transparency Reporting and Audit to Deliver Effective Accountability		
The Council's commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Implementing good practice in transparency	✓ We feel it very important for the discharge of our obligations that as much information as possible is made available to the public. This is done through publication on the Council's website.	**Council's website Compliance with Transparency Act (See Sec. 5 Action 6)**
Implementing good practices in reporting	✓ The Council comply with good practice in relation to value for money reporting and the annual Statement of Accounts considers how public finances have been stewarded. ✓ It is the practice of the Authority to ensure that all key decisions are made by councillors in accordance with our approval processes. Compliance with these processes are considered within this Annual Governance Statement.	**Statement of Accounts Quarterly Performance Reports (See Sec. 5 Action 4) Scheme of Delegation Annual Governance Statement**
Assurance and effective accountability	✓ We view improvement as a continuing process. Internal Audit reports to Governance Committee include a summary of areas for improvement and implementation is reported on an exception basis.. ✓ Overview and Scrutiny Task Groups report proposed improvements to Executive Cabinet who decide whether to accept the recommendations or not. Where accepted Cabinet will later report as to the progress of the implementation of improvements. ✓ Residents have the right to ask questions at Council meetings in relation to matters on the meeting agenda which ensure immediate accountability to residents.	**Internal Audit reporting to Governance Committee Governance Committee Terms of Reference Overview and Scrutiny work programme Communications Strategy (See Sec. 5 Action 7)**

4. Review of effectiveness

Chorley Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.

The following paragraphs describe the processes that have been applied in maintaining and reviewing the effectiveness of the Council's governance framework:

Corporate Level Review

- A management group consisting of the following officers has been established to oversee the compilation of the Annual Governance Statement:

  - Chief Executive (S151 Officer)
  - Director of Policy and Governance
  - Head of Legal, Democratic and HR Services
  - Head of Shared Assurance Services

- The group has conducted a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

Service Level Review

- The Council has also introduced Service Assurance Statements requiring Heads of Service to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues. These are analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues and as such need to be included in the Annual Governance Statement.

Monitoring Officer

- As the Council's Monitoring Officer, the Head Legal Democratic and HR Services has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Monitoring Officer will report and recommend to Council any proposed amendment to the Constitution, which falls outside the Monitoring Officers delegated powers, for adoption.

Scrutiny Committee

- The Council has an Overview and Scrutiny Committee which can challenge a decision which has been made by the Executive Cabinet or a statutory committee but not yet implemented, to enable them to consider whether the decision is appropriate.

Governance Committee

- The Council has appointed a Governance Committee whose terms of reference comply with the CIPFA guidelines. These extend to monitoring the Council's governance, risk management and internal control framework and include reviewing the adequacy of the governance framework.

Standards Sub-Committee

- The Council has appointed a Standards Sub-Committee of the Governance Committee whose terms of reference comply with the prevailing national guidance on standards and codes of conduct for members.

Internal Audit

- Strong Internal Audit and Risk Management disciplines are embedded and the Shared Assurance Service maintains excellent working relationships with Senior Management, the Governance Committee and the Council's External Auditors to provide an integrated approach to the provision of assurance within the Council. The Internal Audit Service has recently undertaken a peer review by the Audit Managers of 2 Lancashire authorities and this determined that the Service was fully compliant with the Public Sector Internal Auditing Standards.

- The Public Sector Internal Audit Standards require the Head of Shared Assurance to provide an opinion on the overall adequacy and effectiveness of the organisations's framework of control, risk management and governance.

  Control – The Internal Audit Service provides an independent opinion on the adequacy of the internal control system. All recommendations for improvement are agreed with Senior Management and a summary is reported to the Governance Committee. Only one Internal Audit report with a limited controls assurance rating was issued during 2017/18.

Risk Management – The Council's arrangements were further strengthened during 2017/18 by the continued development of the GRACE risk management system. Extensive training was delivered to Officers and the revised Risk Management Framework was approved by the Governance Committee in March.

Governance – Actions have been taken during 2017/18 to strengthen the Council's governance arrangements. The Annual Governance Statement Action Plan for 2018/19 includes details of actions to further strengthen Council's governance arrangements. The 2018 AGS has been produced following a rigorous assessment process, both internal and external.

External Audit

- The Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Authority, the executive, Governance Committee, Overview and Scrutiny Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Identified Governance Issues

In the previous year the following themes were identified as requiring action and improvement:

Theme	Agreed Improvement	SMART Actions & Milestones	Status
1. Information Management	1.1 To ensure that there are clear document retention guidelines which are complied with by Services.	- Develop program of work to replace SharePoint corporately - Utilise document management system within the new application.	**In Progress - New systems due for implementation in Summer 2018 (High Priority on ICT work plan)**
	1.2 To ensure that the Council is fully compliant with the Data Protection Act and Freedom of Information requirements.	- GDPR new requirements in legislation are to be in place by May 2018. Action Plan to be implemented to ensure compliance within the timescales - More effective use of the information champions.	**In Progress – Project Documentation has been completed and in the process of implementation Due for completion May 2018.**
2. Risk Management	2.1 Review and update all Health & Safety risk assessments	- Review & update documentation - Arrange awareness training	**In Progress - Significant works have been done this year in high risk areas both in training and risk assessment documentation. This is being rolled out across remaining areas depending on risk.**
3. Corporate Policies	3.1 To ensure that all employees are aware of the requirements of	- Rolling programme of briefings on corporate policies are to be	**CONTINUING– a policy of the month has been attached to Core Brief**

	corporate policies.	- included in core brief messages	**and referenced on intranet. This will continue.**
4. Equality & Diversity	4.1 To further embed equality and diversity throughout the Council	- Raise awareness of need to complete EIA for any new policies - To refresh approach by ensuring that Equality comments are incorporated into all appropriate reports	**CONTINUING**

The Council will take the following steps in the forthcoming financial year to build and strengthen our corporate governance arrangements:

Theme	Agreed Improvement	SMART Actions & Milestones	Status
1. Information Management	1.1 To ensure that there are clear document retention guidelines which are complied with by Services.	- Develop program of work to replace SharePoint corporately - Utilise document management system within the new application.	**CONTINUED FROM 2017** **These outstanding actions will be considered as part of the GDPR Implementation project (See 1.2 below).**
	1.2 To ensure that the Council is fully compliant with the Data Protection Act and Freedom of Information requirements.	- GDPR new requirements in legislation are to be in place by May 2018. Action Plan to be implemented to ensure compliance within the timescales - More effective use of the information champions.	**CONTINUED FROM 2017** **Project Documentation has been completed and in the process of implementation** due **for completion May 2018.**
2. Risk Management	2.1 Review and update all Health & Safety risk assessments	- Review & update documentation - Arrange awareness training	**CONTINUED FROM 2017** **Significant works have been done this year in high risk areas both in training and risk assessment documentation. This is being rolled out across remaining areas depending on risk.**
	2.2 Further embed GRACE risk management system.	- Directors are to ensure compliance with the Risk Management Framework.	
3. Customer Complaints	3.1 To improve the recording of customer complaints	- To undertake a review of how customer complaints are received to ensure that they are all captured and recorded centrally.	**Risk identified from Service Assurance Statements**
4. Value for money and cost assurance	4.1 Increased use of comparative data and benchmarking to	- Increased use of LGA Inform to demonstrate VFM	**Risk identified from Service Assurance Statements**

			demonstrate VFM.	
5.	Fraud	5.1 Increased fraud awareness	- Fraud awareness training to be delivered to all relevant officers using e-learning modules.	**Risk identified from Service Assurance Statements. This is a recurrent risk and part of the work in this area will be to identify a more robust awareness raising programme.**
6.	Transparency	6.1 To ensure full compliance with the revised requirements of the Transparency Code.	- A review of compliance with the Code has been undertaken and areas of non-compliance are to be actioned.	**Risk identified from Service Assurance Statements. There are a small number of particular categories/ areas of non-compliance which will need to be considered and actioned individually.**
7.	Communication	7.1 To review and update the Communication Strategy for both internal and external communications	- To review and update the Communication Strategy for both internal and external communications	**Risk identified from Service Assurance Statements.**
8.	Compliance with Contract Procedure Rules (CPRs)	8.1 To further embed procurement policies and procedures, and to strengthen the current CPRs.	- To develop and implement a contract management system through 'Agile Point'.	**Risk identified by Procurement team through an internal corporate assessment process.**

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. The Themes will be entered as Management Actions onto the MyProjects system and allocated to the most appropriate Director or Head of Service for action. Progress will be monitored by the Senior Management Team using MyProjects.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Cllr. A. Bradley   **G Hall**
Leader of the Council   Chief Executive
                                         & Section 151 Officer

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Chorley Council

Report of	Meeting	Date
Director Policy and Governance	Governance Committee	30 May 2018

STRATEGIC RISK UPDATE REPORT

PURPOSE OF REPORT

1.   The Strategic Risk Register (SRR) is the vehicle by which the Council aims to identify and address any potential risks to the organisation and the delivery of its functions which therefore need to be managed strategically.

2.   This report provides members with an updated SRR which includes 15 strategic risks to the Council, including actions in progress as well as new actions planned to further mitigate identified risks.

RECOMMENDATION(S)

3.   That Members note the strategic risks, controls in place and actions planned to further mitigate the strategic risks as set out in Appendix 1.

EXECUTIVE SUMMARY OF REPORT

4.   The Council operates in a continually changing political, economic and financial environment. The SRR is therefore a live document and needs to be updated to reflect any new or emerging strategic risks facing the Council.

5.   This report contains the latest revision to the SRR for Members' information and comment.

6.   The risk register is continually reviewed and currently, the majority of risk categories remain stable with six of these identified as 'high risk', seven 'medium risk' and two 'low risk'. The majority of risk levels remain static as mitigating actions have ensured that the risks have been effectively managed and have therefore not escalated across the year.

7.   Two risk levels have been increased this year to reflect the large levels of reliance upon ICT development and capacity required to undertake this work and to reflect the Council's reliance on partnership working to support and sustain its transformation agenda. One risk level has been lowered due to the strong controls in place to ensure we change and adapt to react to changing service demand.

Confidential report Please bold as appropriate	Yes	**No**

CORPORATE PRIORITIES

8.   This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	✓

BACKGROUND

9.   Risk management is a cornerstone of good corporate governance and the Council has established a system of risk management which involves the creation of risk registers at a strategic level, service level and individual project levels.

10.   Compiling the Strategic Risk Register requires a collective effort involving Senior Management Team (SMT) to identify the key strategic risk issues facing the Council. The Strategic risk register is stored and managed within the Council's risk management system GRACE. SMT are responsible for identifying, owning monitoring and mitigating strategic risk. The GRACE system also contains separate risk registers for individual projects and service level risk registers owned and controlled by individual services managers and project managers.

11.   Good progress has been made over the last year with regards to the GRACE system and its use. Following the last report to Governance Committee in June 2017, all strategic risks are now contained within the GRACE system have been reviewed to inform this latest position. Directors have been assigned to each risk, rather than SMT as a whole, to make best use of the GRACE system and alerts and ensure that each risk is owned at a senior level.

12.   A recent internal audit exercise has highlighted some key actions for improving the way in which we deal with strategic risk within the organisation. Recommendations include risk being incorporated more effectively within Council Committee report templates and risks being reported (by exception) to Executive Cabinet on a quarterly basis.

13.   The review also recommended that the Strategic risk register be reviewed more frequently by SMT and this recommendation will be taken forwards from Q1 2018/19 when SMT will review the register on a quarterly basis.

HOW THE RISKS ARE SCORED

14.   All risks are stored within the GRACE system and are scored on a 4x4 risk matrix as outlined below:

		1	2	3	4
Major	4	4 Low	8 Medium	12 High	16 High
Serious	3	3 Low	6 Medium	9 Medium	12 High
Minor	2	2 Low	4 Low	6 Medium	8 Medium
Insignificant	1	1 Low	2 Low	3 Low	4 Low
		1	2	3	4

Rarely – there is a slight possibility that the event will occur

Unlikely- there is a possibility that the event will occur or there is a history of occasional occurrence within the authority

Likely – There is a strong possibility that the event will occur or there is history or regular occurrence within the Authority

Highly likely - there is little doubt that the event will occur

15.   All of the risks have been re-assessed for 2018 by SMT on the likelihood of the risk occurring against the impact for the organisation if it did occur taking into consideration any controls, completed actions or actions planned over 2018/19. The resulting score out of 16 is used to aid in prioritising the risk and mitigating actions.

SUMMARY OF THE RISKS

16.   A summary of the updated **inherent** risks for 2018 can be found below:

Risk No.	Description of Risk	Matrix Score May 2018	Change in inherent risk level from June 2017
R1	Failure to realise the value of large budget investments and achieve return on investments	16 (High)	→
R2	Failure to achieve desired outcomes through partnership working and deterioration in relationships	16 (High)	→
R3	Budget cuts in key public and third sector partners having a negative impact on local level service delivery	16 (High)	→
R4	Failure to optimise opportunities for new ways of working and alternative business models including options for income generation	16 (High)	→
R5	Lack of resources to deliver the Council's priorities due to public sector funding cuts (financial & staff capacity)	12 (High)	→

Risk No.	Description of Risk	Matrix Score May 2018	Change in inherent risk level from June 2017
R6	Failure to react to changing service demand	8 (Medium)	↓
R7	Reduction in satisfaction with the Council	9 (Medium)	→
R8	Failure to sustain our performance in light of budget cut	9 (Medium)	→
R9	External legislative and policy change affecting service delivery (Universal credit, Homelessness Reduction Act, GDPR)	8 (Medium)	→
R10	Failure to fully realise the benefits of new technology and related impact on driving organisational change	12 (high)	↑
R11	Reduction in staff satisfaction and morale with the Council including increase in sickness absence	6 (Medium)	→
R12	Incidents affecting service delivery/business continuity or even widespread damage, injury or risk to the public including cyber-attack	6 (Medium)	→
R13	Damage to the council's reputation and potential reduction in resident satisfaction in relation to high profile decision making	4 (low)	→
R14	Failure to build and maintain strong relationships of trust and confidence between officers and each party to promote good and open relationships between political parties	4 (Low)	→
R15	Failure of (existing) Shared Service arrangements	8 (medium)	↑

17.   Further details about each of these risks, residual and target scores and their mitigating controls and actions can be found within the detailed register in Appendix 1.

18.   The risk scores for three risks have been changed as highlighted in the table above. Two overall risk scores have increased for 2018 demonstrating a higher overall risk for the council this year and one risk score has decreased, outlining a lower level of risk due to the controls and actions completed over the past year.

19.   The majority of strategic risk levels have remained similar to 2017 as mitigating actions have ensured that the risks have been effectively managed and have therefore not escalated across the year.

20.   No new risks have been added to the register for 2018 however the scope of two of the risks have been widened to ensure that they reflect the most current position. R13 has been changed to include all high profile decision making to reflect the amount of key decisions the Council makes and will be required to make as we continue our work to move forwards towards a position of sustainability. The scope of R9 has also widened to incorporate Universal Credit, the Homelessness Reduction Act and GDPR legislation to acknowledge wider legislative changes which will affect the Council over the coming year and the work which will need to be undertaken to ensure that we implement and comply effectively with this legislation.

21. The highest scoring risks, R1-5, continue to focus on delivering Council priorities, including new ways of working such as partnership working to address the future budget deficit. There are significant challenges facing the organisation within the coming year including budgetary pressures and internal and external change, coupled with an ever increasing demand for our services. The council faces significant financial challenges as we move towards 2020/21 and preparing for these challenges means we must continue to transform the way in which we work to reduce our costs and ensure that we continue to deliver effective public services for residents, including looking at options for income generation. The work of the Transformation Board continues to achieve the financial savings that need to be made towards a sustainable operational and financial position, informing the corporate planning process and is listed as a control/action measure against many of the highest scoring strategic risks.

22. The risk score for R1 'failure to realise the value of large budget investments and achieve return on these investments' continues to be the highest rated risk for the Council. This risk includes the Council's investment into large scale commercial developments, particularly in the town centre, and the need to see a return on this long term investment to assist the Council in achieving a sustainable financial position in future years and as such remains high priority and high risk.

23. Risk R2 refers to failure to achieve desired outcomes through partnership working and deterioration in relationships. Although established working relationships are in place (Public Service Reform and Integrated Community Wellbeing Service) this risk continues to be rated as one of the highest risks facing the council given the reliance we have on partnership working to support our sustainability in light of reductions in government funding and to work effectively in partnership with other organisations to provide joined up support for our most vulnerable residents. Work continues to deliver established partnerships already in place and strong control measures are listed to mitigate this risk over the coming months.

24. Risk R3, refers to budget cuts in key public and third sector partners having a negative impact on local level service delivery. Despite strong controls and mitigating actions in place internally to mitigate this risk, external financial pressures at both a national and county wide level still exist meaning that further budget cuts may be imminent; therefore the risk score is maintained.

25. Risk R4, 'failure to optimise opportunities for new ways of working and alternative business models including options for income generation' remains at a high risk rating. Good progress has been made towards exploring opportunities for new ways of working including looking at options for income generation through the work of the Transformation Board. Given the impact and budgetary reliance we have on exploring income generation as an organisation as outlined within our Medium Term Financial Strategy (MTFS), this risk score remains high for 2018.

26. This years' update sees a decrease in the score for risk R6, 'failure to react to changing service demand'. This risk score has reduced as the likelihood of our failure to react has decreased given the amount of work undertaken this year and the number of controls in place. Key controls in place include the delivery of the ICT and digital strategies both of which acknowledge and address the changes in the way our customers choose to access our services and outlines the ways in which we will change to support and address this.

27. Risk R10 'failure to realise the benefits of new technology and related impact on driving organisational change' has been given a slightly higher rating to reflect the volume of work required to be undertaken this year to mitigate this risk and the capacity within the organisation to deliver. There are a number of high profile projects being delivered to ensure that the technology we have available as an organisations supports the level of organisational change being undertaken one example being the delivery of the Streetscene Modernisation Strategy which will see the delivery of more efficient, high quality services

including the better use of technology to support new ways of working. This risk will continue to be managed through individual project and service risk registers which will inform the overall strategic risk level at the next refresh.

28. R15 'Failure of shared services arrangements' has also been given a slightly higher risk rating compared to 2017. This is to reflect the risk of any changes to current shared services arrangements given the reliance we have on these arrangements as a council and the savings they currently achieve.

NEXT REVIEW

29. Following the recommendations of the Internal Audit review, the Strategic risk register will next be reviewed by SMT at the end of Q1 2018/19.

IMPLICATIONS OF REPORT

30. This report has implications in the following areas and the relevant Directors' comments are included:

Finance		Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

17. There are no financial implications associated with the report.

COMMENTS OF THE MONITORING OFFICER

18. No comments

REBECCA HUDDLESTON
DIRECTOR POLICY AND GOVERNANCE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Kate Howcroft	5061	17/05/2018	SRRupdate 2018

Appendix 1

Risk No.	Description of Risk	Risk Owner	Risk category	Controls in Place	Inherent risk score	Residual risk score	Target risk score	Actions Planned	Target Action Date
R1	Failure to realise the value of large budget investments and achieve return on investment	ML	Financial	Budget setting process Regular budget monitoring Project and programme management Market Walk steering group SMT Programme Board Representation in the Corporate Strategy	**16** (high)	**9** (medium)	**6** (medium)	Ongoing monitoring of investment projects through quarterly monitoring and Corporate Strategy Programme Board Transformation Board	31/03/2019
R2	Failure to achieve desired outcomes through partnership working and deterioration in relationships	RH CS	Partnership/contractual Reputational	Public Service Reform Partnership and role of the Executive Partnership working (key management competency) Existing Working relationships Continued delivery of actions within the Transformation Strategy Joint Integrated Community Wellbeing Service monitoring and Executive Transformation Board Evaluation of PIVOT Delivery of phase 1 ICWS Phase 1 of ICW service delivery – governance and delivery of year 1 objectives	**16** (high)	**6** (medium)	**4** (low)	Members and officers to work to manage relationships Delivery of year 3 of the Public Service Reform Partnership Continue to support the development of the ICWS	31/03/2019

Risk No.	Description of Risk	Risk Owner	Risk category	Controls in Place	Inherent risk score	Residual risk score	Target risk score	Actions Planned	Target Action Date
				Evaluation of year 2 of the public service reform programme					
R3	Budget cuts in key public and third sector partners having a negative impact on local level service delivery	RH	Financial Partnership/contractual Reputational Strategic	Continued delivery of the Transformation Programme Re-commissioning of third sector contracts to maintain local service delivery Intermediate solutions to county cuts and county council transformation budget Joint Integrated Community Wellbeing Service monitoring and Executive Impact assessment undertaken re. LCC budget cuts Cost effective, sustainable solutions to intermediate measures Existing relationships with key public sector partners Chorley Public Service Reform Board	16 (high)	8 (medium)	6 (medium)	Officers and Members to lobby and influence key public sector partners through meetings, working groups and responding to consultations. Refresh of the Transformation Strategy to reflect council's updated position Delivery of the Transformation Board forward plan	31/03/2019
R4	Failure to optimise opportunities for new ways of working and alternative business models including options for income generation	RH	Operational Partnership/contractual Reputational	Key strategic partnership framework Corporate Strategy Chorley Public Service Reform Partnership Transformation Strategy	16 (high)	8 (medium)	6 (medium)	Review key strategic partnership framework Refresh of the Transformation Strategy Delivery of the MTFS	31/03/2019

Risk No.	Description of Risk	Risk Owner	Risk category	Controls in Place	Inherent risk score	Residual risk score	Target risk score	Actions Planned	Target Action Date
								Update previous report on business models	30/11/2018
								Explore alternative delivery models for development projects	28/09/2018
R5	Lack of resources to deliver the Council's priorities due to public sector funding cuts (financial & staff capacity)	RH ML	Financial Human Resources Reputational	Refreshed Corporate Strategy and service level business plans

Refreshed Medium Term Financial Strategy

Additional budget investment in priorities

Continued organisational development through the Leading Edge and Flair programmes

Delivery of the Transformation programme

Changes to service provision

Increase in Council tax 2018/19

Transformation Board | 12 (high) | 8 (medium) | 4 (low) | Focus on business growth and generating additional income to make the council financially self-sufficient

Refresh of the Transformation programme

Delivery of the Transformation Board forward plan

Delivery of the MTFS

Annual corporate planning and budget process including developing the big issues paper and engaging with Members | 31/03/2019

15/03/2019 |

Risk No.	Description of Risk	Risk Owner	Risk category	Controls in Place	Inherent risk score	Residual risk score	Target risk score	Actions Planned	Target Action Date
R6	Failure to react to changing service demand	AK	Strategic Technological	Use of system data Volumetric data capture Self service capability via Council website ICT Digital Strategy Transformation Board Digital Inclusion project Delivery of the Single Front Office	8 (medium)	6 (medium)	4 (low)	Implementation of the ICT and customer strategies Implementation of the Digital Strategy Review of the Single Front Office operating model	31/03/2019
R7	Reduction in satisfaction with the Council	AK	Reputational	Customer service delivery Corporate Health dashboard Resident Satisfaction survey 2017 Customer satisfaction survey Tangible improvement projects in the Corporate Strategy 2017 Single front office Customer focus within the Digital and ICT strategies	9 (medium)	6 (medium)	6 (medium)	Additional investment in priority areas Tangible improvement projects in the corporate strategy 2018 Delivery of communications, campaigns and events	31/03/2019 01/04/2019 30/03/2019
R8	Failure to sustain our performance in light of budget cuts	RH	Human Resources Operational Reputational Strategic	Performance management framework Performance monitoring and annual refresh of local indicators Performance indicators	9 (medium)	6 (medium)	4 (low)	Refresh Performance management framework Transformation strategy refresh	31/03/2019 31/03/2019

Risk No.	Description of Risk	Risk Owner	Risk category	Controls in Place	Inherent risk score	Residual risk score	Target risk score	Actions Planned	Target Action Date
				Organisational development plan Transformation Strategy Annual business planning process Performance dashboard for SMT Benchmarking exercises including LG inform				Delivery of Transformation Board forward plan	31/03/2019
R9	External legislative and policy change affecting service delivery (Universal Credit, Homelessness Reduction Act, GDPR)	RH CS	Legal/regulatory Operational	Chorley welfare reform partnership Credit Union Additional resources dedicated	**8** (medium)	**8** (medium)	**4** (low)	Monitor risks outlined within the relevant service business plans (Universal credit and Homelessness Reduction Act) Ensure Council is compliant with GDPR regulations	31/03/2019 25/05/2018
R10	Failure to fully realise the benefits of new technology and related impact on driving organisational change.	AK	Operational Technological	Digital Strategy Single Front Office Worksmart initiatives ICT strategy	**12** (high)	**6** (medium)	**2** (low)	ICT core network upgrade Delivery of Streetscene Modernisation Strategy 2018 Delivery of ICT Business Plan 2018 Upgrade core infrastructure and data protection	28/09/2018 31/03/2019 31/03/2019 28/09/2018

Risk No.	Description of Risk	Risk Owner	Risk category	Controls in Place	Inherent risk score	Residual risk score	Target risk score	Actions Planned	Target Action Date
R11	Reduction in staff satisfaction and morale with the Council including increase in sickness absence	CM	Human Resources	OD and health and wellbeing programmes Delivery of additional management training (Leading Edge and Flair) Healthcare cash back scheme Leading edge management competencies Internal communications plan Staff Matters Staff survey 2017 Continued application of sickness absence policy Health and safety policies	6 (medium)	3 (low)	3 (low)	Refresh of internal communications strategy Local indicator refresh – sickness targets Implementation of the emotional wellbeing policy Delivery of the OD strategy (Yammer, listening days, development of SMT, new appraisal process)	31/03/2019 31/03/2019 30/09/2018 31/03/2019
R12	Incidents affecting service delivery/business continuity or even widespread damage, injury or risk to the public including cyber-attack/information management breach.	CS	Information Strategic	Business Continuity Plan Emergency Plan Flu pandemic plan. Multi agency flood plan Chorley COMAH Plan Staff awareness of ICT risks/threats and reporting of any issues National, regional and local security plans. Command and control structure in place	6 (medium)	4 (low)	4 (low)	Business continuity plans refreshed and reviewed Emergency arrangements continue to be in place Chorley is a member of the PSN network	31/05/2018 31/03/2019 31/03/2019

Risk No.	Description of Risk	Risk Owner	Risk category	Controls in Place	Inherent risk score	Residual risk score	Target risk score	Actions Planned	Target Action Date
				Response to recent rise in UK threat levels					
R13	Damage to the council's reputation and potential reduction in resident satisfaction in relation to high profile decision making.	GH	Reputational	Communication and engagement with local stakeholders and residents Governance procedure in place Planning Policies in place Monthly monitoring of resident satisfaction Resident satisfaction survey 2017	4 (low)	2 (low)	2 (low)	Continued tailored communication and engagement Monthly monitoring of customer satisfaction through customer satisfaction survey Monitoring of social media (comments, threads, themes) and respond appropriately and alert where needed	31/03/2019
R14	Failure to build and maintain strong relationships of trust and confidence between officers and each party to promote good and open relationships between political	CM	Strategic	Bi-weekly meeting with leader and regular meetings with the leader of the opposition. All party leaders meetings Attendance at political group meetings to address key issues Corporate strategy development and engagement with political parties	4 (low)	2 (low)	2 (low)	Corporate strategy development and engagement with political parties Boundary review	30/11/2018 31/03/2019

Risk No.	Description of Risk	Risk Owner	Risk category	Controls in Place	Inherent risk score	Residual risk score	Target risk score	Actions Planned	Target Action Date
	parties								
R15	Failure of existing Shared Service arrangements	GH	Operational Partnership/contractual	Strategic partnerships framework Effective governance arrangements Best practice to shape future services	8 (medium)	6 (medium)	2 (low)	Continue with governance arrangements implemented	31/03/2019

Risk owners
GH – Gary Hall (Chief Executive)
CS – Chris Sinnott (Deputy Chief Executive/ Director Early Intervention and Support)
RH – Rebecca Huddleston (Director Policy and Governance)
AK – Asim Khan (Director Customer and Digital)
ML – Mark Lester (Director Business, Development and Growth)
CM – Chris Moister (Head of Legal, Democratic and HR Services)