

2022-23 ANNUAL GOVERNANCE STATEMENT

1. Introduction and Scope of Responsibility

This statement provides an overview of how West Lancashire Borough Council's governance arrangements operate, including how they are reviewed annually to ensure they remain effective. Its purpose is to give an objective and honest appraisal of the Council's governance framework.

Governance comprises the systems and processes, culture, and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community.

A summary of significant governance challenges which the Council faces is given, alongside an explanation of what actions have been taken to bring about required improvements, and what work is remaining to be done. This provides transparency and gives assurance that the Council is committed to continually improve the way in which it functions.

The 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 the [Accounts and Audit Regulations \(England & Wales\) Regulations 2015 regulation 6 \(1\)](#) which requires all relevant bodies to:

- Conduct a review of the effectiveness of the system of internal controls.
- Prepare an Annual Governance Statement.

It should be noted that 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 and enables the Council to monitor the achievement of its Vision and priorities:



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.

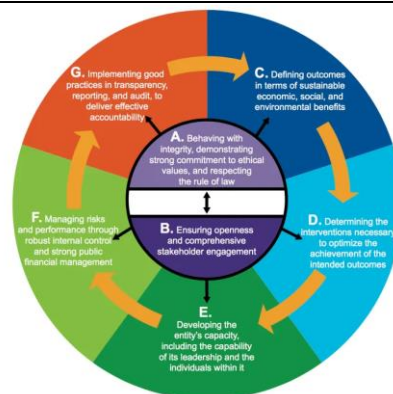
The system of risk management and internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and strategic objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively,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

4. Annual Review of Effectiveness of the Governance Framework

The Council has a legal responsibility to conduct an annual review of the effectiveness of its governance framework, including the systems of internal control. The annual review is undertaken by the Internal Audit Service. After conducting the review, the council has assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance.

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.
- 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")

The review of effectiveness is informed by:

- Corporate Management Team and Senior Managers - Responsibility for the development and maintenance of the governance environment and internal control lies with the Chief Operating Officer and Corporate Management Team within their service areas. Their feedback and comments are provided in annual Governance Assurance Statements and are an essential part of this review.
- The Internal Audit Manager's Annual Report and Opinion 2022/23 – In terms of the year to March 2023 the Internal Audit Manager can provide "moderate assurance" that the Council's governance, risk and control framework was generally sound and operated consistently in the year.
- Feedback, recommendations, and comments made by the external auditors and other review agencies and inspectorates, including the LGA Peer Review undertaken.

Decision Making and Scrutiny

The Council approved the overall policy and budgetary framework for the financial year 2022/23. 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.

The Committee met regularly during 2022/23, considering reports, from the Monitoring Officer, the Section 151 (S151) Officer, the Internal Audit Manager (now known as the Corporate Compliance & Governance Manager), and the External Auditor.

Standards Committee

The Standards Committee role is to promote and maintain high standards of conduct throughout the authority and create a sense of 'ethical well-being' and ensure that Councillors and Co-opted Members within West Lancashire follow the highest standards of conduct. The Annual Report of the Standards Committee is one of the Council's sources of governance assurance. The annual report for 2022/23 is due to be presented to members of the Standards Committee in September 2023.

Tawd Valley Development Shareholders Committee

The Tawd Valley Development Shareholders Committee are a cross party committee who have discussions about the future direction of Tawd Valley Developments (TVD), evaluate the company's effectiveness against agreed objectives and business plan; and assess any risks to the Council due to TVD activities. The committee was set up during 2021/22 with the first meeting taking place in March 2022.

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 2022/23 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 2022/23. 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 2022/23, 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 2022/23 which was assessed as being generally compliant with the Public Sector Internal Audit Standards 2017.

Financial Sustainability

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 to achieve a balanced budget over this period. Balanced budgets were achieved for 2021/22 and 2022/23, but the Council's Medium Term Financial Strategy shows a budget gap of £1.5m in 24/25 and a further £1.2m in 2025/26. Action is underway to identify the necessary savings and efficiencies to address this gap.

Financial Management Code

Strong financial management is an essential part of ensuring public sector finances are sustainable, and CIPFA launched a Financial Management Code to support this. Councils are required to be compliant with the Code.

A key goal of the code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. The code incorporates existing requirements on local government, to give a comprehensive picture of financial management in the Council.

Our evaluation has demonstrated that the requirements of the code are being satisfied.

How WLBC achieves the Seven Principles

From the evaluation work undertaken during the year 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"> • Behaving with integrity. • Demonstrating strong commitment to ethical values. • Respecting the rule of law. 	<ul style="list-style-type: none"> • 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 refers to the adherence of the Seven Principles of Public Life (the 'Nolan Principles'). • 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. • The Council has Codes of Conduct for councillors and employees. Additionally there is 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. • The Council has approved Management and Employee Core Expected Behavioural Standards in place. All employees of the Council are expected to display the Employee Core Expected Behavioural Standards whilst they are undertaking their duties. Employees who are appointed as supervisors and managers are expected to display certain Manager Expected Behavioural Standards as well as the Employee Core Expected Behavioural Standards. • The Council's Vision and Priorities and, People's Strategy are clear and demonstrates its commitment to its stakeholders. • The Standards Committee ensure that there are high standards of ethical governance from elected members of the Council. The committee provides a summary of its work in its annual report. • The Chief Operating Officer is designated Head of Paid Services and is responsible for reporting to Council on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of officers required for the discharge of functions and the organisation of

Sub Principle	How West Lancashire Borough Council Achieves the Principle
	<p>officers.</p> <ul style="list-style-type: none"> • The Head of Finance, Procurement and Commercial Services is the designated Chief Finance Officer and is responsible for ensuring lawfulness and financial prudence of decision making, administering the financial affairs of the Council, contribute to the corporate management of the Council through the provision of professional financial advice, provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors and the elected mayor and will support and advise councillors and officers in their respective roles; and provide financial information to the media, members of the public and the community when required. • The Legal & Democratic Services Manager undertakes the role of the Monitoring Officer. Details of the role of the Monitoring Officer is documented in the Monitoring Officer Protocol and Council Constitution. The role includes maintaining the Council Constitution, ensuring that Council decisions are taken in a lawful and fair way, correct procedures are followed, and that all applicable laws and regulations are complied with.

B: Ensuring openness and comprehensive stakeholder engagement

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

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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"> • Defining outcomes. • Sustainable economic, social and environmental benefits. 	<ul style="list-style-type: none"> • The Council is committed to community engagement and involvement. • 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. Outcomes are reported in the Annual Council Report which available on the Council website. • The Council has structured budget and treasury management processes in place. • Each Council service area has its own service action plan that contributes to delivering an effective service. • The Council's wholly owned company, Tawd Valley Developments has its own website where information regarding current and future developments and the Annual Review Report are documented. A TVD Shareholders committee is also in place and is made up of cross-party membership. • The Council declared a Climate Emergency in 2019 and has a Climate Change Strategy and Action Plan 2023 in place which can be found on the Council Website. • Climate Action news is available on the Council Website and details actions to deliver carbon reduction projects across West Lancashire.

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"> • Determining interventions. • Planning interventions. • Optimising achievement of intended outcomes. 	<ul style="list-style-type: none"> • The Council operates a Scrutiny and Review Committee system, and the decision-making process allows for challenge where necessary. • The Council has a robust financial strategy with financial planning protocols in place (Medium Term Financial Strategy, annual budget monitoring and Forward Plans). • Cabinet receives regular reports on the General Revenue, Housing Revenue and Capital Budgets.

Sub Principle	How West Lancashire Borough Council Achieves the Principle
	<ul style="list-style-type: none"> • The Council engages and undertakes consultation exercises with its stakeholders in relation to service provision changes and new initiatives. • The Council Plan is underpinned by individual Service Action Plans which set out the core priorities and activities for each service.

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"> • Developing the entity’s capacity. • Developing the capability of the entity’s leadership and other individuals. 	<ul style="list-style-type: none"> • The Council has an agreed constitution which details roles and responsibilities of councillors and key officers of the Council. • The Council requires all new employees and councillors to undertake an induction process. • The Council has an Our People Strategy 2020-23 in place. • The Council has a number of human resource policies in place to support employees and managers. • Employee training needs are identified through the annual appraisal process. • The Council has a training system in place which includes mandatory modules for employees to complete and a selection of other useful training modules. • Financial Regulations are contained within the Council’s Constitution and all employees are required to operate within them. • A number of new projects are being progressed as part of the Council's Our Futures Strategy. • The Council works with a number of partners to deliver services throughout the borough.

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"> • Managing risk. • Managing performance. • Robust internal control. • Managing data. • Strong public financial management. 	<ul style="list-style-type: none"> • The Council has a Risk Management Framework which includes a Policy and Toolkit and is updated annually. All Members and Council staff have received training in. • The Council's has a suite of Key Performance Indicators which are managed and monitored using the Pentana Risk System. Reports on performance are presented to executive Overview and Scrutiny Committee on a regular basis. • A system of scrutiny and review is in place as part of the Council's decision-making process. • 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. • The Council has a Standards Committee in place and are required to promote and maintain high standards of conduct throughout the Council and create a sense of 'ethical well-being' and ensure that Councillors and Co-opted Members within West Lancashire follow the highest standards of conduct. • An internal audit service is maintained and reports quarterly to the Audit and Governance Committee. • The role of the Head of Internal Audit is undertaken by the Corporate Compliance and Governance Manager (CCGM). The CCGM conforms with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019). • The Council maintains policies and arrangements in respect of Anti-fraud, Bribery & Corruption, Anti-Money Laundering and Whistleblowing. • 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 Data Protection Officer (DPO). The DPO provides the Council with independent assurance regarding compliance with the data protection law. • The Council has an Information Governance Committee (IGC) and has appointed Information

Sub Principle	How West Lancashire Borough Council Achieves the Principle
	<p>Asset Owners who are required to attend and contribute to IGC meetings.</p> <ul style="list-style-type: none"> • Effective arrangements are in place and operating effectively for the collection, storage and sharing of information. • The Council complies with the NHS Data Security and Protection Toolkit. • The Council has a robust financial strategy with Financial Planning protocols in place (Annual Budget Monitoring, Medium Term Financial Strategy and Forward Plans) • The Council's Financial Statements are available to the Public on the Council's website.

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"> • Implementing good practice in transparency. • Implementing good practices in reporting. • Assurance and effective accountability 	<ul style="list-style-type: none"> • The Council adheres to the Local Government Transparency Code 2015, with relevant information accessible via the Council's website. • The Council's Financial Statements and External Auditor's Letter is available on the Council's website for 2012/13 to 2019/20. For 2020/21 and 2021/22 draft financial statements are available on the Council website and the External Auditor is in the process of reviewing these statements. • 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. • An Annual Governance Statement is produced and incorporated into the Council's approved Financial Statements. • The Council has undergone an LGA Peer review and published the findings on its website. Additionally, the outcome of the follow up review has also been published.

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.

Action taken to address Significant Governance Issues Identified During 2021/22 Review:

This section provides a summary of the strategic actions taken to address the Council's significant governance issues reported in the Annual Governance Statement 2021/22.

Action to be addressed	Action Taken	Responsible Officer(s)	Status
The Local Code of Corporate Governance requires an update.	The draft Local Code of Corporate Governance has been devised and will be presented to Audit & Governance Committee in October 2023 and a subsequent Council meeting for review and adoption.	Monitoring Officer, Corporate Compliance & Governance Manager	Partially Complete
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 to achieve a balanced budget over this period. Balanced budgets were achieved for 2021/22 and 2022/23, but the Council's Medium Term Financial Strategy shows a budget gap of £1.5m in 24/25 and a further £1.2m in 2025/26. These will require urgent action and targeted decision making to achieve a balanced budget for 2024/25 and beyond.	The Council's approved budget for 2022/23 continued with the medium-term use of reserves. The Medium-Term Financial Strategy for 2023/24 onwards was presented to Council in February 2023. This identified a budget gap totaling £2.7m across the years to 2025/26. Action is underway to identify the necessary savings and efficiencies to address this gap.	Head of Finance, Procurement & Commercial Services (s151 Officer) Corporate Finance Manager (Deputy s151)	Ongoing

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Action to be addressed	Action Taken	Responsible Officer(s)	Status
<p>There has been a delay in the completion of the external audit of the Council's Financial Statements for 2020/21 and 2021/22 due to issues out of the Council's control, including, Covid-19, staffing resources and the need to meet new requirements such as the completion and incorporation of Group Accounts in the Financial Statements.</p>	<p>The Audit of the 20/21 Accounts is now substantially complete, but the finalisation of the document itself, ready for publication, including all identified amendments, has yet to be completed.</p> <p>A restructure of the Finance Team has been undertaken.</p> <p>The draft financial statements for 2021/22 have been produced on time and external audit of the Council's 2021/22 Financial Statements is due to commence.</p> <p>The draft Statement for 2022/23 remains in progress.</p>	<p>Head of Finance, Procurement & Commercial Services (s151 Officer)</p> <p>Corporate Finance Manager (Deputy s151)</p>	<p>Ongoing</p>

Significant Governance Issues Identified During 2022/23 Review

The 2022/23 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 has been updated, however, it must be reviewed and agreed by members of CMT and the Audit and Governance Committee.</p>	<p>The Corporate Compliance & Governance Manager and Legal & Democratic Services Manager (Monitoring Officer) will present the document to CMT for review and agreement.</p> <p>A review of the document will be undertaken annually and presented to Audit & Governance Committee at their July 2023 meeting.</p>
<p>The Council has seen a substantial reduction in the revenue it receives from Central Government over the past decade in real terms. Whilst urgent action and targeted decision making to achieve a balanced budget for 2022/23 has been undertaken, there remains budgetary pressures going forward further exacerbated by the continued absence of a long-term financial settlement.</p>	<p>There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired because of a need to close facilities and reduce levels of service provision.</p>
<p>The financial statements for 2020/21 and 2021/22 have been finalised. The external audit review for 2020/21 is now substantially complete and detailed work on that for 2021/22 is due to commence shortly.</p> <p>The 2022/23 financial statements are in progress.</p>	<p>The external audit review for 2020/21 is substantially complete and all relevant amendments arising from the Auditor's work will be incorporated into the final version of the documents. The Council will likewise respond to any findings in respect of 2021/22 and 2022/23 when received.</p>

6. Conclusion

This Annual Governance Statement demonstrates that the systems and processes employed provide a comprehensive framework upon which to give assurance appropriate governance arrangements were in place during 2022/23.

The governance arrangements outlined in this Annual Governance Statement have been applied throughout the year and will continue to be applied throughout 2023/24. The annual review has provided an effective process to identify any governance issues and to put in place the necessary improvement actions. Additionally, the challenging approach we take to Corporate Governance has identified areas that the Council would like to improve further, and these actions are recorded in an action plan that is monitored by the Corporate Management Team.

The annual review process and action plan demonstrates the culture of the Council to robustly challenge itself and constantly seek out opportunities to improve. The annual review has identified, overall, that the Council continues to have an effective framework of governance.

7. Certification

To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year except for 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
Leader of the Council

Date: