



APPENDIX A

Annual Governance Statement 2020/21

1. INTRODUCTION

The Annual Governance Statement is a point in time assessment of the council's governance framework. It considers information assembled over the course of the previous 12 months to make an evidence-based assessment of the systems, processes, culture and values that feed into our internal control environment and our compliance with them. This document draws the evidence together and provides a valued judgement of our governance environment.

The AGS provides an overview of the council's key governance systems and explains how they are tested and the assurance that can be relied upon to show that these systems and processes operating effectively. The Statement comprises an overview of the key elements of its governance framework and what evidence has been received in order to determine the effectiveness of the arrangements. In addition, the Statement contains an update on the areas for improvement identified last year, together with proposed areas for improvement for the coming year.

2. What is Corporate Governance

South Ribble Borough Council is responsible for ensuring that its business is conducted in accordance with the law, to the highest standards and that there is a sound system of governance (incorporating the system of internal control). Public money must be protected and properly accounted for. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and delivering an efficient and effective service.

To meet this responsibility, we have put in place arrangements for overseeing what we do (this is what we mean by governance). These arrangements are intended to make sure we do the right things, in the right way, for the right people, in a fair, open, honest and accountable way.

Our Governance Framework is based on the CIPFA/SOLACE Framework^{1 2}. 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.
- 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 23 March 2021 and can be accessed through this hyperlink [here](#).

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".

² South Ribble Borough Council has approved and adopted a code of governance that is consistent with the principles of the CIPFA/SOLACE Framework. A copy of the local code is available on line at www.southernribble.gov.uk or can be obtained by contacting D Whelan, Deputy Monitoring Officer - Civic Centre, West Paddock, Leyland, Lancs, PR25 1DH

3. The Council's Governance Framework

The governance framework comprises the systems, processes, culture and values by which we direct and control our activities including those by which we account to, engage with and lead the community. It enables us to monitor how we are achieving our long-term aims and to demonstrate where this has led to improved services that are delivering value for money. The council has responsibility for ensuring that there is a sound system of governance.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failing to achieve our priorities and aims, so it can only offer reasonable protection. It is based on an ongoing process that is designed to:

- Identify and prioritise the risks that could prevent us achieving our aims and objectives
- Assess the likelihood and impact of the risk occurring
- Manage the risks efficiently, effectively and economically.

The local code should enable members to satisfy themselves that council objectives are being met lawfully, in accordance with the corporate plan, medium term financial strategy and in a way that demonstrates value for money. The framework is the basis for the decision making structures and compliance with it enables members to have sufficient information to test any proposals and / or delivery and to make a reasonable, evidence based decision.

Changes introduced this year enhance the framework. Member led executive decision making ensures that decisions are made appropriately and there are clear processes through open cabinet, public speaking provisions and call in to challenge.

If you had read last year's Annual Governance Statement, you will note a marked difference in the conclusions this year. The action plan to address the corporate governance failings identified has been implemented as planned and councillors and members of the public will note that as a result the concerns raised for a number of years have been addressed and are no longer viewed as significant failings. The culture of the organisation has been reviewed and changes implemented in management structures and organisational development to embed good governance. The internal controls have been reviewed and amended where appropriate and training has been provided to both councillors and members of staff. Recruitment to key statutory roles has been completed, and council processes, procedures and the performance monitoring framework have been updated to ensure that the change can be measured consistently. These actions show the organisation is committed not only to improvement but evidencing that improvement.

Since the compilation of the last Annual Governance Statement, the Council has significantly strengthened its governance arrangements by:

- Officer structure – One of the causes of the issues which arose and were identified in the AGS for 2018/19 2019/20 was a lack of a stable senior management team. The Council has taken significant actions to address this. The three statutory officer roles are now permanently recruited to and a stable senior management team has been introduced. The Chief Executive (Head of Paid Service) is now shared on a permanent basis with Chorley Council. The same postholder has been in place since 2019. The Director of

Governance (Monitoring Officer) has been in post since December 2019. The s151 Officer post was covered by the Deputy Director acting up during 2020/21. The Director of Finance role has now been recruited to permanently, with the new postholder starting in April 2021. In addition, two key roles at service lead level have also been established and filled in December 2019, Communications and Visitor Economy and Transformation and Partnerships. These roles are important in developing and improving the council's culture.

- Organisational development – the council has fully reviewed its OD programme, introducing a new ELearning portal and establishing the Flair Programme to develop staff who aspire to be managers and leaders.
- Review of the constitution and financial procedure rules –the standing orders for Council meetings and the terms of reference for all committees have been reviewed and redrafted. The standing orders are now more streamlined and the constitution, as a document, has been simplified to avoid repetition and make it clearer and easier to understand. A revised process for executive decision making ensures that relevant cabinet members take decisions in a transparent and consistent manner, strengthening the democratic oversight of the organisation. The Financial Procedure Rules have been updated to reflect organisational changes and changes to authorisation levels.
- Performance management framework – Showing the benefit of a stronger organisational corporate centre, a new performance management framework has been developed and adopted, aligning it to the corporate plan and ensuring that the council is able to effectively manage its performance and delivery of its priorities.
- Management of Projects – the Senior Management Team meet as Programme Board quarterly to review the progress of corporate projects.
- Information governance – A GDPR Leadership group has been established to lead on the embedding of the council's information governance policies and processes.
- Governance Training – training on ethical decision making has been given to both members and officers which incorporated decision making processes and report writing (for officers), training has also been given on procurement.
- Risk Management – The Risk Management Strategy has been updated and the council have committed to the use of GRACE as the risk management tool. Internal Audit are leading on the training of staff on the use of the system which in addition to risk will be used to monitor the implementation of management actions taken from audits.

Values of good governance

The Council also promotes and demonstrates the values of good governance by upholding high standards of conduct and behaviour. The following strong arrangements are in place to ensure that appropriate standards of behaviour are maintained:

Codes of Conduct (Members and Officers)
Member Officer Protocol
Suite of HR policies
Suite of Counter Fraud Policies

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 Civic Centre was not possible. Whilst public participation was more limited this was still enabled and the public could watch the meetings live via the internet.

The pandemic accelerated the roll out technology which has contributed to a more open and engaged culture, which was the cause of some of the previously identified issues. Teams and other technology has been used to improve the sharing of information and building relationships across teams – demonstrated through the implementation extended shared services and Chief Executive Listening sessions, which have enabled the Chief Executive to engage directly with staff across the organisation. The changes to staff policies have improved working conditions and introduced greater consistency across the organisation.

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. How we review the effectiveness of the Governance Framework

This section identifies the structures, committees and officer roles which serve to review the appropriateness of the governance arrangements and their application.

The Council has a responsibility to keep the effectiveness of its governance arrangements under review to ensure continuous improvement. This review is informed by the work of the Governance Committee supported by management, internal and external auditors and other review agencies.

Governance Committee - The Governance Committee provides member oversight and scrutiny of the Council's business controls. The Governance committee undertakes all of the core functions of an audit committee as identified in the relevant CIPFA guidance. An assessment has been undertaken during 2020/21 and this confirmed that the Committee are operating in line with CIPFA's Audit Committees – Practical Guidance for Local Authorities and Police 2018. In addition, the Committee's skills and knowledge have been assessed and training will be arranged to meet any training needs identified.

Shared Services Joint Committee - The Joint Committee monitors service performance of the shared services partnership between South Ribble Borough and Chorley Borough Councils, and is a good example of our effective governance of partnerships.

Standards Committee - the committee's is to promote high ethical standards. Standards Committee reports to full Council on an annual basis on the work that it carried out. There have been no hearings this year.

Scrutiny Committee

Unlike many other councils, South Ribble Borough Council's Scrutiny Committee has continued to meet during the pandemic and provide robust scrutiny. This has included consideration of South Ribble Partnership, the progress of the delivery of the Worden Hall project and executive portfolios. Pre-decision Scrutiny has also taken place of key corporate strategy projects and Budget and Medium Term Financial Strategy. A detailed recommendation tracking process is in place to ensure that responses are provided to the recommendations made.

The Scrutiny Committee has continued to undertake reviews and in 2020/2021 undertook an in-depth review into health inequalities following the Marmott 10 years on report, with a particular emphasis on income deprivation and access to services. Linked with this review the Committee is preparing to scrutinise housing associations within the borough.

The Scrutiny Budget and Performance Panel meets to challenge and comment on the quarterly performance and budget monitoring reports prior to consideration by Cabinet as part of our new rigorous Performance Management Framework.



The Scrutiny Chair attends the Lancashire County Council Health Scrutiny Committee and reports back to each meeting. The Council plays a leading role in the North West Strategic Scrutiny Network which shares learning and best practice amongst Members.

Member Training

The Council holds the North West Employers Member Development Charter and has a cross-party Member Development Steering Group that takes an overview of Member training and development. An innovative Member Personal Development Planning process was piloted and rolled out to all Members, which is informing our Member training plans moving forward.

During the year all Member training was provided on governance/ethical decision-making, code of conduct, equality and diversity and GDPR. Training on the use of I-pads and Microsoft Teams as part of the approach to virtual/hybrid meetings has also taken place with a number of surgeries/clinics and other learning opportunities. Member briefings were also held on the residents survey, city deal, corporate strategy, new website, shared services and social media.

A Cabinet development programme was also put together and implemented in collaboration with North West Employers' Organisation.

Members have also attended a number of external training courses and conferences via the LGA and other providers on topics such as social value, equality and diversity, PREVENT, scrutiny, public health, community wealth building and climate change.

Management Team / Leadership Team

In January 2021, a shared senior management team was created with Chorley 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. 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.

Section 151 Officer / Director of Finance

The Council has undertaken a review of the requirements of CIPFA Statement on the Role of the Chief Financial Officer into its governance framework and has evidenced its compliance with the guidance. Over the past 12 months, the Deputy S151 officer has fulfilled the role and has been a permanent member of the Shared Management Team.

During 2020/21, local authorities have been working towards compliance with the new CIPFA Financial Management Code in advance of full implementation and compliance in 2021/22. The Council has carried out an initial assessment of compliance with the standards contained within the FM Code, and although there is evidence to support this, areas for improvement have been identified and actions to address these are in the process of implementation.

Statutory Regulation / Monitoring Officer

The main regulatory change in this period related to the introduction of remote attendance at meetings and the facilitation of decision making in this environment.

Processes were put in place to maintain the transparency of decision making to include reporting to full council where urgency powers were used. The constitution was reviewed and amended to ensure its fitness for purpose to support constraints around decision making during covid. As mentioned the Standing Orders were reviewed and amended to temporarily reduce public participation in meetings due to the constraints imposed by the technical solution. However, the public, whilst not being able to speak at meetings could still view them remotely.

Training was provided to both Members and Officers on ethical decision making, the code of conduct and in relation to procurement processes.

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.

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.

Internal Audit and the Head of Audit Opinion

Internal Audit is responsible for providing assurance on the quality and effectiveness of the system of governance and internal control. A risk based Internal Audit Plan is produced. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service. This report includes recommendations for improvements that are included within a Management Action Plan and require agreement or rejection by service managers.

The Internal Audit Annual Report contains a statement/ judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).

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. A consequence, 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.

An opinion has been provided on the overall adequacy and effectiveness of the organisations framework of risk management and governance. The Head of Audit has confirmed that the arrangements are of an **adequate** standard. This is due to the following:

Over the past 12 months, a significant amount of work has been undertaken to introduce and strengthen the governance and risk management arrangements throughout the whole council and this is clearly evidenced within the Local Code of Governance. The work undertaken by Internal Audit to support the compilation of the Annual Governance Statement Action Plan confirms that the framework of governance policies is now in place however there is further work to do to ensure that these are fully embedded.

Although, it has not been possible to form an opinion on the control environment of the Council, the Head of Audit has provided the following assurance:

- the work carried out during 2020-21 did not identify any control failures that have not been previously reported to the Committee;
- robust actions plans are in place for any legacy issues with actions owners assigned and implementation dates agreed;
- 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.

GDPR Leadership Group / Information Governance

The Leadership GDPR Group is established now and have been monitoring progress towards full GDPR compliance. Various initiatives have been initiated via the GDPR Officers Group to assess ongoing compliance. This work indicates good staff awareness and secure methods of working whilst working from home. This work is ongoing. The Data Protection Officer is monitoring the Brexit situation to ensure that the Council responds in a timely manner to any developments as regards GDPR status.

Organisational Development

An Organisational Development Strategy was developed and approved in October 2020 to with key objectives to: support the needs of the workforce; to facilitate staff engagement through a variety of mechanisms; to demonstrate investment in staff and their personal development; to underpin consistent management and to develop the leadership team. A package of interventions has been designed and rolled out including the Flair talent development programme; staff listening days and virtual briefings with the Chief Executive and Senior Management Team; staff listening day working groups to address key themes and issues collaboratively; a new digital learning management system to facilitate e-learning; Senior Management Team executive coaching; and a management development programme to commence in July ensuring a baseline of management fundamentals. All staff receive a fully tailored induction when joining the shared service and the performance review process has been reinforced for all staff to ensure a clear link from organisational priorities through to individual staff objectives.



Corporate Complaints / Local Ombudsman

Whilst the number of customer complaints processed as stage one complaints have increased year on year, 111 in 2019/20 increased to 169 in 2020/21, the percentage of complaints upheld fell significantly from 31% to 15%.

The Council are aware of 7 complaints which were made to the Local Government Ombudsman in the year 2020/21. In 2 of those, the Ombudsman decided not to investigate and in the remaining 5 there were no findings against the Council.

This is suggestive of an improvement of levels of service and compliance with council processes and the Council can take some assurance from the independent testing of the Council by the Local Government Ombudsman.

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 of the results of the reviews of the effectiveness of the governance framework and statement of internal control by these bodies and plan to address the weaknesses identified and will ensure continuous improvement of the system is in place through the proposed action plan in section 5.

5. Governance Environment: Areas to Strengthen

A detailed action plan to address significant governance failings identified at that time was approved by Governance Committee last year and reported to council. Progress against the actions have been reported to Governance Committee throughout last year.

There are 2 outstanding actions

1. Development of a consultation framework and community engagement strategy; and
2. Development of a Key Partnerships Framework.

These are not judged to be significant governance failings in themselves and are due to be completed in accordance with the action plan this year.

Implementation of the other identified actions has enhanced the council's governance framework. This has been demonstrated by the outcomes of the reviews of compliance outlined in section 4 above. As a result no significant governance issues have been identified. It must be recognised however, that the Head of Internal Audit has been unable to provide an opinion on the control environment. This is not to say that the environment is inadequate, but there has simply not been the audit testing work undertaken necessary to evidence a valued opinion. Given the changes implemented in year this should not be surprising.

The review exercises which have been completed have identified the following areas which are not viewed as significant issues but require strengthening.

Themes	Improvement Required
Recruitment/Induction	<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>

Themes	Improvement Required
Governance & Management	<p>Management Development Programme has been designed to establish a baseline level of management competency as well as providing ongoing support to maintain performance. The aim is to commence delivery with cohorts of managers from September 2021 through a range of methods including e-learning, which will also form part of the induction process for future managers.</p> <p>Introduce a standardised DMT agenda with agreed standing items to ensure a consistent approach is adopted across the Council. This will incorporate items of Corporate significance identified by the Communications team within their forward plan.</p>
Fraud and Corruption	<p>Fraud awareness training to be delivered to all relevant officers using e-learning modules Fraud reports to be presented to Governance Committee Fraud risk register to be compiled and monitored on a regular basis</p>
Corporate Information Source for Officers (Connect)	<p>To improve the user experience for employees and ensure essential information is easy to access. The following improvements to Connect should be considered:</p> <ul style="list-style-type: none"> • Defined area on Connect for all core policies. • Service areas to review information they have published on Connect and to remove outdated material. • Create a manager zone within Connect to ensure all essential guidance and resources for managerial responsibilities are easily sourced.
Risk Management	<p>Ensure risk management is embedded throughout the organisation and within all Council activities.</p>
Budget Monitoring	<p>To re-establish budget monitoring reports to aid budget holders after a further analysis of the report content is undertaken. Reports will be tailored to ensure that they meet the needs of the service area.</p>

Themes	Improvement Required
GDPR	The GDPR Leadership Group should undertake a full review 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.
Equality	The equality scheme should be revised and refreshed including revised equality objectives to ensure that it is up to date and fit for purpose.
Key Corporate Policies	Devise and implement a corporate process to ensure all staff revisit key policies so a good level of awareness is maintained across the organisation.
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 to 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.

When considering the issues it is important to note that the some go to the embedding of the improved governance environment.

- Policy documents are there, but not easily accessible.
- Asset registers are kept but they are not centralised or published correctly.
- The personal development review process was only introduced this year and remains paper based rather than digital.

It should also be recognised that these issues have already been identified for improvement.



- The induction for staff process under review;

It is also clear that some actions reflect the changes in working environment imposed by Covid and remote working as well as the management structure changes implemented.

- GDPR compliance cannot be demonstrated, which in part must be due to the absence from the office;
- Budget monitoring has not taken place due to changes in responsibility.

All the improvements identified will be considered by the Senior Management Team. The actions agreed will have individual implementation plans and allocated to a Responsible Officer. Each plan will be placed on the GRACE system and progress will be reviewed by SMT and ultimately reported to Governance Committee.



6. Conclusion

The council is fully committed to ensuring that its governance arrangements are and continue to be as robust as possible. As part of that process the council will monitor implementation of all actions set out in our Action Plan.

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Leader of the Council

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Chief Executive

Date:

On behalf of the Members and Senior Officers of South Ribble Borough Council.

GLOSSARY

Annual Audit Letter	An External Audit report presented to Council and containing the findings of the Audit Commission's work. It is a requirement of the Code of Practice for Auditors.
Assurance	An evaluated opinion based on evidence and gained from review.
CIPFA	Chartered Institute of Public Finance and Accountancy
Control Environment System of Internal Control	Comprises the organisation's policies, procedures and operations in place to : Establish and monitor the achievement of the organisation's priorities; Identify, assess and manage the risks to achieving the organisation's objectives; Facilitate policy and decision making; Ensure the economical, effective and efficient use of resources; Ensure compliance with policies, legislation and regulations; Safeguard the organisation's assets; Ensure the integrity and reliability of information, accounts and data.
Corporate Governance	Corporate governance is the system by which local authorities direct and control their functions and relate to their communities.
Corporate Governance Group	In 2017 this involved the following officers: Chief Executive; Section 151 Officer; Monitoring Officer; Head of Shared Assurance; Corporate Governance Manager; Corporate Improvement Manager.
SOLACE	Society of Local Authority Chief Executives