

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 local 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 2021 and up to the date of approval of the annual report and statement of accounts.

3. The governance framework

Our Governance Framework is based on the CIPFA/SOLACE Framework¹. It promotes and demonstrates our commitment to the principles of good governance and incorporates the council's values that emphasise how we do things at South Ribble Borough Council. It is important to note that a robust governance framework only has value if it is complied with and contains sufficient controls to ensure this.

The adopted Local Code of Corporate Governance incorporates and demonstrates how the 7 principles detailed by the CIPFA/SOLACE Framework, and set out below, are complied with.

Good governance means:-

- behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

¹ The CIPFA / SOLACE (Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives and Senior Managers) framework "Delivering Good Governance in Local Government".

- ensuring openness and comprehensive stakeholder engagement
- defining outcomes in terms of sustainable economic, social and environmental benefits
- determining the interventions necessary to optimise the achievement of the intended outcomes
- developing the council's capacity, including the capability of its leadership and the individuals within it
- managing risks and performance through robust internal control and strong public financial management
- implementing good practices in transparency, reporting, and audit to deliver effective accountability

Our Local Code was reviewed and updated this year and approved by Governance Committee on 1 April 2021.

Impact of Covid on the Council's governance arrangements

There is no doubt that the COVID pandemic impacted on the Council's governance arrangements, most clearly evidenced by the change in approach to Council committee meetings and decision making. The constitution provided an urgency procedure which was used appropriately to enable council business to continue when meetings could not be held. However, significant work was undertaken to implement remote and hybrid meeting access. This enabled members to participate in meetings even where access to the Town Hall was not possible. Whilst public participation was more limited this was still enabled and the public could watch the meetings live.

What was changed however was the ability to properly test the internal control and risk management environments. Staff from across the Council including those from Internal Audit, changed roles to facilitate Covid support works. This limited the council's ability to both in terms of undertaking the testing but also of the availability of teams to be tested. This should not be taken as reflecting positively or negatively on performance of the council only that it cannot be evidenced in this way one way or another.

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 Governance Group / Officer arrangements

In developing this Annual Governance Statement, the council's senior officers have worked collectively to understand and assess the effectiveness of the implementation of the council's governance framework. This work has been overseen by a Corporate Governance Group comprising:

- Chief Executive
- Deputy Chief Executive
- Director of Governance (Monitoring Officer)
- Director of Finance S151 Officer
- Shared Service Lead (Transformation and Partnerships)
- Shared Service Lead Audit and Risk

The Corporate Governance Group (CGG) have worked with the council's Senior Management Team who have individually produced and collectively reviewed service assurance statements which assess compliance with and understanding of the council's governance framework. This assessment has supported the production of this document.

It is also important to note the ongoing role that a council's senior officers have in ensuring that good governance is enacted in the working of the organisation.

A terms of reference for the CGG have been developed which will further enhance the governance monitoring and reporting arrangements.

Management Team / Leadership Team

In January 2021, a shared senior management team was created with South Ribble Borough Council. In addition to the already shared Deputy Chief Executive, Director of Finance and Director of Governance, the Chief Executive is now a shared role permanently alongside four director roles.

The council's Senior Management Team is made up of the Chief Executive, Deputy Chief Executive and Directors, as well as the Shared Service Lead for Transformation and Partnerships and Shared Service Lead for Communications and Visitor Economy who attend as observers. The team meets weekly. They consider the strategic direction of the council, supporting effective organisational management and support for the delivery of the council's agreed priorities. In addition, the senior management team meet on a quarterly basis as a programme board to consider the progress made in delivering the council's corporate plan, address any issues and manage risk.

A shared Senior Leadership Team has also been established. This meets monthly and its membership includes all Assistant Directors and Service Leads in addition to the SMT members. This meeting focusses on overseeing internal communications, organisational development and transformation. In addition, the meeting receives reports on service performance and HR issues.

Programme Board

The Corporate Strategy was refreshed to reflect the local context and streamlined with a focussed number of projects and performance measures to ensure deliverability. The Performance Management Framework was also fully reviewed and refreshed in September 2020 to outline clear processes, expectations, roles and responsibilities including data quality. A corporate programme board has been established and meets quarterly to review and monitor the performance of the Corporate Strategy projects and performance measures ahead of reporting to Cabinet. The board is made up of the Senior Management Team as those accountable for overall programme delivery and ensuring compliance with the Performance Management Framework. The board receive an update report highlighting issues, concerns and risks by exception. The board will discuss issues and identify solutions before cascading directions back to project managers and teams.

Monitoring Officer

As the Council's Monitoring Officer, the Director of Governance 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 Audit and Risk 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 Public Sector Internal Audit Standards require the Head of Audit to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance. Members may recall that CIPFA issued guidance relating to the opinion and that a limitation of scope may be applicable due to the impact that COVID.

It has been reported to members over the course of 2020 that the impact of COVID-19 on the Internal Audit Service has been considerable and as can be seen in the table at paragraph 8, the results of the work carried out by internal audit, taken together with other sources of assurance, are not sufficient to support an annual opinion on the overall adequacy and effectiveness of the organisation's framework of **control**.

It is however, possible to provide an opinion on the overall adequacy and effectiveness of the organisations framework of **risk management and governance** and the Head of Audit can confirm that the arrangements are of an **adequate** standard.

Although the Internal Audit work has been limited, the opinion on risk management and governance is based upon a number of factors namely:

- Chorley Council is able to demonstrate that it has a sound governance framework in place and over the past few years, no significant areas of non-compliance have been identified.
- Work recently undertaken on risk management has confirmed that whilst there are good arrangements across some aspects of Council activity further work is required to fully embed risk management.

Although the Head of Audit is unable to form an opinion on the control environment of the Council, members can be assured of the following:

- The limited work carried out during 2020-21 did not identify any control failures;
- Advisory work has been undertaken on new processes introduced as a result of COVID 19;
- Despite the lack of a systematic monitoring process for the implementation of agreed management actions emanating from Internal Audit Reports, a large proportion of actions have been implemented.

It must be stressed, that it is anticipated that as the committee have already approved a comprehensive audit plan, it is fully anticipated that they will be able to provide a complete opinion 2021-2022.

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:

Table A

Theme	Agreed Improvement	SMART Actions & Milestones	Status
1. Risk Management	1.1 To further embed the risk management system	<ul style="list-style-type: none"> - To review & update Risk Management Framework - Arrange and provide risk management training 	<p>Complete – the Risk Management Framework has been reviewed and the council have recommitted to the GRACE risk management system.</p> <p>Carried forward - Training has commenced and will be completed shortly</p>
2. Fraud	2.1 To Review and update Anti-fraud policies	<ul style="list-style-type: none"> - To review and update the Anti-fraud policies 	<p>Outstanding</p> <p>The review of the Anti-Fraud Policies has been undertaken.</p>
	2.2 To increase fraud awareness	<ul style="list-style-type: none"> - Fraud awareness training to be delivered to all relevant officers using e-learning modules - Fraud reports to be presented to Governance Committee on a regular basis. 	
	2.3 To compile and monitor a fraud risk register	<ul style="list-style-type: none"> - Fraud risk register to be compiled and monitored on a regular basis 	
3. Transparency	3.1 To ensure full compliance with the revised requirements of the Transparency Code.	<ul style="list-style-type: none"> - A review of compliance with the Code has been undertaken and areas of non-compliance are to be actioned namely; <ul style="list-style-type: none"> • Publication of contracts 	Outstanding
4. Compliance with Contract Procedure Rules (CPRs)	4.1 To further embed procurement policies and procedures, and to strengthen the current CPRs.	<ul style="list-style-type: none"> - To develop and implement a contract management system through 'Agile Point' - To arrange and provide training to relevant staff 	Complete
5. Shared Services	<ul style="list-style-type: none"> a. Implement enhanced Shared Services Governance Arrangements b. To review the staffing and resourcing of Internal Audit c. To review the Business Continuity and 	<ul style="list-style-type: none"> - To review and update the shared services agreement to specifically address matters that have arisen and the extension of shared services - To review staffing and resourcing of Internal Audit in light of changes to staff - To review and update 	Complete

	Emergency Plans and service resourcing	Business Continuity and Emergency Plans in light of learning occasioned by the Covid Pandemic	
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The Council will have identified the following improvements which will strengthen our corporate governance arrangements:

Table B

Themes	Improvement Required
Induction/Recruitment	<p>To ensure all new employees receive a comprehensive induction covering all core areas, the corporate induction will be updated to include welcome videos from the senior management, introduction to the borough and mandatory training covering core policies and health and safety.</p> <p>Continued focus on HR System transformation is required to ensure a robust administrative process is operational and suitable controls are in place for all aspects of Human Resources and Organisational Development</p>
Corporate Information Source for Officers (The Loop)	<p>To improve the user experience for employees and ensure essential information is easy to access. The following improvements to The Loop should be considered:</p> <ul style="list-style-type: none"> • Defined area on The Loop for all core policies. • Service areas to review information they have published on the Loop and to remove outdated material. • Create a manager zone within The Loop to ensure all essential guidance and resources for managerial responsibilities are easily sourced.
Risk Management	Ensure risk management is embedded throughout the organisation and within all Council activities.
GDPR - RoPA	A full review will be undertaken to ensure that the register is up to date with data responsibilities correctly defined, and continue to monitor and expedite the outstanding data disposal actions to ensure they are implemented imminently.
Key Corporate Policies	<p>Adopt a standardised version control format for all policies and strategies.</p> <p>Review and update key policies and strategies and ensure that the latest version is available on The Loop and the Council's website where appropriate.</p>
Value for Money	Adopt an organisation wide Transformation Strategy & Programme incorporating a value for money elements to deliver efficient services through service reviews and shared services.

Inventories

Directors will ensure that inventories are compiled and maintained in accordance with the Councils guidance notes for service unit fixed assets registers.

Transparency Act

Publish up to date information and include all mandatory criteria.

You will note a different presentation of the areas to be strengthened this year. This is to reflect the re-establishment of the Corporate Governance Group who will lead on the monitoring of the implementation of these improvements. The CCG will take the improvements to the Senior Management team and allocate a Senior Responsible Officer to lead on the delivery. The improvements will be entered as management actions onto the Grace system. Progress will be monitored by the Corporate Governance Group.

Although there are 9 areas listed, it must be noted that most of the improvements are continuations of existing works or consequences of recent changes to the Council. There is a clear need to embed improvements that have already been made, so whilst it is correct they are identified here as areas to be strengthened, it should also be recognised that the actions are planned or already underway.

None of the areas proposed to be strengthened is viewed as a significant failing of the governance environment, indeed the ones already identified suggest that the framework is working.

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
Leader of the Council

G Hall
Chief Executive
& Section 151 Officer