



2020/21

# Annual Governance Statement

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## **1. Introduction and Scope of Responsibility**

West Lancashire Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively.

The Council also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

To discharge this overall responsibility, the Council must have in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

West Lancashire Borough Council has approved and adopted a Local Code of Corporate Governance, and this statement explains how the Council has complied with the code and meets the requirements of the Accounts and Audit Regulations, in relation to the production of an Annual Governance Statement.

West Lancashire Borough Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government 2016.

This statement explains how the Council has complied with the code and also meets the requirements of Regulation (1) (b) of the Accounts and Audit Regulations (England & Wales) Regulations 2015 which requires all relevant bodies to prepare an Annual Governance Statement.

The Council also fulfils a governance role in relation to Tawd Valley Development Company for which it is a shareholder.

## **2. What is Corporate Governance?**

Corporate Governance generally refers to the processes by which organisations are directed, controlled, led, and held to account. The Council's governance framework aims to ensure that in conducting business it:

- Operates in a lawful, open, inclusive, and honest manner
- Ensures that public money is safeguarded, properly accounted for and used economically, efficiently, and effectively
- Has effective arrangements for the management of risk
- Secures continuous improvements in the way it operates.

## **3. The Purpose of the Framework**

The governance framework comprises the systems, processes, culture, and values by which the Council is directed and controlled and the mechanisms through which it accounts to, engages with, and leads the community. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

By adhering to this framework, it enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

Both risk management and internal control are a significant part of the Council's framework and are designed to manage risk to a reasonable level. These safeguarding processes cannot eliminate all risk of failure to achieve policies, aims and strategic objectives and can therefore only provide reasonable and not absolute assurance of their effectiveness.

The system of risk management and internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and strategic objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively, and economically.

## **4. Review of Effectiveness**

West Lancashire Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

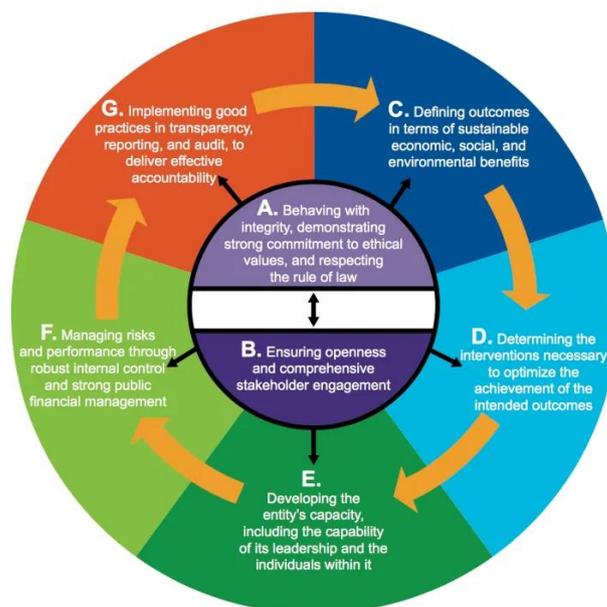
The review of effectiveness is informed by:

- Corporate Management Team and Senior Managers within the Council who have responsibility for the development and maintenance of the governance environment within their service areas. Their feedback and comments provided in Governance Assurance Statements are an essential part of this review.
- The Internal Audit Manager's annual report, which includes a report on the effectiveness of internal audit, and
- Feedback, recommendations, and comments made by the external auditors and other review agencies and inspectorates.

The Council aims to achieve good standards of governance by adhering to the seven core principles below, which form the basis of the Council's Code of Corporate Governance.

The seven principles of Corporate Governance laid out in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2016 Edition) are as follows:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D. Determining the interventions necessary to optimize the achievement of intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management; and
- G. Implementing good practices in transparency, reporting and audit, to deliver effective accountability.



(International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the "International Framework")

### Decision Making and Scrutiny

The Council approved the overall policy and budgetary framework for the financial year 2020/21. Cabinet subsequently made decisions at various points throughout the year that were in line with this policy and budget framework. The decisions of the Cabinet have been the subject of scrutiny through the Council's Overview and Scrutiny Committees which met regularly during the year.

Each Overview and Scrutiny Committee had a work programme for the year and reviewed a range of current activities and potential issues as part of that programme.

All decisions made by Committees, Council, Cabinet, Cabinet Member (under their delegated powers) and Chief Officer executive decisions are recorded and published online for transparency.

Delegation arrangements for Cabinet Members are reviewed annually by the Legal and Democratic Services Manager as part of the Constitution review process.

The Council publishes a calendar of meetings and deadlines for the submission of agenda items. Agendas and reports are produced promptly and provided to the relevant Members.

### Audit and Governance Committee

The Audit and Governance Committee provides independent assurance on the adequacy of the Council's risk, governance, and assurance environment. All political parties are represented on the Audit and Governance Committee.

Apart from 26<sup>th</sup> May 2020 when the planned meeting was cancelled due to the COVID-19 lockdown restrictions, the Committee met regularly during 2020/21, considering reports, from the Monitoring Officer, the Section 151 (S151) Officer, the Internal Audit Manager, and the External Auditor.

### **Corporate Management Team (CMT)**

CMT consists of the Chief Operating Officer, Corporate Directors, Monitoring Officer and Heads of Service. It provides senior management and leadership in the development, delivery and communication of Council and borough-wide policy and performance. It has a key responsibility for the development and maintenance of the governance environment.

As part of the corporate governance review for 2020/21 members of the CMT have provided formal assurance in respect of their service area, by their responses to the Governance Assurance Statement questionnaires.

### **External Audit**

Grant Thornton is the Council's appointed External Auditor for 2020/21. The work of the Council's External Auditor includes an examination of the Council's financial statements and an assessment of the degree to which the Council has the required arrangements in place to deliver value for money in the use of its resources.

### **Internal Audit**

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of Council activities. It is the duty of the Internal Audit Manager to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council.

Based upon the work of Internal Audit during 2020/21, the Internal Audit Manager provided the Council with an overall opinion of Moderate. Internal audit carried out follow up audit reviews for all recommendations made and reported results to CMT and the Audit and Governance Committee.

The Public Sector Internal Audit Standards were introduced from April 2013 and updated in April 2017. The service was the subject to an external review during 2018/19 which was assessed as being generally compliant with the Public Sector Internal Audit Standards 2017.

## How WLBC achieves the Seven Principles

From the evaluation work undertaken the following sections look at how the Council is held to account for the seven principles of Corporate Governance.

### A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul style="list-style-type: none"> <li>• Behaving with integrity.</li> <li>• Demonstrating strong commitment to ethical values.</li> <li>• Respecting the rule of law.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council has an agreed constitution which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. It also makes reference to the adherence of the Seven Principles of Public Life (the 'Nolan Principles').</li> <li>• The Council has put processes in place to minimise the risk that its councillors and employees act in an improper way (influenced by prejudice, bias or conflict of interest) when dealing with stakeholders.</li> <li>• The Council has Codes of Conducts and a suite of policies and procedures for councillors and employees which define the standards of behaviour expected. Deviation from these policies may result in the use of the embedded disciplinary processes in place, and</li> <li>• The Council's Vision and Priorities and, People's Strategy are clear and demonstrates its commitment to its stakeholders.</li> </ul>

### B: Ensuring openness and comprehensive stakeholder engagement

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul style="list-style-type: none"> <li>• Openness.</li> <li>• Engaging comprehensively with institutional stakeholders.</li> <li>• Engaging with individual citizens and service users effectively.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council publishes all relevant information (as required by the Local Government Transparency Code 2015) on its website.</li> <li>• The Council's website contains comprehensive information pertaining to the services provided by West Lancashire Borough Council and its partners.</li> <li>• The Council's decision-making information, including committee agendas and minutes (not restricted) is available via the council's website and intranet.</li> <li>• The Council undertakes consultation exercises regularly including budget proposals.</li> </ul>

**C: Defining outcomes in terms of sustainable economic, social and environmental benefits**

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul style="list-style-type: none"> <li>Defining outcomes.</li> <li>Sustainable economic, social and environmental benefits.</li> </ul>	<ul style="list-style-type: none"> <li>The Council is committed to community engagement and involvement.</li> <li>The Council has a clear vision for the future as set out in its Vision and Council Priorities which considers all relevant economic, social and environmental factors.</li> <li>The recommendations from the Sustainable Organisational Review Project have been implemented to achieve financial sustainability</li> <li>The Council has structured budget and treasury management processes in place.</li> <li>Each Council service area has its own service action plan that contributes to delivering an effective service.</li> </ul>

**D. Determining the interventions necessary to optimise the achievement of the intended outcomes**

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul style="list-style-type: none"> <li>Determining interventions.</li> <li>Planning interventions.</li> <li>Optimising achievement of intended outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>The Council operates a Scrutiny and Review Committee system, and the decision-making process allows for challenge where necessary.</li> <li>The Council has a robust financial strategy with financial planning protocols in place (Medium Term Financial Strategy, annual budget monitoring and Forward Plans).</li> <li>Cabinet receives regular reports on the General Revenue, Housing Revenue and Capital Budgets.</li> <li>The Council engages and undertakes consultation exercises with its stakeholders in relation to service provision changes and new initiatives.</li> </ul>

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

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul style="list-style-type: none"> <li>Developing the entity's capacity.</li> <li>Developing the capability of the entity's leadership and other individuals.</li> </ul>	<ul style="list-style-type: none"> <li>The Council has an agreed constitution which details roles and responsibilities of councillors and key officers of the Council.</li> <li>The Council requires all new employees and councillors to undertake an induction process.</li> <li>The Council has a number of human resource</li> </ul>

Sub Principle	How West Lancashire Borough Council Achieves the Principle
	<p>policies in place.</p> <ul style="list-style-type: none"> <li>• Employee training needs are identified through the annual appraisal process.</li> <li>• Financial Regulations are contained within the Council's Constitution and all employees are required to operate within them.</li> <li>• A number of new projects are being progressed as part of the SORP and People Strategy.</li> <li>• The Council works with a number of partners to deliver services throughout the borough.</li> <li>• As part of the SORP, areas of the Council have been or are under review to ensure that they are operating efficiently and effectively within resources available.</li> </ul>

### **F. Managing risks and performance through robust internal control and strong public financial management**

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul style="list-style-type: none"> <li>• Managing risk.</li> <li>• Managing performance.</li> <li>• Robust internal control.</li> <li>• Managing data.</li> <li>• Strong public financial management.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council has a Risk Management Framework in place.</li> <li>• The Council's Performance Management is managed using the Pentana Risk System.</li> <li>• A system of scrutiny and review is in place as part of the Council's decision-making process.</li> <li>• The Council has an Audit and Governance Committee who meet quarterly and provide independent assurance of the adequacy of the Council's Risk Management Framework and the associated control environment.</li> <li>• The Council has a Risk Management Policy and Toolkit, which All Members and Council staff have received training in.</li> <li>• An internal audit service is maintained and reports quarterly to the Audit and Governance Committee.</li> <li>• A data management framework and procedures are in place and are readily available to all members of staff. The Council has appointed a Senior Information Risk Owner and Interim Data Protection Officer.</li> <li>• The Council has a robust financial strategy with Financial Planning protocols in place (Annual Budget Monitoring, Medium Term Financial Strategy and Forward Plans), and</li> </ul>

Sub Principle	How West Lancashire Borough Council Achieves the Principle
	<ul style="list-style-type: none"> <li>The Council's Financial Statements are available to the Public on the Council's website.</li> </ul>

### G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul style="list-style-type: none"> <li>Implementing good practice in transparency.</li> <li>Implementing good practices in reporting.</li> <li>Assurance and effective accountability</li> </ul>	<ul style="list-style-type: none"> <li>The Council adheres to the Local Government Transparency Code 2015, with relevant information accessible via the Council's website.</li> <li>The Council's Financial Statements and External Auditor's Letter is available on the Council's website.</li> <li>The Council produces Financial Statements in accordance with CIPFA's Practice on Local Authority Accounting in the UK following International Financial Reporting Standards (IFRS). The Financial Statements are scrutinised by the External Auditor with a separate report produced, and</li> <li>An Annual Governance Statement is produced and incorporated into the Council's approved Financial Statements.</li> </ul>

## 5. Significant Governance Issues (SGI)

In addition to identifying those areas where the Council meets the principles of Corporate Governance, it is also appropriate to identify areas of improvement that can be undertaken during the next financial year. These are termed as 'Significant Governance Issues' and can be defined as an issue that:

- Seriously prejudices or prevents achievement of a key target
- Has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business
- The external auditor regards as having a material impact on the accounts/value for money conclusion
- Audit and Governance Committee advises that it should be considered significant
- The Internal Audit Manager identifies and reports on it as significant
- It has been reported as significant by external bodies – for example Ombudsman, Information Commissioner, independent consultants
- The issue, or its impact, has attracted significant public interest, or has seriously damaged the reputation of the Council
- May make it harder to prevent fraud or other misuse of resources
- May put financial stability, security or data integrity at risk.

## Significant Governance Issues Identified During 2020/21 Review:

The 2020/21 annual governance review undertaken by the Council's Internal Audit Service has identified the following issues:

Significant Governance Issue	Action to Address the issue
<p>The Local Code of Corporate Governance requires an update.</p>	<p>The Internal Audit Manager will liaise with the Legal and Democratic Services Manager who will draft the new document in accordance with CIPFA's requirements.</p> <p>A review of the document will be undertaken annually and presented to Audit and Governance Committee for approval.</p>
<p>The Council is not fully GDPR compliant. Whilst it is acknowledged that extensive work has been undertaken to ensure WLBC becomes compliant there are still a number of steps required to achieve full compliance.</p>	<p>The Effective Data Management Project will address a number of Internal Audit Recommendations relating to GDPR and move the Council to achieve full compliance.</p>
<p>The Council has seen a substantial reduction in the revenue it receives from Central Government over the past decade in real terms and, consequently, has utilised its reserves in order to achieve a balanced budget over this period. The impact of the pandemic has further added to this pressure and the Council's Medium Term Financial Strategy shows a budget gap of £1.2m in 21/22. This will require urgent action and targeted decision making to achieve a balanced budget for 2022/23 and beyond.</p>	<p>A number of actions have been taken to address the budget issues identified in the Medium-Term Financial Strategy.</p>
<p>The Council undertook office upgrade work following the Sustainable Organisation Review Project and to address some Health and Safety requirements. Following an Internal Audit Review the way in which the work was procured was found not to be in accordance with the Councils Contract Procedure Rules or Public Contracts Regulations 2015.</p>	<p>Details of the findings of the Internal Audit Review have been reported to the Council's external auditor and the Audit and Governance committee.</p> <p>Additional controls have been introduced within the service area. These will be subject to periodic internal audit review.</p> <p>The service area responsible for the office upgrade works ensures that procurement of services and contractors is now carried out in line with guidance from the Procurement Service.</p> <p>The Council's Procurement Service delivery model is currently being reviewed by the Corporate Compliance and</p>

Significant Governance Issue	Action to Address the issue
	Governance Manager.

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## 6. Certification

To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year with the exception of those areas identified as requiring improvement. We propose over the coming months to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our annual review.

Signed:

Jacqui Sinnott-Lacey  
Chief Operating Officer

Date:

Signed:

Councillor Yvonne Gagen

Date:

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