

Lancashire County Council

Audit, Risk and Governance Committee

Monday 24th April 2023 at 2.00 pm in Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Agenda

Part I (Open to Press and Public)

No. Item

- 1. Apologies**
- 2. Disclosure of Pecuniary and Non-Pecuniary Interests**
Members are asked to consider any pecuniary and non-pecuniary interests they may have to disclose to the meeting in relation to matters under consideration on the agenda.
- 3. Minutes of the Meeting held on 30 January 2023** (Pages 1 - 8)
To be confirmed and signed by the Chair.
- 4. External Audit: Interim Auditor's Annual Report on Lancashire County Council 2021/22** (Pages 9 - 42)
- 5. Internal Audit Progress Report** (Pages 43 - 88)
- 6. Internal Audit's External Quality Assessment** (Pages 89 - 110)
- 7. Internal Audit Annual Plan** (Pages 111 - 126)
- 8. The Council's Annual Governance Statement 2022/23 and Code of Corporate Governance 2023/24** (Pages 127 - 180)
- 9. Corporate Risk and Opportunity Register - Quarter 4 Update** (Pages 181 - 208)
- 10. Local Member Grants Scheme Annual Report** (Pages 209 - 214)
- 11. Urgent Business**
An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the minutes, the Chair



of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

12. Date of Next Meeting

The next meeting of the committee will be held on Monday 24 July 2023 at 2.00 pm at County Hall, Preston.

13. Exclusion of Press and Public

The committee is asked to consider whether, under Section 100A(4) of the Local Government Act, 1972, it considers that the public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading to the item.

Part II (Not open to Press and Public)

14. Appendix 'B' to Item 9 - Corporate Risk and Opportunity Register - Quarter 4 Update (Pages 215 - 224)

(Not for Publication – Exempt information as defined in Paragraphs 3 and 7 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).

15. Data and Analytics Risks (Pages 225 - 228)

(Not for Publication – Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).

16. Oracle Fusion Data Breach (Pages 229 - 236)

(Not for Publication – Exempt information as defined in Paragraphs 3 and 7 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).



County Hall
Preston

H MacAndrew
Director of Law and Governance



Lancashire County Council

Audit, Risk and Governance Committee

Minutes of the Meeting held on Monday 30th January 2023 at 2.00 pm in Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Present:

County Councillor Alan Schofield (Chair)

County Councillors

R Bailey

J Couperthwaite

J Berry

J Shedwick

M Clifford

J R Singleton JP

1. Apologies

Apologies were received from County Councillor Usman Arif.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

In relation to Item 18, it was noted that the Chair, County Councillor Alan Schofield, was a Member of the Local Pensions Partnership Limited Board.

3. Minutes of the Meeting held on 17 October 2022

Resolved: That the minutes of the Audit, Risk and Governance Committee meeting held 17 October 2022 be confirmed as an accurate record.

4. Treasury Management Activity 2022/23

Mike Jensen, Director of Investment presented an overview of the council's Treasury Management activity for the period April to November 2022.

It was highlighted that recent activity had been focussed on protecting the county council's position and limiting borrowing costs, given the difficulty facing the whole UK economy.

In response to questions, the committee was informed that further information on the following could be provided after the meeting:

- The council's long-term borrowing maturity dates; and

- The council's previous PFI projects and remaining liability, as shared after the committee meeting on 25 July 2022.

Resolved: That the review of Treasury Management Activity 2022/23 be noted.

5. Treasury Management Strategy 2023/24

Mike Jensen, Director of Investment presented the proposed Treasury Management Strategy, Investment Strategy and Minimum Revenue Provision Statement for 2023/24.

It was highlighted that the strategy documents were similar to the previous year and, as set out in the report, the council's debt profile was expected to continue declining.

In response to a query, the committee was advised that interest rates were expected to continue rising because inflation was currently much higher than target. The Bank of England would judge how long interest rates would need to remain at current levels in order to impact inflation.

It was noted that officers would work with Arlingclose to arrange the annual Treasury Management training for committee members.

Resolved: That the Full Council be recommended to approve the Treasury Management Strategy, Investment Strategy and Minimum Revenue Provision Statement for 2023/24.

6. The Council's Statement of Accounts for 2021/22 and Accounting Policies for 2022/23

Khadija Saeed, Head of Corporate Finance presented the council's updated statement of accounts for 2021/22, the letters of representation from those charged with governance for Lancashire County Council and Lancashire County Pension Fund, and the accounting policies to be used in preparing the council's 2022/23 statement of accounts.

It was highlighted that three notable changes had been made since the committee last received the statement of accounts for 2021/22, as set out in the report.

In response to questions, the committee was informed that:

- The council's balance sheet was required to include materially sound valuations of its land and buildings. Due to the size of the council's portfolio, its assets were usually revalued over three years. Following recent market volatility and its impact on the valuation of the council's land and buildings over the financial year, officers would use the valuation as at 31 March (the end of the financial year) in the statement of accounts in future. Other local authorities were facing this challenge and, like the county council, may need to increase the scale of valuations in future if recent volatility continued.



- Changes to the valuation of the council's land and buildings between financial years would not have a direct impact on the council's day-to-day business because the council did not rely on its assets for security.
- Filing the council's statement of accounts late was unlikely to impact the council's ability to borrow. It was possible that bespoke borrowing arrangements could include stipulations about the statement of accounts, but the council had not been affected by this to date. The county council received an independent credit rating which provided an indication to counterparties as to the council's creditworthiness.

It was noted that there were some minor adjustments to be made to the statement of accounts which were due to be agreed by officers and the external auditor in February 2023.

Resolved: That

- The council's Statement of Accounts for 2021/22 be approved, subject to any minor changes being made by the end of February 2023;
- The management representation letters for Lancashire County Council and Lancashire County Pension Fund be signed by the Chief Financial Officer and the Chair of the Audit, Risk and Governance Committee, prior to them being made available to the external auditor; and
- The accounting policies for 2022/23 be approved.

7. Appointment of External Auditor

Khadija Saeed, Head of Corporate Finance presented a report which provided information on the appointment of Grant Thornton UK LLP as the council's external auditor for the period 2023/24 to 2027/28.

It was noted that the council would be consulted on the baseline audit fee for 2023/24, which was yet to be decided. It was also possible that additional costs would be added to the baseline fee, as with recent audits.

In response to a query about the recruitment challenges facing auditors, members were informed by Grant Thornton that, although operating in a fragile market, the local external audit team was stable. Securing a further five years as the county council's external auditor also provided Grant Thornton with time to recruit and train school leavers and graduates.

Resolved: That the appointment of Grant Thornton UK LLP as the council's external auditor for the period 2023/24 to 2027/28 be noted.



8. External Audit - Lancashire County Council Audit Findings Report 2021/22

Stuart Basnett, Audit Manager at Grant Thornton UK presented the Lancashire County Council Audit Findings Report for 2021/22, which had been updated since the committee meeting held 17 October 2022.

It was noted that the council's move to cloud-based Oracle Fusion may allow transactional information to be shared with the external auditor more efficiently. Due to its ongoing implementation, the benefits of Oracle Fusion were only likely to be felt from the 2023/24 audit onwards.

Grant Thornton expressed their thanks to the council's finance team for their cooperation and responses to the auditor's requests for information.

Resolved: That the Lancashire County Council Audit Findings Report 2021/22 be noted.

9. External Audit - Lancashire County Pension Fund Audit Findings Report 2021/22

Stuart Basnett, Audit Manager at Grant Thornton UK presented the Lancashire County Pension Fund Audit Findings Report for 2021/22, which had been updated since the committee meeting held 17 October 2022.

It was highlighted that the changes since October included the reclassification of some financial assets from level 2 to level 3, as set out in the report.

It was noted that, in addition to their own checks, Grant Thornton requested to see individual Fund Managers' reports on the controls and processes in place. This allowed the auditor to review whether management were identifying and responding to any control findings. Local Pensions Partnership Investment Limited had not agreed to share the results of their reviews with Grant Thornton, so the auditor had not been able to confirm that management had conducted the same reviews.

In response to a query about the £172m non-pooled investment directly held in property, members were informed that this was separate to the pooled property investment fund and instead related to properties held by the Lancashire County Pension Fund.

Resolved: That the Lancashire County Pension Fund Audit Findings Report 2021/22 be noted.

10. External Audit - Audit Progress Report and Sector Update - January 2023

Stuart Basnett, Audit Manager at Grant Thornton UK presented the Audit Progress Report and Sector Update, as of January 2023.

It was highlighted that the Auditor's Annual Report would be presented to the next committee meeting on 24 April 2023, including management's responses to the auditor's recommendations.



In response to a query about the Grant Thornton article on the financial risks facing councils in England, it was noted that the acuteness of the risk had been somewhat alleviated following news of the financial settlement from government.

CIPFA's recently published guidance, *Audit Committees: Practical Guidance for Local Authorities and Police*, would be shared with committee members after the meeting.

Resolved: That the Audit Progress Report and Sector Update for January 2023 be noted.

11. Internal Audit Progress Report

Andy Dalecki, Head of Internal Audit presented a report which provided an update on the Internal Audit Service's work and outcomes for 2022/23, for the period to 31 December 2022.

In response to questions, the committee was informed that:

- Every audit, but especially those with moderate or limited assurance levels, would result in actions agreed with management. All services had responded positively to the Internal Audit Service's work, and all agreed actions were formally followed-up as part of the audit process.
- Approximately 78 pieces of audit work had been completed so far this year, which marked an increase on previous years. Any audits not started during 2022/23 would be included in the Audit Plan for 2023/24 and reported to the committee accordingly.
- The audit of CCTV had identified weaknesses that had developed due to the inconsistent application of the council's policies across different buildings and by different managers. The policies themselves were robust and the agreed actions would ensure their proper implementation in the future.
- The audit of corporate mandatory training had identified issues with the overall system for training provision, which made monitoring the delivery of training difficult. A procurement exercise was due to begin in March 2023 for a new learning management system, and more detailed timescales on this process could be shared with members after the meeting. Members were assured that all mandatory Health and Safety training and Information Governance training was completed, but the Internal Audit report had highlighted the need for consistency in how the training was delivered and monitored.
- In response to members' concerns about Special Guardianship Order – Financial Support, the audit findings had highlighted to teams in Children's Social Care and Exchequer Services that there were a number of problems in the administration of Special Guardianships resulting in payment issues. The agreed actions were



due to be implemented during 2023 and would be addressed by Children's Services as the lead department.

- The audit of school catering had provided substantial assurance because there were effective controls in place to mitigate the identified risks, but it was recognised that the sector continued to face procurement, supply chain and cost challenges. The full audit report could be shared with members after the meeting for further detail.
- It was noted that the audit of school catering had not included the potential risk of academisation, which could pose a risk to all school services provided by the council. Lots of work by officers and Cabinet and Lead Members was ongoing to look at the wider academisation project and maintain close links with new academies.

Members thanked officers for the helpful and informative report layout.

Resolved: That the Internal Audit Progress Report be noted.

12. Corporate Risk and Opportunity Register - Quarter 3 Update

Laura Sales, Director of Corporate Services presented the updated Corporate Risk and Opportunity Register for Quarter 3 of 2022/23.

It was highlighted that there were no significant changes to the risk register since Quarter 2. As requested at the committee's last meeting, the report included the new risks considered by the Executive Management Team with a risk score of 12 or higher, but which were not included on the Corporate Register due to their operational, rather than strategic, focus.

Regarding the risk Our Improvement Journey, it was noted that the Community, Cultural and Corporate Services Scrutiny Committee was due to consider a report on the Customer Experience workstream at its meeting on 9 March 2023. The newly appointed Executive Director of Resources, Mark Wynn, would continue the work of the Interim Executive Director of Resources, Lesley Ottery, on the council's Improvement Journey.

A written response to a query about increasing numbers of target risk confidence scores receiving a red rating would be provided after the meeting.

Resolved: That the updated Corporate Risk and Opportunity Register be noted.

13. Code of Conduct - Annual Report of Complaints

Laura Sales, Director of Corporate Services presented a report which summarised all complaints received against county councillors under the Code of Conduct in 2022.

It was highlighted that the low number of complaints reflected the high standard of county councillors' conduct.



Resolved: That the summary of complaints received in 2022 be noted.

14. Urgent Business

None.

15. Date of Next Meeting

It was noted that the next meeting of the Audit, Risk and Governance Committee would be held on Monday 24 April 2023 at 2.00 pm at County Hall, Preston.

16. Exclusion of Press and Public

Resolved: That the press and members of the public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information, as defined in the appropriate paragraph of Part I of Schedule 12A to the Local Government Act 1972.

It was considered that in all the circumstances, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

17. Appendix 'B' to Item 12 - Corporate Risk and Opportunity Register - Quarter 3 Update

(Not for Publication – Exempt information as defined in Paragraph 7 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).

The committee considered the private and confidential Appendix B to Item 12 – Corporate Risk and Opportunity Register – Quarter 3 Update.

Resolved: That Appendix B to Item 12 – Corporate Risk and Opportunity Register – Quarter 3 Update, be noted.

18. Review of Arrangements for the Oversight of Council Controlled Companies

(Not for Publication – Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).

Laura Sales, Director of Corporate Services presented a private and confidential report on the recent independent audit into the governance arrangements of council controlled companies, conducted by Veritau.

County Councillor Rob Bailey declared a non-pecuniary interest in this item as a Director of Active Lancashire.



The Chair expressed the committee's sincere thanks to Laura Sales, Director of Corporate Services for her work to support the committee and the county council.

Resolved: That

- i) The report, and plans for work on the recommendations to be undertaken by officers, be noted; and
- ii) A further report on officers' recommendations be presented at the next meeting of the Audit, Risk and Governance Committee on 24 April 2023.

L Sales
Director of Corporate Services

County Hall
Preston



Audit, Risk and Governance Committee
Meeting to be held on Monday, 24 April 2023

Electoral Division affected:
(All Divisions);

**External Audit: Interim Auditor's Annual Report on Lancashire County Council
2021/22**

(Appendix 'A' refers)

Contact for further information:

Sarah Ironmonger, Partner, Grant Thornton UK LLP, Tel: 0161 953 6499,
Sarah.L.Ironmonger@uk.gt.com

Brief Summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the authority has put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources.

The auditor is no longer required to give a binary qualified / unqualified Value For Money conclusion. Instead, auditors report in more detail on the authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements. A number of improvement recommendations have been made and can be found within the report.

Recommendation

The Audit, Risk and Governance Committee is asked to take note of the findings in the report on the council's arrangements for securing value for money in its use of resources and the improvement recommendations made.

Detail

Attached at Appendix A is the External Auditor's Interim Annual Report for Lancashire County Council for the 2021/22 audit. The report has been produced in

accordance with the National Audit Office statutory Code of Audit Practice for Local Government bodies.

Sarah Ironmonger, Partner, will attend the meeting to present the report and answer any questions.

Appendices

Appendix	Title
Appendix A	Interim Auditor's Annual Report on Lancashire County Council 2021/22

Consultations

The report has been agreed with the county council's management.

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A



Interim Auditor's Annual Report on Lancashire County Council 2021/22

6 April 2023



Annex A

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary






Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. As the audit of the financial statements for 2021-22 remains ongoing, this report is issued as an "interim" report. A finalised report will be issued once the audit is completed.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	 No significant weaknesses in arrangements identified, but improvement recommendation made	 No significant weaknesses in arrangements identified and one improvement recommendation made.	↔
Governance	One risk of significant weakness identified around the reporting of decisions in relation to key capital projects where the Council is the accountable body.	 No significant weaknesses in arrangements identified, but improvement recommendation made	 No significant weaknesses in arrangements identified and one improvement recommendation made.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	 No significant weaknesses in arrangements identified.	 No significant weaknesses in arrangements identified and four improvement recommendations made.	↓

-  No significant weaknesses in arrangements identified or improvement recommendation made.
-  No significant weaknesses in arrangements identified, but improvement recommendations made.
-  Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

The Council has a strong track record of financial control and updates its Medium Term Financial Strategy (MTFS) regularly. This approach enabled it to act swiftly when the financial report for the first quarter of 2022/23 highlighted the danger that as a result of major inflationary pressures that had arisen since the setting of the budget, the future use of reserves may not be sustainable. Accordingly a programme of savings has been developed which will secure the medium term financial security of the Council despite the inflationary pressures that have occurred in 2022.



Governance

The Council has maintained effective governance arrangements. During 2021/22 there have been positive developments in response to our prior year recommendations surrounding both gifts & hospitality procedures, declarations of interest and review of scrutiny arrangements. Overall, we have concluded that the Council continue to have good procedures around risk monitoring and governance. However, we have raised one improvement recommendation in relation to transparency procedures and would encourage the Council to publish increased public-facing reports to help the public understand decisions undertaken in private.



Improving economy, efficiency and effectiveness

The Council is effective in securing value for money when improving its economy, efficiency and effectiveness. The Council is a prominent figure when it enters into partnerships and should continue to take a proactive approach when using integrated working. Furthermore, it has been noted from our review that when the Council procures its services, and manages its contracts, there is a need for updated framework of policies and procedures, to align with public sector legislation. The Council should focus on revising these as soon as possible. Overall, there have been no areas of significant weakness, however further improvement recommendations have been made regarding its transition to a new system of financial and people management.



Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

Our Audit Opinion has not yet been issued. The work is almost complete and an updated Audit Findings report was presented at the 30 January 2023 Audit, Risk & Governance Committee. A Final Auditor's Annual Report will be issued once the audit opinion has been issued.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendations in the year.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue any public interest reports in the year.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make any court applications in the year.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices in the year.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for a judicial review in the year.

Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

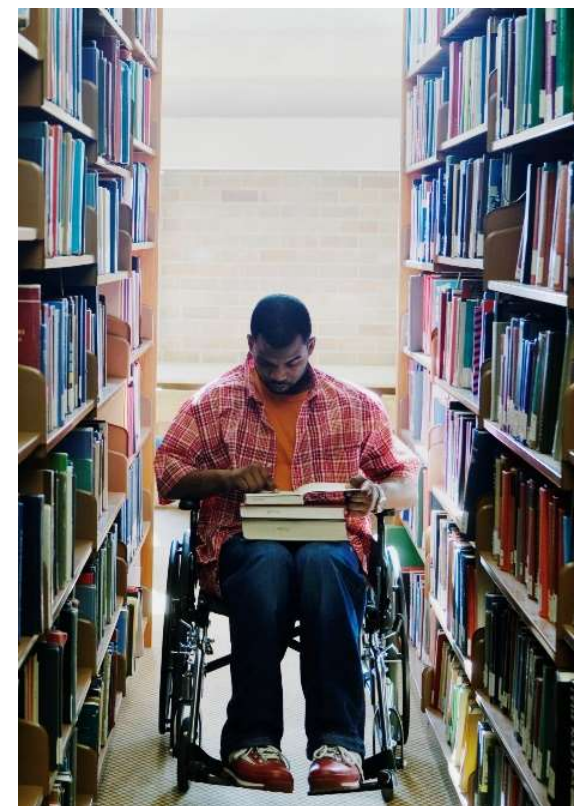


Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 23. Further detail on how we approached our work is included in Appendix B.



Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial performance 2021/22

The Council has a history of good financial performance. In 2021/22 it reported an underspend of some £29.9million, or 3.4% of budget. This enabled it to increase its Transitional Reserve (which is used to smooth out short term fluctuations) to £215.8million. The largest single contributing factor to the underspend was a surplus of £13.5million generated by Treasury Management through the sale of gilts and bonds. There were some cost pressures, but these were offset by lower-than-expected demand for certain services as the impact of the COVID-19 pandemic continued. It is expected that demand will recover, particularly in adults' and children's services.

The Council maintains a "County Fund" of £23.4million to deal with a serious emergency such as widespread flooding. It has a further £407.9million of earmarked reserves, including the Transitional Reserve referred to above. In the Medium-Term Financial plan presented as part of the budget setting process in February 2022, it was expected that some £23.0million of this would be required in 2022/23. The base case forecast indicated further funding gaps (including values committed to be taken from the Transitional Reserve) of £40.1million in 2023/24 and £44.0million in 2024/25.

However, the financial report for the first quarter of 2022/23 forecast an overspend of £17.7million for the financial year, arising partly from inflationary pressures that have arisen since the budget was set. Such pressures include the higher-than-expected pay award and significantly increased energy costs. Other factors contributing to the overspend include significantly increased costs of agency residential placements for children.

More seriously, the funding gap in 2023/24 was forecast to be £87.1million and if no action were taken, the Transitional Reserve would be exhausted before the end of 2024/25. Accordingly a process was undertaken to identify significant levels of savings. The approach commenced with savings that could be achieved within the Directorates, followed by council-wide initiatives. These were presented to the Council in November 2022. The combined effect of these is sufficient to mean that the Transitional Reserve would remain at a positive level beyond 2026/27. However, the Council remains committed to producing a balance budget and workstreams, including benchmarking the Council's performance against other local authorities, are in progress to identify further savings.

The process to identify savings started to produce benefits in the second quarter of 2022/23, as the full year overspend position improved from the quarter one forecast by £9.7million to £8.0million.

Capital programme

The Council has a 20 year capital strategy that is updated annually and sets the long term strategic framework for capital and investment decisions. It sets out the corporate aims and principles that underpin the production of the rolling three year capital programme which is approved each February. Each capital proposal is required to demonstrate how it supports the aims of the corporate priorities.

Financial Sustainability

The capital programme planned for 2021/22 was £170.6million. Actual expenditure was £164.1million. The net underspend was a combination of overspends against projects completed in the year (£6.0million), projects brought forward from future years (£31.0million) and slippage (£43.4million). The capital programme for 2022/23 is £221.9million.

Financial planning and savings plans

The Medium Term Financial Strategy is under regular review in order to update assumptions where they change. This is demonstrated by the quarter one financial report in 2022/23 where the inflationary pressures that arose after the approved budget was finalised became clearer.

For 2023/24, savings identified by Directorates total £54.5million. The most significant schemes are:

- Income / cost sharing and joint funding with health (£12.6million). This involves a range of measures including the increasing of funds claimed from the NHS for people's Continuing Health Care, for people with learning disabilities and those discharged from mental health services, funding projects through the Better Care Fund and taking a more active role in deciding on where patients discharged from hospital are placed.
- Treasury Management (£9.0million). This is based on the fact that Treasury Management has achieved significant underspends in recent years. There is a volatility reserve of £36million to cover any shortfalls in the achievement of these savings.
- Education and Children's Services high cost placements (£5.0million). This involves improving working practices and undertaking earlier intervention to prevent children having to be placed in high cost homes.
- Adult services budget adjustments (£4.8million). These simply reflect historic underspends against budgets and brings future budgets into line with actual expenditure.

In order to monitor the delivery of savings previously agreed and any new savings newly identified, each Directorate will have a Finance Monitoring Board. These will challenge and monitor the delivery of savings, remove barriers to delivery and escalate any issues to ensure savings are delivered within their profiled timescales and earlier if possible.

The Council is moving towards a more explicit link between its overall business plan, its workforce plan and its financial plan. A Head of Resources has been appointed, who will coordinate this once he takes up the post in March 2023. In addition, a new directorate has been set up in order to co-ordinate efforts for the recruitment and retention of staff across the Council, as well as training and the reduction of sickness absence and the use of agency staff.

Medium term financial planning and risk management

In order to address the uncertainty surrounding future funding, in formalising and updating the MTFS the Council apply scenario analysis to analyse a range of inputs. The most likely scenario in the quarter one update to the MTFS showed a funding gap of nearly £160million by the financial year 2026/27. This resulted in the process to identify long term savings referred to above.

The cash flow forecast for the Council is updated daily. The base model accounts for known and forecast expenditure – for example, it assumes no slippage in the capital programme, although this is highly likely, and gives the council sufficient notice of the need to sell bonds (of which it has approximately £330million) to cover any short term issues.

Uncertainties remain in the financial forecasts relating to demand for services (both quantity and complexity), inflation (including pay settlements), council tax funding and business rates retention. The Council is monitoring these factors. For example, an analysis of demand over recent years has indicated that some budgets are based on higher demand than is necessary and this has led to a reduction in those budgets. Other factors such as the business rates retention policy and the government funding formula remain uncertain and subject to sensitivity analysis.

Financial Sustainability

Conclusion

The Council's original budget for 2022/23 was based on reasonable assumptions at the time. However, early into the financial year it became clear that many of those assumptions were unrealistic and updated assumptions needed to be reflected in the Medium-Term Financial Strategy. The Council did not hesitate in identifying significant savings, some of which could be implemented immediately resulting in a better financial outturn forecast of 2022/23 than was feared at the end of the first quarter. While it will still be necessary to draw down on reserves in the short term, those savings are anticipated to give the Council significantly more time to develop longer term savings and hence deliver a balanced budget without the need for the use of reserves. As at the end of December 2022, management are forecasting an overspend of £2.521m, a significant reduction from that identified during the year as a result of the various demand and inflationary pressures identified. The proactive management and response to the in-year pressures is evidence of the strong financial management arrangements in place at the Council.

Our review found that in managing the financial position for the year, as outlined above, the Council has in place appropriate arrangements to secure financial sustainability in the use of resources.

Improvement recommendations



Governance

Recommendation 1

The Council should ensure regular monitoring and savings delivery is reported as part of quarterly reporting. All savings should be assessed for deliverability and where appropriate contingency made in budgets against non-delivery.

Why/impact

Budget and Council Tax proposals and the updated Medium Term Financial Strategy includes significant savings and cost reductions. Delivering a balanced budget is dependent on delivery of these savings in full, however there is significant risk of both slippage and under delivery. If no provision is made for this in budgets additional savings will need to be found at short notice in order to balance budgets in-year.

Auditor judgement

The widening of the Council's financial gap during 2022-23 reinforces the importance of delivering savings plans. The scale and progress of delivering planned saving means the financial sustainability is highly dependent on full delivery of the planning savings.

Without robust modelling and monitoring, savings and cost reduction proposals for later periods will become much more challenging to deliver.

Management Comments

The Council has robust arrangements in place to monitor savings delivery throughout the year, with a strong track record of delivering the majority of previously agreed savings programmes. Quarterly financial reports include details on significant variations against savings plans where appropriate.

The council recognises that the 2023/24 budget includes a significant value of savings and the approach to monitoring delivery, and identifying any mitigating actions required is currently being reviewed, and any changes will be discussed with Cabinet.



The range of recommendations that external auditors can make is explained in Appendix C.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk management

The Council has a Code of Corporate Governance in place which recognises the importance of an embedded risk management approach. To help fulfil this, the Council uses both directorate and corporate risk registers which are updated on a quarterly basis.

The Corporate Risk and Opportunity Register (CRR) was presented to both the Audit, Risk & Governance Committee (ARG) on a quarterly basis and to the Cabinet Committee on Performance Improvement (CCPI) for Quarter 3 and Quarter 4. The CCR is clear and outlines the risks, mitigations, owner and risk score. During the financial year the Council also introduced a summary risk profile which uses a RAG rating to understand risk scoring over time and provide greater accountability for mitigating actions. The Internal Audit Team completed a review risk management during the year, which resulted in a finding of substantial assurance.

Currently the reports are a result of manual changes, the Council is hoping to introduce a risk management system to streamline the risk management process and reporting, with introduction of dashboards. There is a clear risk escalation process in place from directorate level to the executive management team and through to member. The Council's understanding and management of risks appears sound and does not demonstrate a risk of serious weakness.

Internal audit

The Council has a well-established internal audit team in place with a change of Head of Internal Audit taking place during the 2021/22 financial year. The Internal Audit (IA) Plan was approved in April 2021 by the ARG. The focus of IA's work is determined through review of risk registers and discussions with both internal stakeholders and external networks to ensure sufficient coverage of key areas of risk.

The Head of Internal Audit Opinion was one of moderate assurance. During 2021/22, the team completed 31 internal audits, of which 94% provided a finding of substantial or moderate assurance. This was a significant increase on the 7 audits completed in 2020/2021.

However, due to the impact of the pandemic, there were a number of historic management actions outstanding from 2018/19 onwards. Progress updates have been presented to the ARG. In June 2022 of the 554 management actions raised, 356 (64%) of these had been implemented and 83 (15%) superseded. This resulted in 115 outstanding management actions (20%). Internal audits have already been planned to investigate 96 of these in 2022/23 (17%), leaving 19 incomplete. As of 26th September 2022, this number had reduced to 13, with only one high priority recommendation remaining outstanding. Good progress has been made in addressing the outstanding actions to be implemented and agreeing dates with management for actions to be implemented by. There are appropriate arrangements in place for the continuing monitoring and follow-up of Internal Audit actions.

The Council has placed a renewed focus on fraud awareness with a refresh of the requisite policies including a Fraud Response Plan and a new Financial Crime Strategy. However the current team includes just one fraud investigator, therefore in 2022/23 there will be a focus on raising fraud awareness throughout the organisation and working better with the police and agencies.

Governance

Budget setting processes and budgetary control

The Council has in place adequate processes surrounding budget setting and budgetary control.

For the 2021/22 financial year, these have mainly focussed on the building and monitoring of savings. These are covered in more detail in the 'Financial Sustainability' element of our report. The Council currently report financial performance separately from the wider operational and strategic performance reporting for the Council. We have raised an improvement recommendation in the 'Improving the Economy, Efficiency and Effectiveness' element of our report to consider combining these in future.

Committee effectiveness and scrutiny

In our 2020/21 value for money report, we recommended the Council ensure all agenda items are subject to sufficient challenge and scrutiny. A similar recommendation was made in the Council's most recent Local Government Association (LGA) Corporate Peer Challenge feedback, received in October 2021, which suggested a review of the overview and scrutiny function.

In response the Council has made a number of key changes, which received Full Council approval in May 2022. These included the introduction of four service area base committees and the creation of a new Scrutiny Management Board, in place of the Budget Scrutiny Review Panel and the Member Development Board. The Council has also sought the support of the LGA in developing a bespoke training programme for both councillors and officers to support this new way of working. Additionally the Council has produced a Cabinet/Scrutiny protocol which outlines how the committees should engage with each other and Cabinet. This allows for greater clarity and understanding of the role of scrutiny within the organisation.

There were a number of other changes also made to the Council's committee arrangements including the abolition of the Cabinet Committee on Performance Improvement. The functions of this Committee have been returned to Cabinet. Whilst this is a relatively recent change, our discussions with officers have highlighted that this has been welcomed and raised the profile of performance reporting across the organisation. The update to the committee arrangements is welcome and should help to improve both scrutiny and accountability throughout the organisation.

Transparency

The Council use the Modern Gov governance system for committee agendas, reports and meetings, of which many of these are accessible to the public. Our review of committee agendas noted numerous 'Part 2' reports which were restricted, with a notice of intention to conduct business in private. Of the 10 Cabinet meetings that took place in 2021/22, there was at least one restricted item on every agenda, with an average of four restricted reports per meeting. Whilst a number of these had a public-facing narrative, our review of a sample of the restricted reports found that many did not, despite there being a wealth of information which would not be particularly sensitive, if released into the public domain.

Transparency is an essential tool of local government which can increase democratic accountability and makes it easier for local people and businesses to contribute to local decision-making processes. We would encourage the Council to ensure to always publish a public version of reports, unless by exceptions and to only exempt necessary information [Improvement Recommendation 2].

Preston, South Ribble & Lancashire City Deal

The Preston, South Ribble and Lancashire City Deal was agreed in 2013 and is a 10 year programme to deliver £334million of infrastructure improvements to create new homes and jobs and drive economic growth in the region. Alongside several smaller scheme it consists of four major road schemes. The City Deal is due to end in 2023/24 however primarily due to an increase in costs there is a pause on progressing any projects until additional funding is identified. The City Deal is governed by the City Deal Executive and Stewardship Board chaired by the LEP and comprising the three local authority partner Leaders and Homes England.

Due to a number of issues and risks including rising costs, a mid-term review was undertaken during 2018/19 which identified significant financial pressures to deliver the original scope. Options were to be drawn up and a review of the Heads of Terms was proposed.

Subsequently it was reported to the LEP in September 2020 that the City Deal Executive Board had put in place a spending freeze due to the funding position of the programme. In the latest update to the LEP Board in March 2022, it was noted the revised Heads of Terms were still yet to be agreed and the spending freeze remained in place. An options paper was recently circulated to partners in November 2022.

Governance

Preston, South Ribble & Lancashire City Deal (cont.)

The original Heads of Terms indicate that, subject to certain terms, any deficit on the fund is the responsibility of Lancashire County Council to resolve, given the potential size of the current forecast deficit this remains a significant financial risk to the Council's financial sustainability. However as demonstrated by the current spending freeze, there are governance arrangements in place to manage the deficit and not commit additional expenditure without confirmed availability of funding.

A considerable amount of time has passed since the initial mid-term review in 2018, delays resulting from COVID-19 notwithstanding, these issues remain outstanding. This prolonged pause on a major infrastructure investment scheme can only exacerbate cost inflation pressures and the Council should focus resource to resolve this as a matter of urgency and be reported regularly.

The Council provides financing to cash flow the projects due to phasing of required working capital to deliver the schemes. The requirement was to fund any actual deficit which incurred in the financial year. The initial forecast was a peak requirement of £106.7 million in 2018/19 which would be recovered by the end of the deal.

Due to a combination of factors, including some income streams being available earlier than initially modelled and delay in some expenditure, to date there hasn't been a deficit which required funding. However due to the escalation in costs and current increases in borrowing costs it is likely the peak requirement and cost to the Council for providing this cashflow will be greater than in the original agreement.

Also as noted above the majority of information relating to progress and the financial position of the City Deal is contained with reports exempt from the public. The Council should regularly report publicly on progress, risk and financial position of the overall programme [Improvement Recommendation 2].

Gifts and hospitality

The Council has in place a Gifts & Hospitality policy as an appendix to the Constitution. In our 2020/2021 value for money findings, we noted a few improvements, which have been addressed.

In 2020/21, we stated that whilst the gifts & Hospitality policy is in place and appears to have been observed, there is no requirement to register gifts or hospitality which have been declined. This would be helpful to report to other members as a matter of course, so they can be alert in case they are also approached and offered something which ought to be declined. The Constitution as of 15 December 2022 states "It is also good practice to notify the Monitoring Officer of offers of gifts or hospitality which have been offered by refused."

We suggested that improvements could also be made to the level of detail captured on the councillor gifts/hospitality register such as date, value, whether it was accepted or declined. The Council has now updated the gifts and hospitality register, so that from June 2022 the information captured includes type, name, date, title, comment, provider, value and description. Both the current register is available, along with a complete register of all gifts & hospitality provided prior to June 2022.

In the prior year we found that whilst the Constitution states that the gifts and hospitality register will be published online, we could not identify it as part of our review so would recommend it was ensured that it can be easily located online. The Gifts & hospitality register is under the Councillors section of the website and clearly signposts how to both search for gifts provided to individual councillors and how to access the full register.

Pension fund

We have additionally reviewed the governance processes in place for the Pension fund. We are satisfied that they are appropriate, with the Pension Board taking and acting upon professional advice and services where required.

Conclusion

The Council continue to have good processes in place for risk management, budget management and effective decision-making. The Council has responded to the improvement recommendations made in the prior year in relation to gifts & hospitality and scrutiny functions. The only improvement recommendation we have raised in the current year is to review the decision-making around conducting business in private. We would encourage the Council to ensure there is always a public-facing document for all Cabinet decisions.

Improvement recommendations



Governance

Recommendation 2

The Council should endeavour to increase transparency by reducing the number of Cabinet reports discussed in private. The Council should ensure to always publish a public version of reports, unless by exception and to only exempt necessary information. The Council should regularly report on the overall financial position of the City Deal and other major capital investment programmes publicly, including detailed financial risks and issues. The reports should clearly set out what spend is committed to schemes and what represent risks but are as yet agreed to be spent.

Why/impact

Transparency is an essential tool of local government which can increase democratic accountability and makes it easier for local people and businesses to contribute to local decision-making processes. It is important progress and risks to major infrastructure schemes are reported publicly for transparency and to support scrutiny and accountability for public spending.

Auditor judgement

Our review of committee agendas noted numerous 'Part 2' reports which were restricted, with a notice of intention to conduct business in private. Of the 10 Cabinet meetings that took place in 2021/22, there was at least one restricted item on every agenda, with an average of four restricted reports per meeting. Whilst a number of these had a public-facing narrative, our review of a sample of the restricted reports found that many did not, despite there being a wealth of information which would not be particularly sensitive, if released into the public domain.

Limited information is reported publicly with regard to the financial position of the City Deal. No specific information is contained within the Council's finance report and the most recent report to Cabinet in October 2019 was exempt from public session. Reporting to the LEP board is infrequent and doesn't contain information regarding the overall programme's financial position.

Management Comments

Lancashire is relatively unusual for a large authority in that we take all our executive decisions at meetings of Cabinet. Other similar authorities take many decisions in individual Cabinet Member Decision Making sessions, and this can mean that more Part II decisions are taken in private sessions.

This is an issue that has already been addressed, and in fact it began to be addressed during the period analysed by GT. Our approach since that point has led to very few reports being considered in Part II. Since February 2022 to March 2023 (13 Cabinet meetings), there have been a total of just 8 reports entirely in Part II. To maintain transparency (in the vast majority of cases), the bulk of the information has been put in Part I, with the confidential information only being extracted and placed into Part II appendices.

The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance and financial reporting

Performance and financial information is reported to Cabinet in a timely manner. During the financial year, the Council disbanded the Cabinet Committee on Performance Improvement, with performance reporting now being directly presented to Cabinet. It was noted within our interviews that moving performance management reports to Cabinet has highlighted the importance of corporate performance reporting to members. This process requires further input from senior officers in order to prepare for Cabinet member scrutiny, and allows for greater understanding of the holistic picture at different levels of the organisation. Each directorate will have briefings with the requisite portfolio holders in advance of Cabinet meetings.

Additionally, the Cabinet performance reports have been added to the agenda alongside the Money Matters report, which illustrates the financial monitoring of the Council. In year, there has been a move to align reporting cycles, so that both financial and performance is discussed cross sectionally. This will help to aid decision-making, as all areas of performance can be aligned.

Data accuracy

The Council has a Business Intelligence team in place who work closely with directorates and complete a quality assurance process over any information, which is fed into the corporate performance reporting process.

There is a currently a drive to improve the level of data accuracy across the organisation at the directorate level. This has been recognised by investment in the Level 3 Data Literacy apprenticeship, which has been offered to all staff.

The Data Services Team are also conducting work in this area to allow for more focussed use of Power BI dashboards across the organisation.

Systems management

It was raised in our discussions with the Chief Executive, Director of Resources and Director of Finance that the Council is currently transitioning to the use of a new financial and people management programme, which will first affect the Payroll system. The Council should continuously monitor the shift to the finance application, continue with its 'End User engagement' sessions and report issues timely to build shared understanding and aid smooth implementation throughout the Council. This will be key in alleviating potential bottlenecks to the transition, aid organisation understanding and make the Council wide role out more efficient [Recommendation 4].

Savings identification

The Council have produced a savings tracker, which identifies the relevant service, option, progress update and RAG rating for each savings opportunity. This model has been extended into 2023/24 and shows the Council takes a proactive and forward-looking approach to both its savings identification and the progress and reporting of its savings. It was noted from our discussion with the Director of Finance that the Council has 'no red lines' in terms of savings and has developed a culture of sustainable saving, rather than purely 'salami slicing'. This proactive approach allows for more consideration of impact on objectives and performance, rather than top slicing budgets.

Improving economy, efficiency and effectiveness

Partnership working

It is clear that the Council is able to articulate who its partners are, and utilises its relationships to improve service delivery for its members. Within the annual governance statement and accounts, the Council clearly identifies its working relationships partners, the main being; Safer Lancashire, Lancashire Enterprise Partnership, City Deal, Lancashire SEND Partnership, Lancashire County Developments Limited and the Lancashire and South Cumbria Integrated Care Partnership.

The Integrated Care System (ICS) Board is a partnership board, constituted of a range of NHS, local government, voluntary and community sector organisations working together across Lancashire and South Cumbria. The role of the ICS Board is to provide leadership and development of the overarching Lancashire and South Cumbria ICS strategy, oversight and facilitation of delivery of sustainability, transformation and design of the future state of health and care.

It has been noted from interviews, that the Council take a very proactive approach in the ICB partnership. The Chief Executive sits as a Local Government representative within the ICS Development Oversight Group. The Director for Adult Social Service at the Council is also the Integrated Care Lead. This ensures that the Council's context and opportunity is understood and reflected in its plans and priorities. The Council should continue to take a proactive approach and continue to pursue strong relations in the implementation of the new service delivery model. From reflection with key stakeholders, the Council needs to further develop these relationships as the group matures, and engage in an activity to align group priorities (e.g. investment into community support to alleviate pressure on acute services) [Improvement Recommendation 3].

Lancashire Better Care Fund 2022/23 is an NHS and Lancashire County Council pooled fund in excess of £174million. Arrangements are in place for oversight of key partnerships and partnered working, and the Council is provided with evidence and information to assess the success of these arrangements. From Internal Audit review of the Council's Committees, the work regarding the Better Care Fund has been given Moderate assurance, with high priority in one area. The Council should continue to focus on its development to improve integrated working, as mentioned above [Improvement Recommendation 3].

This is to include roles and responsibilities for budget monitoring and identifying scheme areas where funding could be reallocated to improve Better Care Fund metrics. The Council must also have oversight of effectiveness of individual schemes funded by the Better Care Fund, enhancing more efficient and effective achievement of Better Care Fund performance metrics [Improvement Recommendation 3].

Procurement management

Procurement is the vehicle local authorities use to spend taxpayer's money to achieve its priorities, centred around services; people; community; growth and efficiency; and environment. It was noted from our interviews that the current procurement strategy at the Council is outdated, and must be refreshed. The new strategy should be in line with the most recent change to public sector procurement legislation, and should emphasise the importance of social value [Improvement Recommendation 5].

The Council should aim to update policies and have a clear timetable for policy updates moving forward, ensuring there is appropriate capacity and skills made available. Furthermore, the procurement team should take ownership of this refresh to ensure regular training is provided to staff, ensure roles and responsibilities of individuals involved are clear, and that the developed policies are fully embedded [Improvement Recommendation 5].

Improving economy, efficiency and effectiveness

Contract management

Both procurement and contract management rules are covered within an appendix of the Constitution, which were last updated to include revised EU Thresholds as from 1 January 2022. From our discovery interviews, it has been noted that within the Council, there is a varied approach to contract management. The Council currently has a major projects steering group, which has oversight of all major construction contracts. Furthermore, the Council has separate contract and procurement boards for areas such as Public Health and Adult's Social Services, which is attended by a member of the procurement team. These boards help to aid oversight and spark deliberation at a directorate level.

However, it was noted that this good practice is not Council wide, and improvements should be made for a more formal approach to be rolled out across the organisation, allowing for reporting to be presented to its respective Directorate Leadership Teams (DLT'S) . This will provide strong levels of information to the Executive and DLTS, aiding oversight and ability to track contract performance on a directorate level [Improvement Recommendation 6].

Conclusion

The Council has in place appropriate arrangements in securing value for money when improving its economy, efficiency and effectiveness. The Council is a prominent figure when it enters into partnerships and should continue to take a proactive approach when using integrated working, to ensure priorities between working partners are aligned. It has been noted from our review that when the Council procures its services, and manages its contracts, there is a need for updated framework of policies and procedures, to align with public sector legislation. The Council should focus on revising these as soon as possible.

Overall, there have been no areas of significant weakness, however further improvement recommendations have been made regarding its transition to a new system of financial and people management.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 3

In relation to the ICS, the Council has taken a progressive approach to forming relationships, and has good representations at these groups. The Council should now focus on aligning priorities and agendas to maximise its outputs from this operating model and ensure this informs operational decision making.

Secondly, the Council should take a more foresighted approach of its management of its Better Care Fund, ensuring it is reviewing the effectiveness of current schemes and has supervision of its metrics of the BCF.

Why/impact

Integrated working with partners can improve outcomes across the area however it is important integrated working is aligned to common objectives and priorities across all partners. The Council should continue to take a proactive approach in building its relationships when engaged in integrated working groups, to maximise outputs and effectiveness aligned to the Council's priorities.

Auditor judgement

From our documentation review and interviews with key stakeholders, it is clear where the Council is engaged in integrated working groups, there is improvements to be made to maximise the operational effectiveness of these partnerships.

Summary findings

The Council must pursue to align its priorities with partners, and review effectiveness of its partnership working groups going forward, to assess impact and performance.

Management Comments

The Council's statutory Director of Adult Social Care currently occupies a joint role with the local ICS, and through this role aims to align priorities between the organisations where relevant and take a strategic approach to system wide financial collaboration. The governance arrangements covering the Better Care Fund are in the process of being reviewed and plans in place for a strategic review of all schemes funded by the pooled arrangement



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 4

The Council should monitor the transition to its new financial and people resource management system and ensure a smooth implementation of its financial models.

Why/impact

The Council is currently going through a phase of transition to the system. By closely monitoring this, the Council will be able tackle issues in a timely manner, and create an environment of shared learning for its Council wider role out during the year, saving both time and resource.

Auditor judgement

Within the Council, there was a shared sense of uncertainty of how this role out was to develop. By providing the right level of oversight and scrutiny regarding the transition, the Council will be able to relieve bottlenecks which may occur quickly.

Summary findings

The Council is changing its financial system to Oracle Fusion to manage both its finances and people resources. The Council must ensure implementation of the systems is managed effectively, with little error.

Management Comments

The Council went live with Oracle Fusion in January 2023, and the operation of the system has been closely monitored with direct dialogue with Oracle as appropriate. More routine arrangements for governance have now commenced as the system moves to 'business as usual' operations.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 5

The Council should focus on the developing an updated Procurement strategy, which will align to relevant legislation and place more emphasis on the need for a stronger social value policy. This refresh of policies should be supplemented by relevant training for staff within the Council.

Why/impact

With Procurement and Social Value agendas changing within the Public Sector space, the Council should take a proactive approach to aligning its policy to mirror this.

Auditor judgement

The Council would benefit from a refresh of its Procurement strategy, which was echoed by the Procurement lead at the Council.

Summary findings

It was noted that the Council's Procurement strategy is outdated, and the Council should look to develop and adapt this policy to enable the organisation to operate in the turbulent external environment.

Management Comments

The Council is intending to review and refresh its Procurement Strategy and this work will be supported and informed by the outcome of a review commissioned from KPMG, and currently underway, to support the contracts review savings target.

The Council is also working with the social value portal, who have undertaken a diagnostic exercise, which has identified some areas of opportunity to strengthen the approach to social value and which will be considered as part of the overall review of the Procurement Strategy and approach to procurement activity going forward.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 6

The Council should focus on developing a centralised contract management policy agenda. Contract management information should then be filtered through to the relevant Executive and Directorate Leadership Team's.

Why/impact

The Council will benefit from having a more formalised contract management policy. A greater level of information reported through to relevant executives and Directorate Leadership Team's will aid challenge, performance management and decision making.

Auditor judgement

There is a need for the Council to have a more formal approach to contract management, and ensure that this information is reported through to the relevant Directorate Leadership Team.

Summary findings

Our findings showed the Council has good pockets of understanding and process in regards to contract management. These learnings should be rolled out on a Council wide initiative, through a new contract management policy agenda.

Management Comments

The Council's approach to contract management is also being supported and informed by the outcome of the review commissioned from KPMG, and currently underway, to support the contracts review savings target



The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	A clearer distinction could be made between statutory and discretionary spending in the budgetary information provided to members and published on the web.	Improvement	February 2022	The Council considered this recommendation and felt that in some areas the distinction was not clear cut. It therefore felt that resources were better deployed on establishing where savings could be made by, for example, benchmarking costs against other councils.	No	Yes - We would encourage the Council to make clearer distinctions between discretionary and statutory spending.
2	Stakeholders should be consulted on all significant savings schemes/plans identified by the Council.	Improvement	February 2022	The Scrutiny Management Board assessed the savings plans proposed in September 2022 and draft budgets are the subject of very wide consultation with stakeholders including other local government organisations, the NHS, trade unions and business.	Yes	No
3	Whilst gifts and hospitality received are declared, as with members interests there is not a central register of all gifts and hospitality received. Improvements could also be made to the level of detail captured on the councillors gifts/hospitality register such as date, value, whether it was accepted or declined.	Improvement	February 2022	The Council has updated the councillor gifts and hospitality register so that there is a new version from June 2022 which is available online and captures the following areas: Name Date Title Comment – accepted or declined Provided by Value Description	Yes	No

Opinion on the financial statements

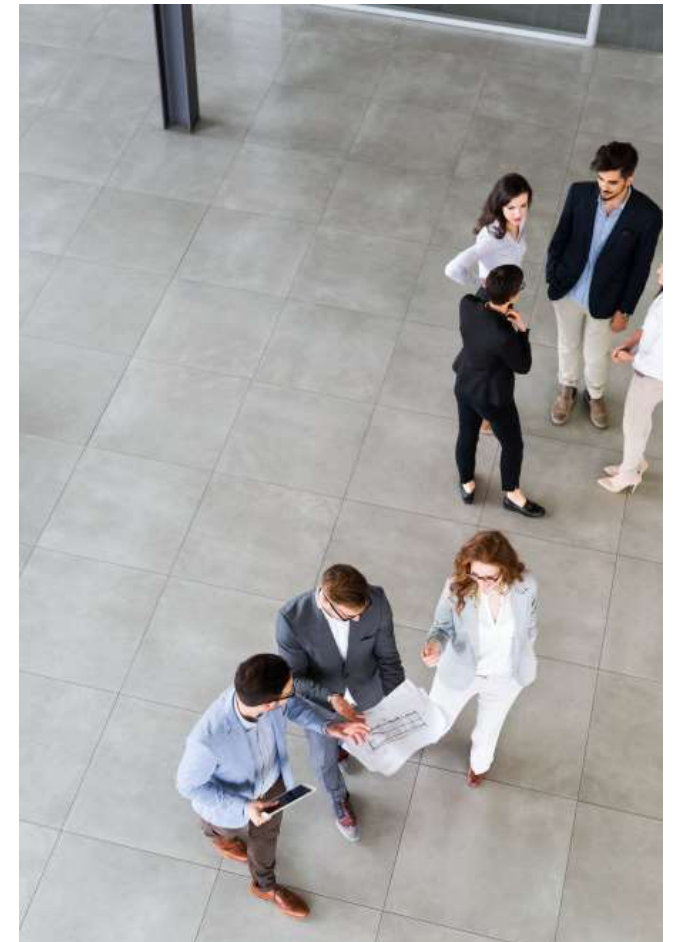


Audit opinion on the financial statements

Our Audit Opinion has not yet been issued. The work is almost complete and an updated Audit Findings report was presented at the 30 January 2023 Audit, Risk & Governance Committee. A Final Auditor's Annual Report will be issued once the audit opinion has been issued.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
<p>Governance was identified as a potential significant weakness, around the management of key capital projects with partners, where the Council was the Accountable Body. The main project being the Preston, South Ribble & Lancashire City Deal. See Page 12 for more details.</p>	<p>Reviewed public and private Cabinet papers in relation to Preston City Deal and other capital projects. Interviewed key staff members to understand decisions around capital projects. Interviewed democratic services staff to understand the processes in relation to transparency and publication of commercially sensitive information in the public sphere.</p>	<p>The Council actively monitors the financial position of the Preston City Deal programme and has reporting process in place. A clear governance structure is in place however it has been noted several planned meetings have been cancelled over the last twelve months.</p> <p>Whilst arrangements are in place there have been significant delays since the mid-term review was undertaken in 2018. It is essential the Council, working with partners, resolve outstanding issues, particularly with regard to funding, to be able to progress delivery following the current spending freeze.</p> <p>It is also noted limited financial detail is included within public reports so limited information or updates have been provided to the public to allow public scrutiny and questions regarding the programme. Further detail is provided on pages 12 – 13.</p>	<p>Appropriate arrangements are in place, with one improvement recommendation raised on improving transparency through use of public facing documents for decisions made in private.</p>

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	10,14, 18-21

Appendix D – Sources of evidence



Documents Reviewed

- Annual Governance Statement
- Anti-Fraud, Bribery and Corruption Policy
- Anti-Money Laundering Policy
- Capital Delivery Programme 21/22
- Capital Delivery Programme 22/23
- Capital Strategy
- Cashflow forecast May 2022
- Childcare Sufficiency Assessment 2021
- Code of Conduct
- Code of Corporate Governance
- Committee meeting report packs and minutes
- Constitution
- Corporate Parenting Strategy
- Corporate Risk and Opportunity Registers
- Corporate Strategy 2022
- Corporate Strategy Monitoring Reports 2021-22
- Declarations of Interest
- Digital Strategy
- Economic Development Investment
- Financial regulations
- Financial Statements 2021/22
- Fraud Sanction and Prosecution Policy
- Gifts & Hospitality registers
- Head of Internal Audit Opinion 2021/22
- Internal Audit Plan 2021/22
- Internal Audit Progress Reports
- Internal Audit Reports 2021/22
- Investment Strategy
- Lancashire Strategic Assessment 2022-2025
- Lancashire Community Safety Agreement
- LGA Peer Review 2021
- Local Government procurement and contract management
- Management Structure
- Medium Term Financial Strategy 21/22-24/25
- Medium Term Financial Strategy 22/23-25/26
- Money Matters Reports 2021/22
- MRP Statement
- Outturn Report 2021/22
- Pension Fund Annual Reports
- Pension Fund Budget 22/23
- Pension Fund progress reports
- Pension Fund Risk Management Framework
- Pension Fund Strategic Plan
- Performance Reports 2021/22
- Private Cabinet papers
- Procurement pipeline
- Procurement Reports 2021/22
- Revenue Budget 21/22
- Revenue Budget 22/23
- Risk Profiles
- Savings templates
- Savings trackers
- Scrutiny refresh documentation
- Social Value Policy and Framework
- Transforming Cities Programme Documents
- Treasury Management Strategy
- Whistleblowing Policy

Appendix D – Sources of evidence



Staff involved

- Paul Bond – Head of Legal and Democratic Services
- Rachel Tanner – Head of Procurement
- Andrew Dalecki – Head of Internal Audit
- Josh Mynott – Democratic and Member Services Manager
- Mark Wynn – Executive Director of Resources
- Angie Ridgwell - Chief Executive & Director of Resources (s151)
- Neil Kissock – Director of Finance
- Khadija Saeed – Head of Corporate Finance
- Kate Lee – Head of Financial Management
- Donna Talbot – Head of Business Intelligence
- Mike Kirby – Director of Strategy and Performance

Appendix E - Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report

AGN – Auditor Guidance Notes

AGS – Annual Governance Statement

ARG – Audit, Risk & Governance Committee

BCF – Better Care Fund

CCPI – Cabinet Committee on Performance Improvement

CE – Chief Executive

CIPFA – Chartered Institute of Public Finance and Accountancy

CRR – Corporate Risk and Opportunity Register

DLT – Directorate Leadership Team

GTIL – Grant Thornton International Ltd

HoIA – Head of Internal Audit

IA – Internal Audit

ICB – Integrated Care Board

ICP – Integrated Care Partnership

ICS – Integrated Care System

KPI – Key Performance Indicator

LASAAC – Local Authority (Scotland) Accounts Advisory Committee

LGA – Local Government Association

LLP – Limited Liability Partnership

NAO – National Audit Office

NHS – National Health Service

RAG – Red, Amber, Green

SEND – Special Education Needs and Disabilities

VfM – Value for Money



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Audit, Risk and Governance Committee
Meeting to be held on Monday, 24 April 2023

Electoral Division affected:
(All Divisions);

Internal Audit Progress Report
(Appendices 'A' to 'E' refer)

Contact for further information:
Andrew Dalecki, Head of Internal Audit, Tel: 01772 533469,
andrew.dalecki@lancashire.gov.uk

Brief Summary

In the context of the committee's responsibility to consider updates on the Internal Audit Service's work including key findings, issues of concern and action being taken as a result of internal audit work, the committee is asked to consider the Internal Audit Progress Report and outcomes of the work for 2022/23, for the period up to 20 March 2023.

Recommendation

The Audit, Risk and Governance Committee is asked to consider and note the report.

Detail

This report sets out the internal audit work performed under the audit plan for 2022/23, as approved in April 2022.

Appendix A highlights key issues that the committee should be aware of at this point in fulfilling its role of providing independent oversight of the adequacy of the council's governance, risk management and internal control framework.

Appendix B provides an executive summary by each individual internal audit assignment completed since last reported to this committee on 30 January 2023.

Appendix C provides an executive summary by each individual school audit completed since last reported to this committee on 30 January 2023.

Appendix D provides an executive summary for each grant audit and consultancy assignment completed since last reported to this committee on 30 January 2023.

Appendix E provides an executive summary for each follow up audit completed since last reported to this committee on 30 January 2023.

Appendices

Appendix	Title
Appendix A	Internal Audit Progress Report
Appendix B	Internal Audit Committee Summaries
Appendix C	Internal Audit School Committee Summaries
Appendix D	Internal Audit Grant Committee Summaries
Appendix E	Internal Audit Follow up Committee Summaries

Consultations

Lancashire County Council's Executive Management Team, along with each of the Directors and/or Heads of Service who have sponsored the audit work reported here have all been consulted.

Implications:

This item has the following implications, as indicated:

Risk management

This report supports the Audit, Risk and Governance Committee in undertaking its role, which includes providing independent oversight of the adequacy of the council's governance, risk management and internal control framework.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A



Matters arising from internal audit work completed during the period to 20 March 2023

1 Introduction

1.1 This report highlights key issues that the Audit, Risk and Governance Committee should be aware of in fulfilling its role of providing independent oversight of the adequacy of the council's governance, risk management and internal control framework. It highlights the issues arising from the work undertaken by the Internal Audit Service up to 20 March 2023.

2 Progress against the internal audit plan

2.1 The audits detailed in the tables at section 3.1 have been completed since the last Audit Risk and Governance Committee meeting in January 2023.

2.2 As at the 20 March 2023, 92 audits have either commenced or have been completed, this equates to 82% of the plan. The progress of audits from the 2022/23 audit plan are reported below. We anticipate that the audits that are currently being progressed will be completed before the Annual Internal Audit report is presented to this Committee in July. The scope of any reviews not yet started will be considered for inclusion in the 2023/24 audit plan.

Stage of audit process	Number	Percentage
Complete and reported to committee	63	56%
Draft report stage	10	9%
Progressing	19	17%
Not yet started	20	18%
Total number of audits	112	100%

2.3 The 10 audits detailed in the table below are at the draft reporting stage and are currently being discussed and agreed with managers.

Control area
Workforce Wellbeing
Lancashire Public Health 0-19 Healthy Child Programme
Contract monitoring: Building Schools for the Future (BSF)
Premises compliance
Older People Care Services Financial Management
ICT External Assurances
Microsoft Office 365
Domestic Abuse Strategy
Programme Management Office
Financial management within Woodhill's home for older people

2.4 The Internal Audit Service also provides an out-sourced internal audit function to the Office of the Police and Crime Commissioner and Lancashire Constabulary, Lancashire Fire and Rescue Service and Rossendale Borough Council.

3 The assurance available from completed audit work

- 3.1 A brief summary of the assurance provided can be found in the tables below. The matters arising from each of the completed audits are set out in the executive summaries provided at appendix B, and at appendix C for the School audits.

Control area	Assurance
Value Added Tax	● Substantial
Blue Badges	● Substantial
Recording of Youth Referrals	● Substantial
Transition from children's to adult services	● Moderate
Schools Thematic Audit Asset Management	● Moderate
Highways Equipment Hire	● Limited

School Asset Management Audits	Assurance
Penwortham Girls High School	● Substantial
Breck Primary School	● Substantial
Whitworth Community High School	● Substantial
St Joseph's Catholic Primary School	● Substantial
Wellfield Methodist and Anglican Church School	● Substantial
Hyndburn Park Primary School	● Moderate
Christ Church Primary	● Moderate
Walverden Primary School	● Moderate
SS John Fisher and Thomas More RC High School	● Moderate
Water Primary School	● Limited

4 Grant certification

- 4.1 In addition to providing assurance to the council some audit work is required by various central government departments, to provide them with assurance over the council's use of grant funding and attainment of funding conditions. The table below provides details of this completed review, with an executive summary for each of the reviews being provided at appendix D.

Control area
Department for Education (DfE): Skills Bootcamp Grant Scheme Wave 3
Liverpool Combined Authority Local Energy Hub – Q2 2022/23
Liverpool Combined Authority Local Energy Hub – Q3 2022/23

5 Follow up audit

- 5.1 The Internal Audit Service aims to follow up the action plans agreed by managers to address the risks identified through the audit process, to confirm that action has been taken. The plan for the year therefore includes an allocation of time for this work and the actions agreed to be reviewed with the responsible officers. The table below details the status of the agreed management actions.

Action status	As at 20 March 23					
	Total		Risk rating			
			Extreme	High	Medium	Low
Complete	388	63%	0	16	208	164
Incomplete	11	2%	0	1	7	3
Follow up Scheduled	126	20%	0	18	73	35
Progressing	6	1%	0	0	6	0
Superseded	87	14%	0	14	49	24
Total	618	100%	0	49	343	226

- 5.2 A total of 11 follow up audits have been completed. As part of these follow up audits fifty-three management actions were reviewed. The table below provides as summary of the status of these actions and an executive summary of each review can be found at appendix E.

	Extreme	High	Medium	Low	Total
Number of actions	0	0	32	21	53
Implemented	0	0	20	13	33
Superseded	0	0	1	2	3
Progressing	0	0	9	2	11
Not implemented	0	0	2	0	2

6 Amendments to the audit plan for 2022/23

- 6.1 It is important that the audit plan is a flexible plan. The table below details five audits which following discussions with the relevant service areas have been agreed will be removed from this year's audit plan and the scope of these reviews will be considered for inclusion in the 2023/24 audit plan.

Service	Audit Title	Audit Scope
Highways	Highways procurement	Compliance with procurement processes including needs assessment, decision making and value for money.
Policy, Commissioning and Children's Health	Child poverty	The council's response to increases in child poverty including collaboration across the council and with partners.
Commissioning	Contract Management	Arrangements for managing children's social care contracts.
Highways	Contract management	Arrangements for managing delivery of key contracts.
Customer Access	Blue badges	Grant certification.

- 6.2 Since we last reported to this committee in January 2023, two grant audits have been requested and added to the plan. The table below details the additional audit work we have been requested to complete that was not originally included in the audit plan.
- 6.3 Significant Internal Audit resources have also been allocated to support the Council post the implementation of the Oracle Fusion System. The implementation of the new system has resulted in a number of challenges in

regard to the functionality and security of the system making the operation of the system difficult. Internal Audit are supporting the Oracle Fusion Project Board in understanding and finding solutions to these challenges. This includes audit challenge and consultancy support designed to add value and improve operations. It also helps Internal Audit understand the risks the Council faces. As such this work enriches and contributes to the overall assurance that can be delivered, will help inform the Annual Audit opinion while also adding value and improving operations.

Control area
Oracle Fusion Support – Post Implementation
Local EV Infrastructure Fund Grant
Biodiversity Net Gain Grant


Internal Audit

Committee Summaries



Appendix B

Value Added Tax (VAT)

Value Added Tax (VAT)				
Overall assurance rating	Audit findings requiring action			
 Substantial	Extreme	High	Medium	Low
	0	0	0	0

The VAT team are experienced, qualified and able to provide sufficient guidance to council officers when creating payable and receivable invoices. As agreed in our previous report (Ref: 2021-67), action to update the council intranet page with guidance and a form for requesting VAT training sessions has been implemented. The VAT manager also confirmed that the intranet page will be promoted to raise awareness and encourage services to request training. We confirmed that officers are applying the correct VAT rates to accounts payable and receivable invoices.

Monthly compliance checks and reconciliations are completed promptly and most were approved by the VAT manager. VAT returns are accurate and always submitted by the due date. The partial exemption VAT position is regularly monitored and is within HMRC tolerances. VAT liability and rates in Oracle R12 are correct and up to date. Access to invoice entry permission is generally restricted, although four user accounts identified as inappropriate in the 2021-22 audit report had not been amended as agreed. We acknowledge that Oracle Fusion system is now live and consider this action superseded as the permissions structure will be different in the new system.

Context


The council is required to submit monthly VAT returns to HM Revenue and Customs (HMRC) declaring invoices it has raised for goods or services supplied and VAT charged (output tax), and purchases made and the VAT incurred (input tax). As input tax exceeds output tax, the council receives repayments from HMRC. The council adheres to partial exemption rules which allow eligible input tax to be claimed subject to exempt outputs not exceeding 5% of total outputs. The council's VAT team administer the preparation and submission of VAT returns, provide assurance over council compliance with VAT rules, publish guidance and give advice to council officers and schools.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Policy, guidance and training
- Information systems
- VAT Liability
- VAT return

Blue Badges

Blue Badges				
Overall assurance rating	Audit findings requiring action			
 Substantial	Extreme	High	Medium	Low
	0	0	0	0

The Blue Badge scheme is administered in compliance with legislation, regulation and council policies and processes. The application process is clear and easy to follow as the Blue Badge application page on the council's website mirrors government guidance and advice, user rights and responsibilities, eligibility and assessment, and proof of identification requirements. It also provides a link to the GOV. UK online application portal and automatically updates the council's Blue Badge central management system, avoiding re-keying errors. Supporting eligibility and identification information are uploaded to the portal, and paper copies are accepted.

The Blue Badge Team (the Team) are achieving their 28 days processing target with the average processing time taking 12.5 days from application to badge issue. There are instances where processing exceeds the target, for example where applicants do not submit the correct documents. Applicants who do not meet the automatic eligibility criteria are assessed by experienced staff using the Matrix Assessment framework.

New, renewals and replacement badges are charged at a standard rate and payment is taken electronically online or by cheque. The Team are updated and informed by ongoing training, the Acorn database learning, information and advice sharing resource and undergo regular casework reviews and quality checks.

The Service operate a badge misuse policy enabling district enforcement officers to confiscate badges and the public alert of inappropriate badge use by phone and e-form on the council's internet. The complaints process aims to improve the customer journey and satisfaction providing users with guidance and assistance from staff who are appropriately trained with the required soft skills and competencies to de-escalate situations and manage customer expectations. Service performance reports and the Blue Badge Dashboard provide senior managers with details of service delivery and quality to inform decision making and provide strategic oversight.

Context

The Blue Badge service is administered by local councils under the Department for Transport's legislation, regulation and guidance. The scheme provides eligible users with severe mobility problems car parking concessions enabling them to park their vehicles close to their destinations.

The Customer Access Service includes the Blue Badge Team which processes applications and administer renewals and replacement badge requests using the Government's Blue Badge Central Management System (BBCMS). Applications are completed online using the GOV.UK website application portal and automatically transferred to local council systems dependent on applicant's postcodes.


Blue Badges

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Policies, procedures and guidance
- Application and eligibility
- Service delivery
- Anti-fraud controls
- Service quality
- Performance and risk management

Recording of Youth Referrals

Recording of Youth Referrals				
Overall assurance rating	Audit findings requiring action			
 Substantial	Extreme	High	Medium	Low
	0	0	1	0

The framework of control in place for recording youth referrals by the Child & Youth Justice Service (CYJS) is in the main adequately designed and effectively operated. New and existing staff are supported by guidance and training that incorporate referral treatment and information recording principles. Referrals are recorded in the Careworks system and uniquely referenced, detailed, and in the vast majority of cases assigned to a social worker and manager, and regularly updated.

Out of 508 referrals received in 2022 there were two requesting a support service received in February and March 2022 that had been left in Careworks as 'pending allocation' without assessment due to the related team managers leaving their post at the time of receipt. Following investigation by a CYJS Senior Manager, both cases have been closed in Careworks as no further action was required in each after communication with the initial referrer. CYJS have reviewed their processes to ensure that at least three managers have access to and regularly review the mailbox into which referrals are received. Core+ that will replace Careworks in April 2023 is expected to provide functionality that will help the service better identify, monitor and progress the status of all referrals, including through enhanced reporting.

Context

The Child & Youth Justice Service (CYJS) aims to improve outcomes for children, parents/carers and families, and prevent and reduce the risk of offending and harm, leading to safer communities and fewer victims of crime. The service offers early support to prevent children aged 8 -17 from entering the criminal justice system. It seeks to achieve this through a stepped approach, offering a range of targeted interventions, group work, bespoke pieces of support and professional consultation.

Referrals for children may be received from internal CYJS practitioners, Children's Services and external partner agencies such as Her Majesty's Courts & Tribunal Service ("Youth Courts"), Police and schools. All referrals are screened at the point of receipt to consider the most appropriate support to be provided. The treatment of referrals is based on and informed by relevant national guidance including the Youth Justice Board Standards for Children in the Youth Justice System (2019).

CYJS received 508 referrals in the 2022 calendar year that required assessment.


Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

Recording of Youth Referrals

- Receiving, recording and updating referral information;
- The review and oversight of referral cases;
- Monitoring referral data; and
- The provision of relevant guidance and training.

Transition from Children's to Adult Services

Transition from children's to adult services				
Overall assurance rating		Audit findings requiring action		
 Moderate	Extreme	High	Medium	Low
	0	0	2	1

Overall, we can provide moderate assurance on the processes and controls operated by the Transitions Team in relation to the referral process, timeliness of the assessment and supporting young people moving from Children's to Adult Services.

A comprehensive Transitions Policy has been developed and is expected to be approved by the Adult Quality, Improvement and Safety Board on 15 February 2023 and presented to the Cabinet on the 2 March 2023 for final approval.

Significant progress has been made in most areas since the last audit. However, it is still evident that better co-ordination needs to be in place between Children's and Adult Services over the referring of cases to the Transitions Team on a timely basis and the ceasing of payments for care packages by Children's Services. Actions will be raised directly with Children's Services to address these issues.

The Team has introduced a bi-weekly transitions discussion forum and allocation meeting which provides consistent screening of each referral. Young people are allocated to a transitions social worker or transitions worker dependent on the complexity of the case. Referrals are made in a timely manner to the continuing health care lead, to ascertain if they are entitled to health care funding, and accommodation needs are logged, which allows various options to be considered and plan for future needs. A case load tracker has been created which records all cases allocated to each worker and allows the Transitions Manager and workers to monitor the progress of each case against the agreed process and in accordance with the Transitions Policy.

Context

The Care Act 2014 primarily sections 58 to 66 Transition from children to adult care and support requires the council to undertake assessments where there is a significant benefit to do so and at the most appropriate time to ensure a smooth transition from Children's to Adult Services.

The Transitions Team operates within the Adult Community Social Care, Mental Health, Learning Disability and Autism Service and provides support to young people who are transitioning from Children's to Adults Services. Referrals may be made for young people from the age of 14 which allows the Team to plan and commission appropriate places particularly for complex cases in advance of the young person turning 18 and moving into Adult Services. There are currently over 770 young people who are managed by the Team and will transition to Adult Services over the next six years. The number of young people that will be transitioning over the next couple of years has increased and current projections anticipate about 150 young people will transition in each year group compared to 2021.

A report to Cabinet in November 2022 has recognised the increase in numbers being referred to the team and as part of the budget review they have been recognised as an invest to save option. Several children's cases have a significant financial value in terms of care and support costs and the

Transition from Children's to Adult Services


earlier these cases are referred for transition planning the more time is available to consider and plan along with Children's Services and Health to commission suitable adult care and support.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Policy, procedures, guidance and governance
- Case management
- Financial approval and payments

Schools Thematic Audit Asset Management

Schools Thematic Audit Asset Management				
Overall assurance rating	Audit findings requiring action			
 Moderate	Extreme	High	Medium	Low
	0	0	0	0
<p>Most schools maintain an asset management policy which include roles, responsibilities, processes, record keeping and disposal requirements for its key assets, and these are approved annually by Full Governing Board. In the main these are based on the model asset management policy produced by the Schools Finance Team which is accessible on the Schools Portal, although some schools are unaware of it. Procedural guidance to support policy is not held consistently in all schools and, while its absence may restrict awareness and completion of key tasks, policies are often sufficient to address this.</p> <p>In schools, responsibility for maintaining the asset register is delegated to either the school business manager, bursar or IT technician. In most schools only IT assets are recorded on the register. Some schools followed best practice, with registers maintained in line with policies and recording asset item type, condition, status, location, purchasing value and serial number recorded to assist identification. Annual checks of the register against assets are not conducted consistently at all schools to confirm the register's accuracy and completeness.</p> <p>Obsolete assets are generally recorded for management and Governor sign-off, however, Governing Board approval is not routinely sought for the disposal itself and the method of disposal, and this process should be included in the asset management policies.</p>				

Context

The Internal Audit Service reviewed a sample of the County's schools to obtain assurance over the design and operation of asset management controls. Summarising reports highlighting the key findings for each school have been provided following audit visits. Internal Audit's remit with regard to schools is described in the Scheme for Financing Schools in Lancashire, para. 2.6 (April 2022).

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Policies and Procedures;
- Asset Registers;
- Disposal of Assets; and
- Insurance and Security.

Highways Equipment Hire

Highways Equipment Hire

Overall assurance rating



Limited

Audit findings requiring action

Extreme	High	Medium	Low
0	1	3	0

In principle, we support the reasons for relocating the Plant Coordination Team (PCT) from Highways to Fleet Services, including providing independent challenge over procurement and hire decisions. However, both services accept that this oversight function is not operating as originally intended. There was an inconsistent interpretation between Highways and PCT staff of expectations, responsibilities and information flows of the equipment hire process, and the new hire procedure omits the responsibility for the PCT to establish assets utilisation and availability before processing hire requests. Other processing concerns include not retaining and monitoring proof of delivery for new hires and off-hired returning equipment documents, and no standard or consistent process to notify and monitor hire term extensions.

The recently implemented Dynamic Procurement System framework, mini tender agreement and updated procedure note facilitate key tasks and responsibilities and were consistent in scope and content with the council's health and safety policies. Highways and Fleet services Information Management Systems (IMS) intranet sites provide staff and operatives with relevant advice, guidance, task and equipment specific risk assessments and regular team meetings provide appropriate updates. All equipment hire requests were appropriately approved and processed through the Procurement Framework supported by a valid purchase order, and invoices were matched and paid on a timely basis on Oracle Financials. However Local practices involve staff transferring mailbox requests to individual work browsers, which increase the risk of potential document losses and delays in processing hire requests.

Hire equipment is processed on the Highways Asset Management System and monitored on various local Excel spreadsheets detailing equipment information, location, utilisation and responsible officers. The PCT are formally notified when hire agreements expire and equipment is off hire. We found on occasion equipment details on the monitoring spreadsheets were omitted or did not reconcile to the timecards. Documented proof of equipment delivery at the start of the hire period and collection at the end of the hire were not consistently retained and monitored, and there was no procedure or standard process to notify and manage hire term extensions. Claims of equipment damage, abuse and loss are escalated to Highway's managers to investigate and appropriately resolve however hire companies, not staff, alert the PCT which increases the risk of false damage claims.

Operational managers work collaboratively meeting regularly to discuss and resolve issues impacting service delivery and quality. Highways and Fleet senior managers regularly review and provide oversight of the Fleet Report which analyses vehicle utilisation for informed strategic decision making, and the report is presented to the Fleet Services Management Team informing them of supply chain issues, capital resources and service improvements.

Highways Equipment Hire

Context

The council's Highways Service are responsible for the majority of orders for hire of equipment and vehicles for both long and short-term works, lasting from a week or for longer terms up to four years depending on the activity. Equipment and plant requirements range from general power tools such as angle grinders and chainsaws, operated and non-operated plant through to 20 tonne excavators and trucks.

The Plant Coordination Team (PCT) transferred from Highways to Fleet Services in November 2020. The team work collaboratively processing highways equipment requests with the Procurement Service to commission vehicle, plant and equipment from an agreed supplier framework on the Dynamic Procurement System (DPS).

The team facilitate the hire process from initial requests and equipment delivery, through to contract expiry and collection managed on the Highways Asset Management System (HAMS) and various service spreadsheets.

Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Policy, procedure and guidance
- Service delivery
- Monitoring process
- Service quality
- Performance and risk

Internal Audit

Schools Committee Summaries



Appendix C

School's Committee Summaries


Context

As part of Lancashire County Council's 2022/23 internal audit plan, the Internal Audit Service Audited 15 schools across the county to obtain assurance over the design and operation of asset management controls. This report summarises the key findings for ten schools in which the audits have been fully completed. The results for the other five schools have already been reported to this committee at the January 2023 meeting.

Scope of Audit

In these audits we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Policies and procedures.
- Asset registers.
- Disposal of assets.
- Insurance and security.

Penwortham Girls High School				
Overall assurance rating	Audit findings requiring action			
 Substantial	Extreme	High	Medium	Low
	0	0	1	0
<p>Roles and responsibilities relating to asset management were defined in the school's asset management policy which was approved by the Governing Board. Separate procedural guidance was held and outlined processes for maintaining the asset register, performing checks to verify accuracy and for disposal of assets.</p> <p>The school's Premises Manager was responsible for the maintenance of the asset register, and whilst monthly spot checks were undertaken by the School Business Manager, an annual check was not carried out. The register contained sufficient information to identify assets, recording item type, location, condition and purchasing value. We confirmed that assets were accurately recorded on the register. Obsolete assets were recorded and prior approval for their disposal was obtained from the Governing Board on a termly basis.</p>				

Breck Primary School

Overall assurance rating



Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	1	1

Roles and responsibilities relating to asset management were defined in the school's asset management policy which was approved by the Governing Board. Separate procedural guidance is not held, as the policy is relied on to provide guidance on the procedural tasks involved, but a short note of key tasks, how they are carried out, how often and by whom would support compliance with the policy in the event of unforeseen absence.

The school's Business Manager was responsible for the maintenance of the asset register, which contained sufficient information to identify assets, recording item type, location, condition and purchasing value. We confirmed that assets were accurately recorded on the register. An annual check on the asset register was not carried out. Obsolete assets were recorded and prior approval for their disposal was obtained from the Headteacher, but not the Governing Board.

Whitworth Community High School

Overall assurance rating



Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	2

The school policy is based on the council model policy, adequately defines key controls and is reviewed and approved by the governing board annually. The policy could be improved by including more detail on the school's procedures, such as identifying the roles and responsibility for maintaining the asset register and disposing of assets and setting a value threshold for assets to be recorded on the register. The separation of duties arrangements in practice were sufficient, this improvement is simply to ensure the policy reflects practice. The asset register is complete and annual asset register checks are undertaken and approved by the Headteacher. We confirmed all assets were either accounted for on site or signed out by a member of staff. The register includes unique references for some assets, specifically IT equipment, although this is lacking for other assets. The school should consider creating a unique reference and labelling or marking all assets, so they are individually identifiable.

Assets identified for disposal or sale are approved by the Headteacher and subsequently reported to the governing board. The school uses a recycling company to dispose of assets, with a secure storage bin on site for collection. This company is responsible for clearing data and resetting devices to ensure data is not inappropriately accessed. The sale of assets is handled appropriately according to the expected process provided by Schools Financial Services. The school has an insurance policy with the county council and appropriate physical security arrangements on site to protect assets.

St Joseph's Catholic Primary School

Overall assurance rating



Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	2

The school asset management policy adequately defines key tasks and roles and responsibilities, with a value threshold and definition of assets to be recorded and was approved by the Finance & Premises Committee in March 2022. The school has sufficient separation of duties arrangements between responsibility for maintaining the register, for disposing of assets and for carrying out annual asset checks to ensure the register accurately records assets held and to identify any that are missing or damaged.

The asset register includes all key information expected, such as unique references, and assets are labelled or named with corresponding reference. All assets were on site, and we were satisfied that the register is accurate and complete. The school does not require staff to formally sign for assets in their care and should consider obtaining and retaining a formal acceptance of responsibility for the asset from staff or parents, either on an email or in writing. The annual asset register check was taking place at the time of our audit, as the school was in the process of reallocating a substantial number of devices. We were told this will be completed and the result reported to the headteacher.

We were unable to confirm that approval for disposals was obtained and approval by Headteacher or Governing Board (as required) should be recorded and retained. Asset disposals were evidenced by invoices from the disposal service provider. The school does not currently sell assets, although the policy covers this if practice changes in future. The school has a current insurance policy and appropriate physical security arrangements on site to protect assets.

Wellfield Methodist and Anglican Church School

Overall assurance rating



Substantial

Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	3

The school finance manual sufficiently covered key asset management controls, with roles and responsibilities defined and consideration given to separation of duties between maintaining the asset register, approval of disposal and annual asset register checks. The definition of an asset was generic and adding a value threshold may help identify assets for inclusion in the register. The school should consider adapting and implementing the model policy or use it to expand the coverage of the current guidance. Any new or revised policy should be considered for approval by the Governing Board initially and reviewed by the Board annually.

In the main we confirmed that the asset register was a complete and accurate record of school assets. All assets for disposal were approved by the Headteacher. Despite the lack of unique asset references it was possible to identify items by serial number or if the asset was unique in the school or classroom. The school should consider adding a unique reference for each asset to the register and to the assets. This would help identify specific assets if there is no serial number or this is difficult to access.

A section of the register is for assets on loan, and we were told that while parents are asked to formally accept responsibility for the asset, staff are not. The school should consider similarly asking staff to formally accept responsibility for the asset, in the event of loss or damage. The school does not sell assets and has an insurance policy with the Diocese and appropriate physical security arrangements on site to protect assets.

Hyndburn Park Primary School

Overall assurance rating



Moderate

Audit findings requiring action

Extreme	High	Medium	Low
0	0	1	0

There is no formal policy for asset management and disposal in place. Whilst this has impacted our testing, as many of the controls refer to the policy to define responsible officers, procedures and separation of duties arrangements, we have taken some positive assurance from the asset management activity that is in place.

The School should consider adopting Lancashire County Council's model asset management policy and adapt it to their own needs. This should include roles and responsibilities for key tasks, a definition of recordable assets such as a financial value, separation of duties for maintaining the register and disposing of assets, and disposal and sale of assets. The policy should be submitted to the Governing Board for consideration and approval, and reviewed and re-approved annually.

One staff member maintains an asset register of IT equipment and we confirmed all assets were accounted for either on site or loaned out with supporting documentation. Assets on the register are given unique identifiers which correspond to labels on assets. One item was not labelled although we identified it by the serial number. The same staff member assesses assets for disposal but there is no formal approval of the decisions made. We acknowledge disposal of assets are reported to the Governing Board retrospectively and electronic devices are cleansed of data prior to disposal to ensure sensitive and confidential data cannot be accessed inappropriately. The school has an insurance policy with the county council and has appropriate physical security arrangements on site to protect assets.

Christ Church Primary School

Overall assurance rating



Moderate

Audit findings requiring action

Extreme	High	Medium	Low
0	0	3	0

At the time of our audit visit, the school did not hold an asset management policy and as such had no defined roles and responsibilities that had been approved by the Full Governing Board. Separate procedural guidance is not held, but a short note of key tasks, how they are carried out, how often and by whom would support compliance with the policy in the event of unforeseen absence. The school's asset register was created in October 2022 and identifies assets by item type, location, value and condition.

We confirmed that the location and condition of assets were as recorded in the register. Whilst the school has not undertaken checks previously, annual checks will be carried out by a member of staff that is not involved in the day-to-day maintenance of the asset register from 2023 onwards. Obsolete assets are recorded on the register and approved by the head but are not yet submitted to governors for approval of disposal or sale.

Walverden Primary School

Overall assurance rating



Moderate

Audit findings requiring action

Extreme	High	Medium	Low
0	0	1	2

The school uses the model policy which is reviewed and approved by the governing board annually. The policy could be improved by including more detail on the school's actual procedures, such as identifying the roles responsible for maintaining the asset register and disposing of assets, an accurate definition of assets to be included on the register and setting a value threshold. There is limited separation of duties in place, with one staff member responsible for maintaining the register, disposing of assets and confirming accuracy. This should be addressed and reflected in policy.

The asset register records IT equipment with appropriate information and we confirmed all assets were accounted for. The register includes unique references although assets are mostly not marked or labelled. The school should consider attaching this reference to assets, particularly on items that are not uniquely identifiable otherwise. The same staff member assesses assets for disposal but there is no formal approval of the decisions made. It is notable that the school does not usually dispose of assets, and instead dismantles them to repair other assets. The school does not sell assets and has an insurance policy with the county council and appropriate physical security arrangements on site to protect assets.

Ss John Fisher and Thomas More RC High School

Overall assurance rating



Moderate

Audit findings requiring action

Extreme	High	Medium	Low
0	0	1	4

The school asset management and disposal policy sufficiently cover all key areas expected although was recently introduced, in response to this review. During testing, we noted areas where the policy did not match actual practices, such as the definition of an asset to be included on the register. We acknowledge that this is a work in progress and have raised a number of low-risk actions to support improvement.

One staff member maintains the asset register of IT equipment and we confirmed all assets were accounted for either on site or loaned out with supporting documentation. Most assets on the register are not given unique identifiers although it is possible to identify items by using the serial number or sequential numbering for tablets stored in trolleys. The school should consider using unique identifiers on the register and labelling assets, particularly if there is no serial number or this is difficult to access. The same staff member assesses assets for disposal and removes the asset from the register but we were unable to confirm this as it was not possible to sample disposals. We were told a separate sheet will be maintained that records disposals and decisions in future, which will be formally approved by the Head teacher or Governing Board. Annual checks of the location and condition of recorded assets are not currently conducted and we were told these will also be introduced. The school has a current insurance policy and appropriate physical security arrangements on site to protect assets.

Water Primary School

Overall assurance rating



Limited

Audit findings requiring action

Extreme	High	Medium	Low
0	0	2	2

There was no formal asset management policy in place, therefore we have provided the school with the council's model policy on which the school can base their own policy, which should be reviewed and approved by the Governing Board. An asset register was maintained by Blue Orange, the IT service provider, but this only recorded IT equipment and we considered that other non-IT assets of value to the school should be recorded and monitored in the same way. We were unable to confirm that all assets recorded on the IT register were held on site, although most assets were, and some were inadequately described. In order to ensure all assets of value are managed effectively a non-IT asset register should be maintained by school staff, with oversight by senior management and the Governing Board.

Both asset registers should adequately record asset details, their location and allocate a unique reference, which should also be marked or labelled on assets. The register should also include the names of staff with personally allocated assets, such as laptops, that may be moved or taken home. Assets to be taken off-site should be supported by emails or signed forms transferring liability for the asset to the individual. Annual asset register checks are not undertaken and should be implemented once a new register is created to ensure the register accurately records assets held and to identify any that are missing or damaged.

Asset disposals should be recorded on both registers, and approved by senior management and the Governing Board, depending on value, prior to disposal. The school has a current insurance policy and appropriate physical security arrangements on site to protect assets.

Internal Audit

Grant Audit Committee Summaries

2022/23



Appendix D

Department for Education (DfE): Skills Bootcamp Grant Scheme Wave 3

Grant certification and verification

We can confirm that use of grant funding complied with grant conditions.

The statement of grant usage includes a certificate of usage, a statement of expenditure and a report confirming delivery as required by the grant scheme. As the grant is still in progress, we have reviewed budget monitoring arrangements and compliance checking procedures to provide assurance for the pending statement of grant usage.

The original grant proposal of £1,250,543 was agreed by Department for Education (DfE) in May 2022. A further £100k of funding was provided by DfE in November 2022, totalling £1,350,543 for training 380 learners. We were told that funding for an additional 100 learners will be made available from DfE although no formal grant offering letter had been received at time of review.

The proposed budget allocated £125,054 for management costs, less than 10% of the total, and £1,225,615 to six training providers selected as part of a procurement exercise. There is a slight overspend of £126 for the training providers, the Project Manager stated it is anticipated that not all learners will complete the training reducing the payment due. We queried the inclusion of expenditure for marketing and consultancy within the management costs, as these are stated as inappropriate in the grant conditions. The Project Manager confirmed that DfE were made aware of this and accepted that advertising the scheme was essential to attracting learners. The consultancy work will be used to evaluate the grant scheme outcomes and we understand this is an estimate pending a tender exercise at the end of the financial year 2022-23. We accepted these explanations as reasonable expenditure and have asked that written confirmation of acceptance from DfE of exceptional use of grant funding, if it appears or actually conflicts with grant conditions, is requested and retained by the Project manager.

We confirmed the first payment by DfE of £687,798 was recorded on the council's general ledger in October 2022. We reviewed evidence of actual expenditure for training services and confirmed invoices were specific to the skills bootcamp and cost per learner did not exceed £3,572 as stipulated in the grant conditions. The compliance process involves each cohort being sample tested by the project officer to confirm learners having signed privacy, complaints and whistleblowing policy and have right to work in the UK. Attendance is also confirmed to ensure learners have fully attended all days and received an agreed number of guided learning hours (with tutor, either in person or online). Overall, we were satisfied that funding will be solely used for the grants stated purpose, compliance with the grant conditions will be maintained and the review process is effective to confirm milestones are met by providers prior to payment.

Context

The intention of the Skills Bootcamp grant scheme is to fund a training program across Lancashire, aligned to employer needs and directly linked to employment opportunities in the area. It is currently in Wave 3. Following a procurement exercise six providers were selected to provide digital services training programs. There has been a delay in provision of training during the 2022-23 financial year, with most providers having only recently started or due to start at the end of January 2023.

The total funding provided by DfE was £1,350,543 for the period 1 April 2022 to 31 March 2023 to train and support 380 learners. To date, the council has received £687,798 from DfE, with £235,940.94 paid to training providers and £36,525.87 spent on management costs.

Liverpool Combined Authority Local Energy Hub – Q2 & Q3 2022/23

Liverpool Combined Authority Local Energy Hub – Q2 2022/23

Grant certification and verification

We have examined payments made in Quarter 2 of the 2022-23 financial year, submitted by Lancashire County Council to the Liverpool City Region Combined Authority in relation to the Local Energy Hub grant programme. The objective of this review was to perform checks to provide assurance that the grant conditions have been met.

We confirmed that all expenditure incurred complied with grant conditions. In line with grant conditions (see page 3, clause 2.1; and page 18, clauses 4 and 5), Lancashire County Council has appointed a Senior Project Officer (Low Carbon and Renewable Energy) and a Community Energy Investment Lead. Employment costs for the period reviewed do not yet include the pay award for 2022/23 which was agreed in November 2022. April to October's pay will be backdated in November's payroll.

Liverpool Combined Authority Local Energy Hub – Q3 2022/23

Grant certification and verification

We have examined payments made in Quarter 3 of the 2022-23 financial year, submitted by Lancashire County Council to the Liverpool City Region Combined Authority in relation to the Local Energy Hub grant programme. The objective of this review was to perform checks to provide assurance that the grant conditions have been met.

We confirmed that all expenditure incurred complied with grant conditions. In line with grant conditions (see page 3, clause 2.1; and page 18, clauses 4 and 5), Lancashire County Council has appointed a Senior Project Officer (Low Carbon and Renewable Energy) and a Community Energy Investment Lead. Employment costs for the period reviewed do include the pay award for 2022/23 which was agreed in November 2022. April to October's pay has been backdated in November's payroll. The Grade 12 member of staff associated with payroll costs as part of this grant funding left the organisation in November 2022. A decision on recruitment to fill the vacancy is to be taken in the near future.

Context

This audit has been conducted to provide assurance to the Liverpool City Region Combined Authority that the Internal Audit Service consider that information and evidence provided by the External Funding and Investment team in support of the grant claims submitted for quarter 2 and 3, is complete, accurate and that grant terms and conditions have been complied with.

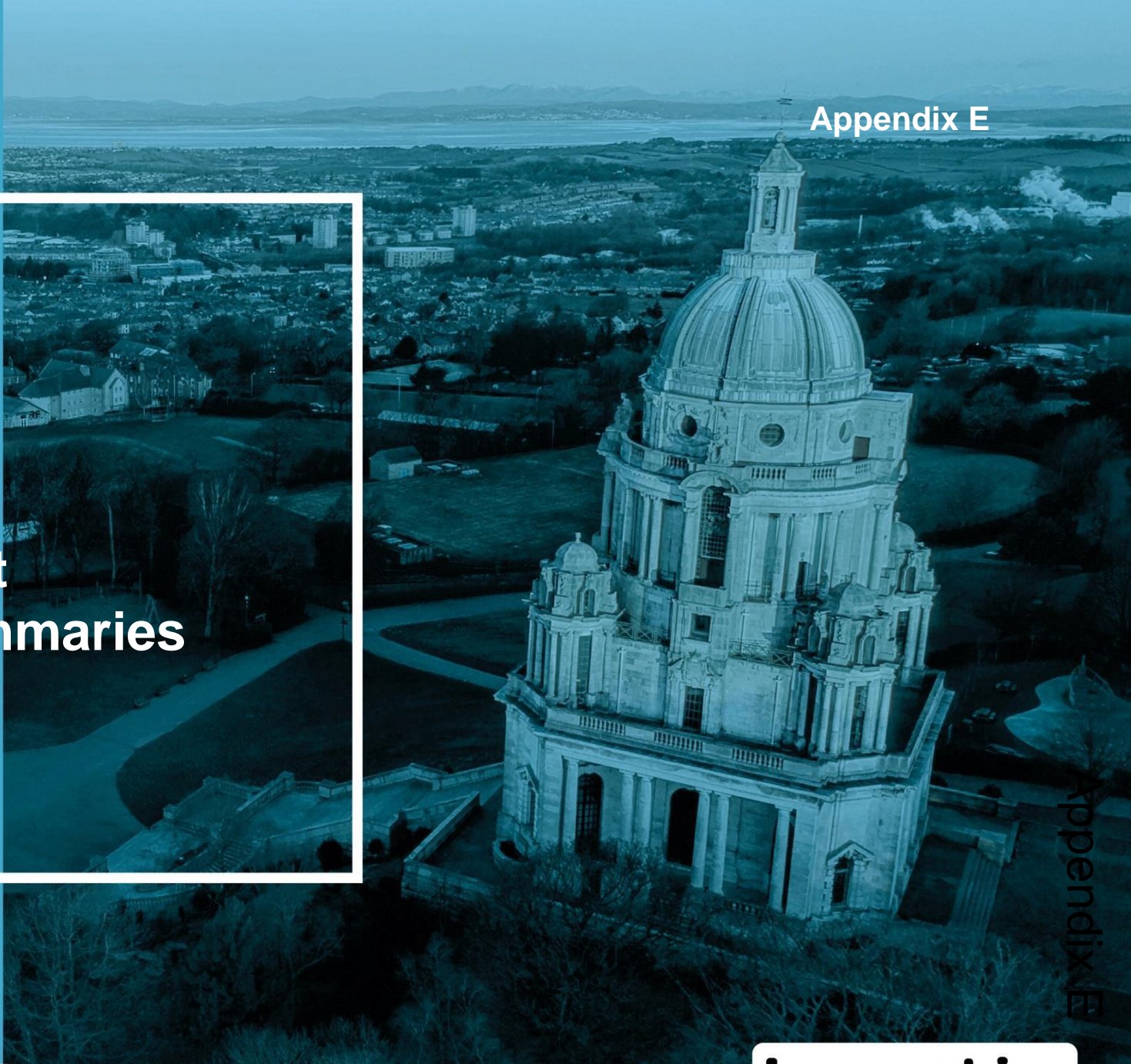
Schedule 3 of the grant conditions state payment will be made to Lancashire County Council within 20 working days of receipt of each quarter's claim forecast, subject to satisfactory audit assurances that payments comply with grant conditions and reconciliation of any previous quarter's payment. A quarterly certificate confirming this must be signed by the S151 Officer and the Head of Internal Audit and submitted for each claim.

Grant funding for the sum of £260,000 plus £10,000 in respect of expenses was allocated to Lancashire County Council to support the establishment of the North West Local Energy Hub and further development of local energy strategy. Liverpool Combined Authority, as the accountable body, has secured funding from the Secretary of State for Business Energy and Industrial Strategy (BEIS) for the period of July 2021 to March 2024.

Internal Audit

Follow up Audit Committee Summaries

2022/23



Appendix E

Follow up report: Administration of the Scrutiny Function

Follow up report: Administration of the Scrutiny Function

Original audit assurance rating



Moderate

See Appendix A for Rating Definitions

	Extreme	High	Medium	Low
Number of actions			1	2
Implemented			1	1
Superseded				1
Progressing				
Not implemented				

A follow-up audit has been conducted to determine the progress made by the Legal, Governance and Registrars Service to implement the actions agreed in the internal audit report, Administration of the Scrutiny Function issued in December 2021.

One medium risk and two low risk actions were agreed with the Democratic and Member Services Manager to be implemented by 31 March 2022 and based on the information and evidence provided to us, we are satisfied that good progress has been made in implementing the agreed actions.

Consideration has been given to availability of resources to cover additional non staff related costs and a full review of the scrutiny function and a new structure has been formed to raise the profile of scrutiny and deliver the function. The Scrutiny Management Board has responsibility to review, record and follow up progress on any recommendations.

Follow Up Report: Contract monitoring – Provider-led Reviews

Follow Up Report: Contract monitoring – Provider-led Reviews

Original audit assurance rating



Limited

See Appendix A for Rating Definitions

	Extreme	High	Medium	Low
Number of actions			6	6
Implemented			3	5
Superseded			1	1
Progressing			2	
Not implemented				

Six medium and six low risk actions were agreed to be implemented by 30 June 2022 and based on the information and evidence provided to us, we are satisfied that adequate progress has been made in implementing the agreed actions. There is effective monitoring of carers assessments in place including sample testing, key performance indicators are checked and recorded on a log, contract review meetings are now more regular and address any actions required. The provider has been reminded to ensure records are complete, accurate and up to date on Liquidlogic Adult Services system (LAS). Lastly prior to recommissioning, routine sample checks were completed with monitoring put in place to measure the level of carers satisfaction, which helps to determine if the service provided is of an appropriate standard to justify recommissioning the service.

Follow up report: Social Care Academy Induction

Follow up report: Social Care Academy Induction

Original audit assurance rating



Moderate

See Appendix A for Rating Definitions

	Extreme	High	Medium	Low
Number of actions			5	2
Implemented			4	2
Superseded				
Progressing			1	
Not implemented				

The original audit identified that the action required included ensuring that all eligible attendees are identified and given the opportunity to benefit from attendance to the Social Care Academy. Also, that evidence should be obtained to demonstrate that delegates continue to be supported once they return to their substantive post, and throughout their initial year of employment.

Five medium and two low risk actions were agreed to be implemented by 31 August 2022 and based on the information and evidence provided, we are satisfied that good progress has been made in implementing those actions.

Follow up report AMHP Service Standards

Follow up report AMHP Service Standards

Original audit assurance rating



Moderate

See Appendix A for Rating Definitions

	Extreme	High	Medium	Low
Number of actions			1	2
Implemented				2
Superseded				
Progressing			1	
Not implemented				

One medium risk and two low risk actions were agreed with the Service Manager to be implemented by December 2022 and based on the information and evidence provided to us, we are satisfied that good progress has been made in implementing the agreed actions. The service monitor against the national AMHP service standards in their monthly activity report. The AMHP Service Operational Guidance has been updated to incorporate the National AMHP Service Standards and the AMHP Service Strategy is being updated to reflect changes in legislation. Consideration has also been given to how wider service recruitment strategies and the Wellbeing Action Plan has been updated.

Follow up report: Sickness Absence Management

Follow up report: Sickness Absence Management

Original audit assurance rating



Moderate

See Appendix A for Rating Definitions

	Extreme	High	Medium	Low
Number of actions			3	
Implemented			2	
Superseded				
Progressing			1	
Not implemented				

Our original audit reviewed the adequacy and effectiveness of the control environment which surrounds the Older People Care Service sickness absence processes, to ensure that in line with policy there is a reasonable balance between the pursuit of business needs and the genuine needs of employees to be absent from work when they are unwell.

Three medium risk actions were agreed to be implemented by 30 June 2022 and based on the information and evidence provided to us, we are satisfied that good progress has been made in implementing those actions. Since our original review, managers have received awareness training from HR on the requirements of the attendance policy and been reminded of their responsibilities with regards to the maintenance of complete and accurate absence documentation.

Follow up report: Support to the economy- Winter Grants

Follow up report: Support to the economy- Winter Grants

Original audit assurance rating



Moderate

See Appendix A for Rating Definitions

	Extreme	High	Medium	Low
Number of actions			1	
Implemented			1	
Superseded				
Progressing				
Not implemented				

Our original audit reviewed the adequacy and effectiveness of the controls in place over the administration of Winter Grants to eligible beneficiaries.

One medium risk action was agreed with the School and Residential Catering Lead to be implemented by November 2021 and based on the information and evidence provided to us, we are satisfied the agreed action has been implemented. The required reports are now available, and the reconciliation is completed with the constraint of timing differences.

Follow Up Report: Health and Safety at Household Waste and Recycling Centres

Follow Up Report: Health and Safety at Household Waste and Recycling Centres

Original audit assurance rating



Moderate

See Appendix A for Rating Definitions

	Extreme	High	Medium	Low
Number of actions			1	
Implemented				
Superseded				
Progressing			1	
Not implemented				

Our original Audit reviewed the adequacy and effectiveness of the household waste, recycling centres and transfer stations complying with health and safety regulation and legislation to provide a safe and healthy environment for employees and the public.

One medium risk action was agreed with the Head of Waste Management to be implemented by 31 December 2021 and based on the information and evidence provided to us, good progress is ongoing to implement the agreed action. All members of the management system team are trained to use the key Excel spreadsheets, although they are yet to develop guidance notes. All staff training courses are recorded on a training matrix or on the intranet, which is imminently being replaced by an improved system.

Follow Up Report: Health and Safety at Operational Depots- Highways

Follow Up Report: Health and Safety at Operational Depots- Highways

Original audit assurance rating



Moderate

See Appendix A for Rating Definitions

	Extreme	High	Medium	Low
Number of actions			1	1
Implemented			1	1
Superseded				
Progressing				
Not implemented				

Our original Audit reviewed the adequacy and effectiveness of the controls in place to ensure compliance with health and safety regulation and policy at depots.

One low risk and one medium risk action was agreed with the Head of Highways to be implemented by March 2022 and based on the information and evidence provided to us, we are satisfied that the agreed actions have been implemented. A new training database has been introduced to ensure any outstanding training is completed in time and the current mandatory training requirements have also been reviewed. Guidance has been updated to reflect the formal list of PPE for the standard roles.

Follow Up Report: Health and Safety at Operational Depots

Follow Up Report: Health and Safety at Operational Depots

Original audit assurance rating



Limited

See Appendix A for Rating Definitions

	Extreme	High	Medium	Low
Number of actions			3	1
Implemented			2	1
Superseded				
Progressing			1	
Not implemented				

Our original Audit reviewed the adequacy and effectiveness of the depot's compliance with health and safety regulation and legislation to provide a safe and healthy environment for employees and the public.

One low risk and three medium risk actions were agreed with the Head of Public and Integrated Transport to be implemented by November 2021 and based on the information and evidence provided to us, we are satisfied that progress has been made in implementing the agreed actions. The Head of ITS has considered seeking accreditation and has considered and implemented controls to ensure PPE safety, recording of near misses and more detailed reporting. Due to lack of resource, the Service are still in the process of considering a new system to record new training required as well as refresher training.

Follow Up Report: Financial Assessment Teams

Follow Up Report: Financial Assessment Teams

Original audit assurance rating



Moderate

See Appendix A for Rating Definitions

	Extreme	High	Medium	Low
Number of actions			1	
Implemented			1	
Superseded				
Progressing				
Not implemented				

Our original Audit reviewed the adequacy and effectiveness of the financial assessment process for service users. The framework of control is adequately designed and effectively operated, but some action was required to enhance aspects of it.

One medium risk action was agreed with the Financial Assessments Performance Manager to be implemented by 31 December 2021 and based on the information and evidence provided to us, we are satisfied that adequate progress has been made in implementing the agreed action. Staff are aware that case files should be clear, consistent and contain detail to ensure a strong audit trail is maintained. This is also sample checked as part of the quality assurance process.

Follow up report: Liquidlogic Adults' & Childrens' Social Care System

Follow up report: Liquidlogic Adults' & Childrens' Social Care System

Original audit assurance rating



Moderate

See Appendix A for Rating Definitions

	Extreme	High	Medium	Low
Number of actions			9	2
Implemented			5	1
Superseded				
Progressing			2	1
Not implemented			2	

An assessment of the risk and control framework associated with the council's arrangements in respect of Liquidlogic Adults' Social Care System (LAS) was undertaken in August 2020. At that time the software suppliers, Liquidlogic provided a level of support and maintenance under contractual agreement with the council via British Telecom Lancashire Services (BTLS). Internally, the system was managed both by the council and BTLS, with a split of roles depending on the process, for example, users were managed by the council.

The contract with BTLS expired April 2021 and all IT services are now provided in-house. Consequently, ICT Services have undergone a significant re-organisation which is taking time to embed and mature. This impacted on the council's ability to make immediate improvements in processes as agreed, to address the issues raised in the original review. In addition, the Adult Services are also going through a programme of transformation and therefore this has also impacted some areas ability to complete the original agreed actions.

Five actions (four medium and one low risk) are either work in progress or have not been started. In particular, work around the risk assessment, data flow mapping and specific training for the Information Asset Owner and Information Asset Administrator will be prioritised to ensure the council complies with the Data Protection and Security Toolkit which is a requirement for all providers of health and social care.

Audit, Risk and Governance Committee
Meeting to be held on Monday, 24 April 2023

Electoral Division affected:
(All Divisions);

Internal Audit's External Quality Assessment
(Appendix 'A' refers)

Contact for further information:
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Brief Summary

In accordance with the Public Sector Internal Audit Standards (PSIAS) the council's Internal Audit function is required to have an external quality assessment (EQA) undertaken at least once every 5 years as part of its Quality Assurance Framework.

To ensure compliance with this requirement, the Chartered Institute of Internal Auditors (CIIA) completed an external quality assessment of the Internal Audit Service in February 2023. This report provides the Audit, Risk and Governance Committee with information on the results of this assessment.

The assessment included a full validation of the Internal Audit Service's own self-assessment against the Public Sector Internal Audit Standards and the International Professional Practices Framework (IPPF). Interviews with key stakeholders across the council were held, along with discussions with Internal Audit Service team members and a stakeholder survey was issued to managers.

Recommendation

The Audit, Risk and Governance Committee is asked to consider the report and note the actions proposed in the report, which are designed to enhance the Internal Audit Service.

Detail

The Chartered Institute of internal Auditors defines external quality assessments as follows: "An EQA evaluates conformance with the Definition of Internal Auditing, the *International Standards of the Professional Practice of Internal Auditing* and an evaluation of whether internal auditors apply the Code of Ethics."

The mandatory elements of the International Professional Practices Framework include the Definition of Internal Auditing, Code of Ethics, Core Principles and

International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice.

The Internal Audit Service conforms to 56 of the 64 relevant principles, with partial conformance on 4 principles. 4 of the remaining principles were not relevant to Lancashire County Council's Internal Audit Service. This has resulted in an overall opinion that the Internal Audit team "generally conforms" to the Chartered Institute of Internal Auditors' standards. This is the same overall rating that the service achieved at the last assessment completed in November 2017 and is the highest of the three global grading definitions used in an external quality assessment. Appendix A is a fully copy of the Chartered Institute of Internal Auditors' report detailing their findings following the external quality assessment.

Section 3.1 of the Chartered Institute of Internal Auditors' report summarises the service's performance in 5 key areas. Since our last assessment we have improved in one of these areas (operating with efficiency) moving from satisfactory to good. We have retained the same rating in the other 4 areas. The report has identified areas for improvement which the service will be working towards going forwards with the aim of achieving a good standard for all 5 areas.

The Chartered Institute of Internal Auditors have reported in their external quality assessment annual performance report that on average the number of recommendations they make following external quality assessments, to help improve an internal audit function, is 14. Following this assessment, the Chartered Institute of Internal Auditors have made 5 recommendations.

Page 16 of the report provides feedback from stakeholder interviews and surveys, which overall is very positive and supportive of the Internal Audit Service. The report provides advice and a degree of challenge to help the Internal Audit Service continue its journey towards best practice and excellence.

Appendices

Appendix	Title
Appendix A	Lancashire County Council EQA Final Report

Consultations

The Chief Executive, the Executive Director of Resources, and the Director of Finance have been consulted.

Implications:

This item has the following implications, as indicated:



Risk management

This report supports the Audit, Risk and Governance Committee in undertaking its role, which includes providing independent oversight of the adequacy of the council's governance, risk management and internal control framework.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A



REPORT



External Quality Assessment (EQA)

A report for Lancashire County Council Internal Audit
Service



Prepared by John Chesshire, approved reviewer for
The Chartered Institute of Internal Auditors

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Executive summary

1.1 Background and Scope

The Lancashire County Council Internal Audit Service (Internal Audit) comprises 17 inhouse team members. This comprises of the Head of Service (Internal Audit) - the Chief Audit Executive (CAE) - two Audit Managers, nine Senior Internal Auditors, four Internal Auditors, and a Senior Investigator. The team have just one vacancy. IT audit is currently supplied by Mersey Internal Audit Agency and the team deliver internal audit services to four other public sector organisations - Lancashire Fire and Rescue, Lancashire Constabulary, Lancashire Police and Crime Commissioner, and Rossendale Borough Council.

The CAE reports functionally to the Audit, Risk and Governance Committee and administratively to the Director of Finance. They have direct access to the Chief Executive and Director of Resources, who is also Lancashire County Council's S151 Officer.

The Internal Audit Service previously had an external quality assessment (EQA) in 2017, undertaken by the Chartered Institute of Internal Auditors. We are delighted that Internal Audit have once again commissioned us to undertake this EQA.

Our review included a full validation of the Internal Audit Service's own self assessment against the Public Sector Internal Audit Standards (PSIAS) and International Professional Practices Framework (IPPF), interviews with key stakeholders across the Council, discussions with Internal Audit Service team members, as well as a stakeholder survey that we issued to 37 managers. We received 18 survey responses.

We conducted this EQA in a hybrid format - both remotely and in-person in February 2023.

1.2 Key Achievements

Lancashire County Council have an established Internal Audit Service, valued by the key stakeholders we spoke to during this EQA review and mirrored in the associated survey feedback.

The governance framework over the Internal Audit service is mature, with well-established Audit, Risk and Governance Committee oversight, regular meetings, communications, reporting and performance monitoring.

A CAE - with an extensive local government background - leads the Internal Audit Service, supported by two experienced Audit Managers and a competent and longstanding team. Stakeholders view the CAE as a trusted leader, who has made a positive difference to the service since his arrival in December 2021.

The Internal Audit Service undertake a range of diverse assurance engagements. These include coverage of emerging areas of risk and control relevant to the local authority sector.

We received very positive responses to our questions about the wider team and its services from those we interviewed and surveyed. Key stakeholders felt confidence in the way the Internal Audit Service had established effective working relations, their approach to planning, and the way in which the team engages with its clients throughout the engagement process.

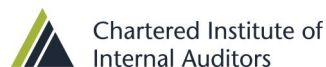
The Internal Audit Service develop and deliver an annual risk-based audit plan for the Council and for their other four clients. Key stakeholders felt clearly engaged and appropriately involved in the design of this. The CAE and their senior colleagues actively monitor team performance and have implemented appropriate engagement-level quality assurance checks.



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The team have improved and streamlined their engagement reporting and have begun to boost their data analytics capability. We believe that the team's supporting operational, engagement-level procedures, documentation and associated templates are fit for purpose.

The CAE has submitted a business case to grow the Investigations team. We support this given the increasing risk of fraud that every local authority is facing at the present time.

1.3 EQA Assessment Conclusion

We are pleased to report that the Internal Audit Service conforms with most of the Standards, as well as the Definition, Core Principles, and the Code of Ethics, which form the mandatory elements of the PSIAS and the Institute of Internal Auditors' IPPF, the globally recognised standard of quality in Internal Auditing.

To summarise, we are pleased to report that the Internal Audit Service are good in their:

- Reflection of the Standards
- Focus on performance, risk and adding value
- Operating with efficiency

We believe that the Internal Audit Service are satisfactory in their:

- Quality Assurance and Improvement Programme

Finally, like many Internal Audit teams, we consider that the Internal Audit Service needs improvement in their:

- Coordinating and maximising assurance

The need to consider how best to rely on and coordinate with other assurance providers remains an emerging area of Internal Audit, and assurance practice, as does assurance mapping. It depends as much on the nature and effectiveness of the other assurance providers as it does on Internal Audit.

In addition to the conformance recommendations, there is scope for improvement in several other areas as summarised in Section 3.2 below. It will be appropriate for the function to say in reports and other literature, once it has addressed the issues raised, that it "conforms to the IIA's professional standards".

Our overall opinion is that the Internal Audit team "generally conforms" to the IIA Standards (See [Appendix A1](#) for our Grading definitions) (See [Section 2](#) for more detail).

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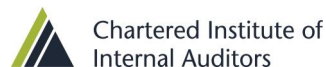
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1.4 SWOT Analysis

Strengths What works well	Weaknesses What could be done better
<ul style="list-style-type: none">• Internal Audit management are experienced, work well together and key stakeholders respect - and have confidence - in their competence and capabilities• The team is nearly at full complement and is also experienced• The risk-based annual plan covers relevant areas of risk and is developed through effective stakeholder engagement• Stakeholders value the team's professionalism, communications, and engagement reporting. Survey feedback is very positive• The CAE's Annual Report is clear and well-written and stakeholders value the enhanced reporting to the Audit, Risk and Governance Committee• The engagement report template is professional and concise• Daily stand ups help with team engagement and well-being	<ul style="list-style-type: none">• Further development of the team's data analytics capability is planned but is in its infancy• Like many Internal Audit teams, the team lack specialist IT audit skills, although these are supplied by a co-sourced partner, under contract• The team have not recently undertaken formal, periodic internal assessments, as part of the quality assurance and improvement programme• Internal audit improvement activities are not formally recorded in an integrated improvement plan• Formal assurance mapping, coordination, and reliance - where appropriate - should be progressed• Further emphasis on organisational change initiatives, as well as other topical and emerging areas of governance would be beneficial
Opportunities What could deliver further value	Threats What could stand in your way
<ul style="list-style-type: none">• Developing a team skills strategy could assist with identifying future needs and priorities, and developing solutions• A strategy covering data analytics and IT auditing, integrated with the results of the QAIP and team development needs, could usefully drive improvement priorities• Regular internal assessments as part of the quality assurance and improvement programme could highlight additional improvement opportunities• Opportunities to learn from the co-sourced IT audit partner could improve team IT audit knowledge, skills and confidence• The expansion of the Investigation and counter-fraud service could create additional synergies and enhance Internal Audit team resilience, providing further career opportunities	<ul style="list-style-type: none">• Failure to retain experienced Internal Audit staff could threaten service resilience and delivery• Emerging risks and increasing complexity in the external environment could threaten the team's ability to deliver insight and add value in specialist service areas• Budget or staff cuts could impact service delivery and threaten the CAE's ability to deliver an effective service and annual opinion

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1.5 Conformance Opinion

The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards.

There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.

It is our view that the Internal Audit Service conforms to 56 of the 64 relevant principles, with partial conformance on four principles. Four of the remaining principles were not relevant to the Internal Audit Service.

This is summarised in the table below.

Summary of conformance	Standards	Generally conforms	Partially conforms	Does not conform	Not relevant	Total
Definition of IA and Code of Ethics	Rules of conduct	12				12
Purpose	1000 - 1130	8				8
Proficiency and Due Professional Care (People)	1200 - 1230	3	1			4
Quality Assurance and Improvement Programme	1300 - 1322	5	1		1	7
Managing the Internal Audit Activity	2000 - 2130	9	2		1	12
Performance and Delivery	2200 - 2600	19			2	21
Total		56	4		4¹	64

¹ We have marked four principles as 'not applicable' as they do not apply to the Lancashire County Council Internal Audit Service (Performance Standard 2070) or relate to situations that have not occurred to date (Attribute Standard 1322, Performance Standards and 2431).

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1.6 Further Improvement Opportunities

In addition to recommendations to improve conformance, there is scope for improvement in areas as summarised below:

Enhancing Internal Audit due professional care and policies and procedures

- The CAE could consider direct referencing of the Standards in relevant sections of the Internal Audit Service's to clearly demonstrate why particularly activities, actions and steps are required. This will be more beneficial for new entrants who join the team in the future.

Quality Assurance and Improvement Programme

- The CAE could document a formal improvement plan that captures and integrates the various team, methodology and other service enhancement actions and initiatives into a single register or strategy.

Reporting on the Quality Assurance and Improvement Programme

- We support the CAE'S intention to include a final year-end position viz-a-vis KPIs in their Annual Report for 2022-2023.

1.7 Acknowledgement

We would like to thank Andrew Dalecki and his team, for their time, assistance and support during this review, and all of those who took part in the review, for their cooperation, together with their open and honest views.

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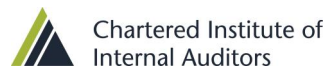
Recommendations to improve conformance to the Standards



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2.1 Area for Improvement [Standards 1210]

Standard 1210, Proficiency

Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities.

In their self-assessment, the CAE believes that the Internal Audit Service collectively needs to enhance its competence, capability and confidence in the area of data analytics. The CAE is drafting a data analytics strategy to help set team direction and targets in this area.

We support the CAE’s intention to increase and embed the use of data analytics across the team to enhance the depth and breadth of assurance provided. Some leading Internal Audit teams have moved to a methodology position of having to justify why data analytics should not be employed on an engagement. The expectation is that use of data analytics is the default position for every engagement. Given the prevalence and criticality of IT to every organisation, the CAE could also consider whether it would be beneficial to develop greater inhouse technical IT audit capability to ensure key areas of current and emerging risk are given sufficient Internal Audit attention.

A wider Internal Audit skills strategy could be a further useful tool, benchmarking the team’s current skills profile and assessing the future skills needed over a three-to-five-year horizon. Any gaps could be identified and appropriate team learning and development priorities established.

Recommendations		Response and action date
1	The CAE should finalise their data analytics strategy and consider how best to employ this to develop and enhance team competence, capability and confidence in both data analytics and IT audit.	<p>Work to enhance the team's data analytics capabilities has commenced. The latest version of IDEA (data analytics software) has been purchased, with key members of the team booked on IDEA training. An assessment of the team's data analytics maturity has been completed, which has enabled a three-year data analytics strategy to be drafted. This strategy will be finalised and presented to the Audit Risk and Governance Committee for their consideration.</p> <p>The current contractual arrangements to provide specialist IT audit support is due to expire at the end of 2023/24. A review of the success of these arrangements will commence shortly. The aim of the review will be to inform how future arrangements for specialist IT audit support can be enhanced and deliver the required assurance regarding digital risks while building a closer working relationship between LCC Digital and Internal Audit.</p> <p>As part of these future arrangements the notion of LCC Auditors collaborating more with the specialist IT auditors to help up-skill the LCC</p>

2

Recommendations to improve conformance to the Standards

Recommendations		Response and action date
		audit team will be explored with the specialist IT audit provider, particularly in areas of IT governance and IT project management.
2	The CAE should consider developing an Internal Audit skills strategy to assist with identifying the team's current skills profile, and future needs and priorities.	An internal skill strategy will be developed utilising a skills assessment based on Lancashire County Council's Internal Audit Service's Competency Framework. The results will be used to identify individual training needs and will also inform the requirements of an overarching Internal Audit skill strategy.

2.2 Area for Improvement [Standards 1311]

Standard 1311, Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the Internal Audit activity.
- Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of Internal Audit practices.

Periodic self assessments against the IPPF and PSIAS have not been undertaken at regular intervals.

Recommendations		Response and action date
3	The CAE should reinstate periodic self-assessments and undertake these more regularly to add value to the Internal Audit Service. These should form part of a documented schedule for the quality assurance and improvement programme.	External Assessments of Internal Audits compliance with the PSIAS are completed on a five year cycle in line with the requirements of the PSIAS. This assessment is the second external assessment to be completed. To supplement these external assessments a self assessment will be completed at the mid point of the five year cycle (year 3).

2.3 Area for Improvement [Standard 2050]

Standard 2050, Coordination and Reliance

The chief audit executive should share information, coordinate activities and consider formal reliance upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

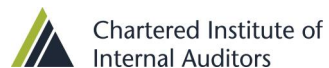
While some reliance is placed on the work of some external assurance providers, and the CAE is exploring opportunities to place reliance and better coordinate activity with second-line assurance providers, this could usefully be formalised and supplemented with assurance mapping to add further value.



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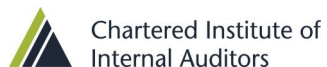
Recommendations to improve conformance to the Standards



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	Recommendation	Response and action date
4	The CAE should develop a proportionate, formal approach to assurance mapping, coordination and - where appropriate - reliance, to enhance the team's risk-based planning, delivery and the effectiveness of assurance provided to key stakeholders.	An assurance mapping exercise will be undertaken. This exercise will be completed initially to identify and map available assurances based on the three lines of defence model for the risks detailed on the Council's Corporate Risk register. This will then be expanded in future years to cover risks identified on individual service risk registers.

2.4 Area for Improvement [Standard 2110]

Standard 2110, Governance

The internal audit activity must assess and make appropriate recommendations to improve the organisation's governance processes.

In their self-assessment, the CAE believes that the Internal Audit Service collectively needs to enhance its work in this area, particularly in respect of governance associated with organisation change, transformation and project-related activity. We concur, and believe that further focus on recent and emerging areas of internal audit interest, including culture, ethics, IT governance, cyber security and climate/environmental governance will also be necessary.

	Recommendation	Response and action date
5	The CAE should also consider how best to improve assurance over organisational change initiatives, as well as other recent and emerging areas of internal audit interest to add further value and insight to key stakeholders.	<p>The actions detailed to implement recommendation one will increase Internal Audits coverage of IT governance, cyber security and audit support provided in IT projects.</p> <p>Although Internal Audit supports and reviews various change and transformation programmes across the organisation, these are often completed after the change has been introduced to provide assurance over the effectiveness of the changes.</p> <p>Internal Audit are currently providing extensive Internal Audit support to the project teams that working on the current stages of the Fusion project. More areas of change and transformation across the council in which Internal Audit can add value will be identified</p> <p>Further consideration will be given to reviewing other emerging areas of interest, including culture, ethics, and climate/environmental governance. The team's capacity to deliver assurance over these additional areas of audit interest will be assessed in line with the risks and the additional value that Internal Audit can deliver to key stakeholders.</p>

3

Supporting continuous improvement

The Chartered Institute regards conformance to the IPPF as the foundation for effective Internal Audit practice. However, our EQA reviews also seek feedback from key stakeholders and we benchmark each function against the diversity of professional practice seen on our EQA reviews and other interviews with chief audit executives/heads of Internal Audit, summarised in an Internal Audit maturity matrix.

We then interpret our findings into suggestions for further development based upon the wide range of guidance published by the Chartered IIA.

It is our aim to offer advice and a degree of challenge to help Internal Audit activities continue their journey towards best practice and excellence.

In the following pages we present this advice in two formats:

- A matrix describing the key criteria of effective Internal Audit, highlighting the level of maturity the Internal Audit team has achieved and the potential for further development, recognising that effective Internal Audit goes further than purely conformance with Internal Auditing standards. [\(See 3.1\)](#)
- A series of improvement opportunities and suggestions which the Internal Audit team could use as a basis for an action plan. [\(See 3.2\)](#)



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Supporting continuous improvement

3.1 Internal Audit matrix

		IIA Standards	Focus on performance, risk and adding value.	Coordination and maximising assurance	Operating with efficiency	Quality Assurance and Improvement Programme
Assessment levels	Excellent	Outstanding reflection of the IIA standards, in terms of logic, flow and spirit. Generally Conforms in all areas.	IA alignment to the organisation's objectives risks and change. IA has a high profile, is listened to, and is respected for its assessment, advice, and insight.	IA is fully independent and is recognised by all as a 3rd line. The work of assurance providers is coordinated with IA reviewing reliability of.	Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise, and produced promptly.	Ongoing efforts by IA team to enhance quality through continuous improvement. QA&IP plan is shared with and approved by AC.
	Good	The IIA Standards are fully integrated into the methodology – mainly Generally Conforms.	Clear links between IA engagement objectives to risks and critical success factors with some acknowledgement of the value-added dimension.	Coordination is planned at a high level around key risks. IA has established formal relationships with regular review of reliability.	Audit engagements are controlled and reviewed while in progress. Reporting is refined regularly linking opinions to key risks.	Quality is regarded highly, includes lessons learnt, scorecard measures and customer feedback with results shared with AC.
	Satisfactory	Most of the IIA Standards are found in the methodology with scope to increase conformance from Partially to Generally Conform in some areas.	Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change, but criteria and role require clarity.	The 3 lines model is regarded as important. Planning of coordination is active, and IA has developed better working relationships with some review of reliability.	Methodology recognises the need to manage engagement efficiency and timeliness, but further consistency is needed. Reports are informative and valued.	Clear evidence of timely QA in assignments with learning points and coaching. Customer feedback is evident. Wider QA&IP may need formalising.
	Needs improvement	Gaps in the methodology with a combination of Non-conformances and Partial Conformances to the IIA Standards.	Some connections to the organisation's objectives and risks but IA engagements are mainly cyclical and prone to change at management request.	The need to coordinate assurance is recognised but progress is slow. Some informal coordination occurs but reviewing reliability may be resisted.	Multiple guides that are slightly out of date and form a consistent and coherent whole. Engagement go beyond deadline and a number are deferred.	QC not consistently embedded across the function. QA is limited / late or does not address root causes.
	Poor	No reference to the IIA Standards with significant levels of non-conformance.	No relationship between IA engagements and the organisation's objectives, risks, and performance. Many audits are ad hoc.	IA performs its role in an isolated way. There is a feeling of audit overload with confusion about what various auditors do.	Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.	No evidence of ownership of quality by the IA team.

Note: The maturity level of the function will depend on several factors, including the maturity and the risk appetite of the organisation. Consequently, not all audit functions will aspire to being "Excellent" across the board.



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3.2 Further improvement opportunities

This section of the report details additional feedback and observations which, if addressed, could further strengthen the impact of Internal Audit. These observations are not conformance points but support Internal Audit's ongoing development.

These suggestions do not require a response; they will not form part of any subsequent follow up if undertaken.

Opportunity A: Standard 1220 Due Professional Care and 2040 Policies and Procedures

Improvement opportunity	
1	The CAE could consider direct referencing of the Standards in relevant sections of the Internal Audit Service's to clearly demonstrate why particularly activities, actions and steps are required. This will be more beneficial for new entrants who join the team in the future.

Opportunity B: Standard 1300 Quality Assurance and Improvement Programme

Improvement opportunity	
2	The CAE could document a formal improvement plan that captures and integrates the various team, methodology and other service enhancement actions and initiatives into a single register or strategy.

Opportunity B: Standard 1320 Reporting on the Quality Assurance and Improvement Programme

Improvement opportunity	
3	We support the CAE'S intention to include a final year-end position viz-a-vis KPIs in their Annual Report for 2022-2023.

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Appendix

A1 Global Grading Definitions

We have used the following rating scale in this report:

Generally Conforms (GC)	The reviewer has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.
Partially Conforms (PC)	The reviewer has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.
Does Not Conform (DNC)	The reviewer has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. They may also represent significant opportunities for improvement, including actions by senior management or the board.

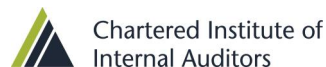
Often, the most difficult evaluation is the distinction between general and partial. It is a judgement call keeping in mind the definition of general conformance above. The reviewer must determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices does not reduce a "generally conforms" rating.



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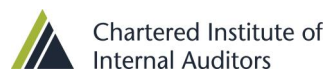
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A2 Stakeholder Interviews and feedback

We interviewed the following individuals as part of the review.

Stakeholders	Title /Position
Neil Kissock	Director of Finance
Angie Ridgwell	Chief Executive
Alan Schofield	Chair, Audit, Risk and Governance Committee

Internal Audit Function	Title /Position
Zaheer Abbas	Senior Auditor
Mark Baskerville	Audit Manager
Andrew Dalecki	Head of Service (Internal Audit)
Lisa Hardman	Internal Auditor
Laura Rix	Audit Manager

Feedback from stakeholder interviews and surveys

Working with the business

“They plan audits ahead and give you advanced notice so that you can properly engage with the audit process. They clearly set out what they are going to look at and why.” Stakeholder survey feedback

“They have developed effective relations with senior managers, many of whom are new, and have very good engagement with the Audit, Risk and Governance Committee.” Stakeholder interview

“Internal Audit are adept at responding to our needs.” Stakeholder interview

“Internal Audit have a clear sense of purpose and are increasingly giving the organisation the assurance it needs.” Stakeholder interview

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"I value their professionalism and ability to provide clear, objective and independent advice. The 'new' Head of Internal Audit has very quickly identified and implemented a number of service improvements which have been recognised at the Audit, Risk and Governance Committee." Stakeholder survey feedback

"Sometimes specialist areas may require more initial input from professional staff to bring audit staff up to speed on peer review type work - which is to be expected." Stakeholder survey feedback

"We have a systematic and engaging relationship with the team which is welcomed by our staff. Thank you." Stakeholder survey feedback

Communication

"Andy has brought a more structured approach and has really improved internal audit reports." Stakeholder interview

"Reports (are) produced in a timely manner. Reports are concise and draft reports shared with Head of Service prior to finalisation to allow for discussion and clarity around findings." Stakeholder survey feedback

"I particularly like the enhanced reporting to the Committee." Stakeholder interview

"Good engagement prior to developing the annual audit plan and ongoing communication which helps ensure a dynamic response to risk management." Stakeholder survey feedback

Internal Audit plans and coverage

"The team develop a good Internal Audit plan with a lot of coverage of key areas of the Authority." Stakeholder interview

"Internal Audit provide an excellent and robust service. As LCC develops it's plans for the coming years it would be good to see IA involved at the beginning (design phase) of the change programmes to build in sound controls from the start." Stakeholder survey feedback

"Developing the internal audit plan is a very engaging process." Stakeholder interview

"One of the key strengths has been their ability to flex their resources and plan to respond to urgent issues." Stakeholder survey feedback

"The risk-based planning and audits help engage seniors." Stakeholder interview

"In addition to BAU service, at Directorate level IA host strategic planning sessions that are extremely effective...(as well as) the flexibility to adapt and respond to priorities as well as two way dialogue on areas of emerging risk". Stakeholder survey feedback

"When developing future years audit plan, it would be beneficial to engage with Heads of Service directly as well as Director/Exec Directors to ensure areas of concern/emerging issues are appropriately considered." Stakeholder survey feedback

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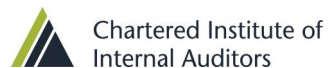
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Internal Audit Service

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www.iaa.org.uk/eqa



Value

“I see a positive evolution in terms of Internal Audit service developments.” Stakeholder interview

“The team has recently improved its professionalism however, there is still more to do in terms of the team being able to analyse real world scenarios and provide recommendations that add value.” Stakeholder survey feedback

“We are very confident in the Internal Audit service and its Head.” Stakeholder interview

“Key strengths - ability to understand complex service delivery issues. Positive and constructive challenge when appropriate.” Stakeholder survey feedback

“Does internal audit add value? I think it does. There is a much clearer link between evidence and conclusions.” Stakeholder interview

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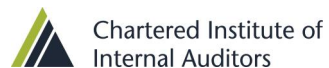
Appendix



External Quality Assessment
(EQA)

A report for:
Lancashire County Council
Internal Audit Service

06 March 2023
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Disclaimer: John Chesshire undertook this review in Quarter One 2023 on behalf of the Chartered Institute of Internal Auditors. This report provides management and Lancashire County Council's Audit, Risk and Governance Committee with information about the Internal Audit Service as of that date. Future changes in environmental factors and actions taken to address recommendations may have an impact upon the operation of Internal Audit in a manner that this report cannot anticipate.

Considerable professional judgment is involved in evaluating. Accordingly, it should be recognised that others could draw different conclusions. We have not re-performed the work of Internal Audit or aimed to verify their conclusions. This report is provided on the basis that it is for your information only and that it will not be quoted or referred to, in whole or part, without the prior written consent of the Chartered Institute of Internal Auditors.

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Audit, Risk and Governance Committee
Meeting to be held on Monday, 24 April 2023

Electoral Division affected:
(All Divisions);

Internal Audit Annual Plan
(Appendix 'A' refers)

Contact for further information:
Andy Dalecki, Head of Internal Audit, Tel: 01772 533469,
Andrew.Dalecki@lancashire.gov.uk

Brief Summary

This report explains the approach to establishing the internal audit plan for 2023/24 and the work proposed that will support the Head of Internal Audit's overall opinion for the year on the council's framework of governance, risk management and control.

Recommendation

The Audit, Risk and Governance committee is asked to consider and approve the Internal Audit Plan 2023/24, as set out at Appendix A.

Detail

Appendix A sets out the background and context to this report including the audit planning process and the plan.

Appendices

Appendix	Title
Appendix A	Internal Audit Annual Plan 2023-24

Consultations

The work set out in the Internal Audit Annual Plan for 2023/24 has been discussed with members of the Executive Management Team, and with Directors and Heads of Service across the organisation.

Implications:

This item has the following implications, as indicated:



Risk management

This report supports the Audit, Risk and Governance Committee in undertaking its role, which includes providing independent oversight of the adequacy of the council's governance, risk management and internal control framework.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A



Internal Audit Plan 2023/24

1. Introduction

- 1.1. This report sets out the Internal Audit Plan for 2023/24. The Audit, Risk and Governance Committee is asked to consider and approve it under the committee's terms of reference.
- 1.2. The Audit Plan for 2023/24 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The PSIAS represent mandatory best practice for all Internal Audit Service providers in the public sector. In accordance with PSIAS, the mission of Internal Audit is to 'enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.
- 1.3. The PSIAS require that the Internal Audit Service is delivered and developed in accordance with the Internal Audit Charter. The Internal Audit Charter provides the functional and organisational framework in which Internal Audit operates to best serve Lancashire County Council and to meet its professional obligations under the PSIAS.
- 1.4. The Internal Audit Service aims to achieve the core principles set out by the Chartered Institute of Internal Auditors and reiterated in PSIAS, which are that the service:

Demonstrates integrity	Demonstrates quality and continuous improvement
Demonstrates competence and due professional care	Communicates effectively
Is objective and free from undue influence (independent)	Provides risk-based assurance
Aligns with the strategies, objectives, and risks of the organisation	Is insightful, proactive, and future-focused
Is appropriately positioned and adequately resourced	Promotes organisational improvement

2. The purpose of the audit plan

- 2.1. The council is responsible for a wide range of services across the county, and it is expected that the council's members and senior management are aware both of the risks to achieving their service objectives and the risks inherent in their work. Each of these risks should be managed by controls designed to reduce it to a corporately acceptable level, and which operate effectively and consistently in practice. The Chief Executive, Audit, Risk and Governance Committee, and ultimately the council, need assurance that these controls are adequately designed and operating effectively. At the end of the financial year the Chief Executive and the Leader will jointly sign an annual governance statement that is published with the council's financial statements.
- 2.2. The Head of Internal Audit is required by professional standards to provide an opinion addressing the council's frameworks of governance, risk management and control and thereby to provide assurance that the risks to the council's objectives are being adequately and effectively controlled. The Audit, Risk and Governance Committee is required by its terms of reference both to consider the Head of Internal Audit's annual report and opinion and to review the council's annual governance statement. The committee should therefore consider and approve an Internal Audit Plan designed to provide the assurance that the council, committee, Leader and Chief Executive require.

2.3. Because the overall opinion covers a twelve-month period, the evidence to support it must relate to the controls in operation for that period. The plan therefore chiefly addresses work for just one year, but projections may be made into audit requirements for future years. The work in any annual plan will rarely be fully complete at the end of the year but will be sufficient to inform the council's annual governance statement shortly after the year end.

3. Obtaining the evidence to support an overall opinion for 2023/24

3.1. An Internal Audit Plan designed to provide the evidence necessary to support an opinion on governance, risk management and control should arguably encompass the following:

- Coverage of the key components of each part of the opinion: aspects of the council's governance; risk management; and control.
- Sufficient coverage of controls across the council's operations as a whole, so that a fair assessment may be made across the organisation.
- Coverage of the controls that serve to mitigate the council's most significant risks to an acceptable level, and particularly those that operate most widely across the council.
- Assessment of the actions being taken to develop improved controls in the areas of greatest unmitigated risk.

3.2. It will therefore be necessary as a minimum to audit aspects of the council's governance and risk management processes, as well as a range of control processes. However, information will also be available from less formal sources than planned audit engagements and this will also inform the overall opinion.

3.3. A control framework applicable to the council's governance, risk management and control is shown on the following page. The Internal Audit Plan is designed to address, proportionately, the coverage required across this controls framework for the whole organisation. It addresses each of the areas of the overall opinion, each of the areas of control set out in the control framework, and each of the major areas of service delivery. A number of individual audits address some common themes, including contract monitoring, safeguarding, health and safety, and improvement plans that may also inform a more corporate view. The plan also includes work to follow up the action plans agreed by managers as a result of audit work over previous years.

A framework for governance, risk management and control						
Governance and democratic oversight						
Corporate governance		Decision-making		Oversight and scrutiny		Policy setting
Business effectiveness						
Risk management	Performance management	Organisational design	Financial governance and planning		Working in partnership	
Service delivery						
Growth, Environment & Transport		Education & Children's Services		Adult Services and Health & Wellbeing		Resources
Service support						
Legal services	Skills, learning & development	Core ICT systems	Property management	Health & safety	Programme management	Customer access
Business processes						
Financial systems & processes		Procurement		Facilities management		Human resources
Information management		Contract monitoring & management		Investment		Payroll processing
Business continuity						ICT systems

- 3.4. A detailed list of each audit in the plan is provided at section nine below and sets out how they fit into this framework. It should be noted that the plan will need to be a flexible plan and will almost certainly be subject to change during the year as the council's priorities alter and as the work set out here in outline is scoped in more detail. The committee will be informed of any significant changes as progress is reported during the year.
- 3.5. The Internal Audit Service has appointed an external provider to undertake a programme of specialist ICT audit work for the council. The plan of specialist ICT audit work for 2023/24 is included in the plan set out at section nine below.

4. The context of the audit work for the year

- 4.1. The annual planning process involves consultation with a range of stakeholders, to ensure that their views on risks and current issues, within individual services and corporately, are identified and considered. In order to ensure that the most effective use is made of available resources, to avoid duplication and to minimise service disruption, efforts will continue to be made to identify, and where possible, rely upon, other sources of assurance available.

5. The assurance we will provide

- 5.1. The assurance we will provide falls into four categories: substantial, moderate, limited and no assurance.
- Substantial assurance: the framework of control is adequately designed and/ or effectively operated overall.
 - Moderate assurance: the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system or process.
 - Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service,

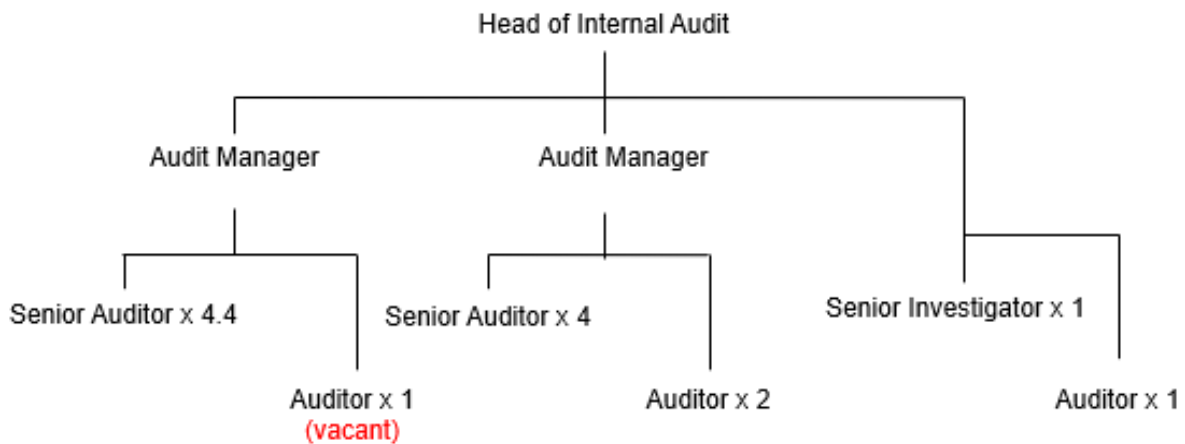
system or process' objectives at risk.

- No assurance: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.

6. Internal Audit Service resources

- 6.1. Resource requirements are reviewed each year as part of the audit planning process. The current establishment for the audit team enables sufficient resource to deliver the risk-based plan. The service structure which is set out below equates to 16.4 full-time equivalent (FTE). The service currently has one vacant Auditor post. Recruitment for this post will commence in the new financial year.
- 6.2. The Internal Audit Service also provides an out-sourced Internal Audit function to the Office of the Police and Crime Commissioner and Lancashire Constabulary, Lancashire Fire and Rescue Service and Rossendale Borough Council. This work accounts for approximately 2.4 FTE staff but is undertaken by individuals across the service.

Lancashire County Council: Internal Audit Service



7. Funding and grant certification work

- 7.1. The Internal Audit Service is required under the funding requirements of certain central government departments to certify certain aspects of the way funding has been spent.
- 7.2. The Department for Levelling up, Housing and Communities requires the Internal Audit Service to test funding claims submitted by the council's Supporting Families Programme and we work with the Children and Family Wellbeing Service to process the council's funding claims under this programme.
- 7.3. We are also aware of the need to certify funding claims in relation to capital improvements to the county's highways and various strands of economic development. However, although we seek to understand in advance what funding may be subject to such certification, new requirements often emerge during the year and these will be accommodated.

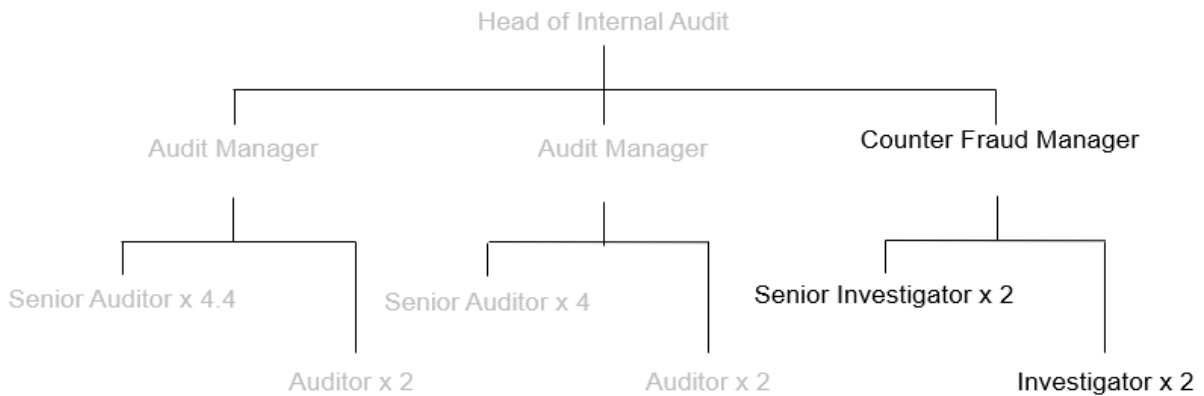
8. The Internal Audit Service's responsibilities in relation to fraud and investigations

- 8.1. In addition to our audit work, the Internal Audit Service provides a dedicated resource to support the council's management team in managing the risk of fraud. It provides a small investigatory service consisting of one senior investigator. However, for the financial year 2023/24 an auditor will be supporting the senior investigator. This is to help progress the counter fraud work plan and to provide valuable experience to the auditor in counter fraud and investigations. They will both respond to instances of

suspected fraud or impropriety, and also undertake proactive work to identify and pursue indications of potentially fraudulent activity.

- 8.2. Work has also commenced on permanently expanding the counter fraud resources. These additional resources will ensure the service can provide an effective response to the current fraud and corruption risks and increase the council's proactive counter fraud work, as well as developing the service to be ready for any future fraud risks. The Counter Fraud Service will increase to five FTE as detailed in the structure chart below. The service plans to recruit to this new post early in the 2023/24 financial year

Lancashire County Council: Internal Audit Service



- 8.3. There are some synergies in the skills required of both Internal Audit and counter fraud work, and the information arising around the investigation of allegations of fraud or impropriety may also indicate potential lapses in controls or of the culture of the organisation which are of interest to the Internal Audit Service. Therefore, the Counter Fraud activities will compliment and support Internal Audit activities.

9. Internal Audit Plan 2022/23

- 9.1. The work set out in the table below is intended to obtain the evidence required to support an overall opinion on the council's governance, risk management, and control processes for 2023/24. Individual elements within the plan may be amended but, taken as a whole, the resulting plan is designed to address the requirement for an overall opinion as set out in the Internal Audit Strategy for 2023/24.

Lead directorate	Service	Audit Title	Audit work
Adult Services and Health & Wellbeing			
Governance and Democratic Oversight			
Strategic and Integrated Commissioning	Integrated Commissioning Team	Health Integration	A review to assess the adequacy and effectiveness of the governance arrangements established to progress the health integration agenda. This will include liaising with the Mersey Internal Audit Agency to determine what assurance we can share with each other.
Quality & Improvement	Quality & Improvement	Effectiveness of the Safeguarding Board	A review of the adequacy and effectiveness of the governance arrangements of the Safeguarding Board.
Quality & Improvement	Adult Social Care Business Development	Business planning and governance arrangements	Determine the adequacy and effectiveness of the business planning process, commissioning plans and recently introduced governance arrangements across Adult Services
Adult Services and Health & Wellbeing	Adult Governance	Role of the responsible officer for Adult Services.	Determine the effectiveness of the arrangements in place that enables the Executive Director of Adult Services to fulfil their statutory responsibilities.
Business Effectiveness			
Quality & Improvement	Quality, Contracts and Safeguarding	Quality Assurance Framework	A review of the adequacy of the Quality Assurance Framework being developed to support an assessment of the council's preparedness for the future CQC inspection process.
Public Health	Health, Equity and Partnerships	Management of grants for Drug and Alcohol Services	Determine If there is an effective system in place to ensure that all available grants are obtained, and grant conditions are complied with.
Adult Care and Provider Services	Provider Services	CQC Inspection Readiness	A review of the adequateness and effectiveness of the approach to CQC preparedness within Provider Services

Lead directorate	Service	Audit Title	Audit work
Service Delivery			
Public Health	Health, Equity and Partnerships	Public Health Contingency Audit	Public Health Contingency Audit
Quality & Improvement	Quality, Contracts and Safeguarding	Safeguarding's Service redesign and implementation	A review of the Safeguarding Service posts the redesign to ensure that the changes have embedded, and benefits are being realised.
All teams within the Adults and Children's directorates Finance	All teams within the Adults and Children's directorate Finance	Direct Payments	A review of the actions agreed as part of the 2022/23 direct payments audit. In addition to this detailed compliance testing of the end-to-end process of the management of cases.
All Adults Services	All Adults Services	Case and supervision audits	Determine the adequacy and effectiveness of the process for the managements of case and supervision audits across Adults Services.
All Adults Services	All Adults Services	Management or the timeliness of assessments and reviews	Review the adequacy and effectiveness of the approach by Adults Services to address the backlogs of assessments and reviews.
Adult Care and Provider Services	Provider Services	Client finance arrangements	Review of the adequacy and effectiveness of the client finance arrangements within Provider Services.
Adult Care and Provider Services	Older People Care Services	Older People Finances	A review of the adequacy and effectiveness of the management of cash within the council's residential care homes
Public Health	Health, Equity and Partnerships	Supplementary Substance Misuse Treatment and Recovery Funding 2022-2025	An assessment of compliance with grant conditions.
Public Health	Health, Equity and Partnerships	SSMTR Housing Support Grant	An assessment of compliance with grant conditions.

Lead directorate	Service	Audit Title	Audit work
Public Health	Health, Equity and Partnerships	Rough Sleeping Drug and Alcohol Treatment Grant Scheme 2022-2024	An assessment of compliance with grant conditions.
Public Health	Health, Equity and Partnerships	In Patient Detox Grant	An assessment of compliance with grant conditions.
Public Health	Health, Equity and Partnerships	Individual Placement Funding	An assessment of compliance with grant conditions.
Public Health	Health, Equity and Partnerships	Probation Grant	An assessment of compliance with grant conditions.
Business Processes			
Adult Care and Provider Services	Provider Services	Residential Charging Policy	A review to assess the adequacy and effectiveness of the charging policy. This should include the application of top up fees and contribution waivers in meeting eligible care needs.
Strategic and Integrated Commissioning	Integrated Commissioning Team	Commissioning Framework	A review to assess the adequacy and effectiveness of the commissioning framework, with a particular focus on how past performance, needs assessment and consultation informs future commissioning decisions and procurement activity.
Service Support			
Public Health	Health, Safety and Resilience	Lone Working	A review to ensure that the lone worker policy and supporting procedures are adequately and effectively applied across the council. This will include a review of the case management system to support lone workers.

Education & Children's Services			
Service Delivery			
Policy, Information and	Commissioning	Contract Management	Effectiveness of arrangements for managing children's social care contracts including delivery to specification and quality, payments

Commissioning			and dispute resolution.
Policy, Information and Commissioning	Commissioning	Holiday activities and food programme	A review to assess the adequacy and effectiveness of the Council's administration and delivery of the Holiday activities and food program.
Children's Social Care	Looked After Children and Leaving Care	Section 17 payments	Payments made under Section 17 of the Children Act 1989 to address identified needs, including compliance with policy, repeat payments, approvals and payment controls.
Children's Social Care	Children's Social Care	Overtime payments	Compliance with overtime policy including decision making, approvals and evidence supporting claims.
Children's Social Care	Fostering Service	Fostering payments	Compliance with policy including decision making, management oversight, approvals and payments.
Education, Culture and Skills	Cultural Services	Museum asset security	Implementation of and compliance with new policies and procedures to ensure the security of artefacts held by museums.
Education, Culture and Skills	Education Improvement	Academisation	Effectiveness of the council's role with individual schools during the transfer to academy status.
Education, Culture and Skills	Early Help	Verification of claims made under the Supporting Families Programme	Testing of 10% of all claims made, as stipulated by the Department for Work and Pensions for Q1 of 2023/24

Lead directorate	Service	Audit Title	Audit work
Growth, Environment & Transport			
Business Effectiveness			
Highways and Transport	Customer Access Service	Customer Access Service business continuity	Arrangements for business continuity and emergency planning including risk assessment, mitigating actions and testing.
Service Delivery			
Highways and Transport	Passenger and Integrated	School transport - mainstream and	Effectiveness of systems and processes for managing sufficiency and timeliness of school transport provision. Includes SEND parent/

Lead directorate	Service	Audit Title	Audit work
	Transport	SEND	carer offer and claims processing/ checking and delivery of savings.
Highways and Transport	Highways	Developer support role	Effectiveness in supporting LCC fulfil its consultee role as a highway authority including turnaround, timescales, delays and Pis.
Highways and Transport	Highways	Highways Asset Management System	Adequacy of control framework to ensure accuracy and completeness of the expanded system to inform a replacement planned for 2024.
Highways and Transport	Passenger and Integrated Transport	RAMP system	Administration of invoicing and payment for servicing and repair of LCC and external client vehicles.
Highways and Transport	Public and Integrated Transport	Grant: CBSSG	An assessment of compliance with grant conditions.
Highways and Transport	Public and Integrated Transport	Grant: Bus Recovery Funding Grant	An assessment of compliance with grant conditions.
Growth, Environment and Planning	Public Rights of Way	Public Rights of Way Management Information System	A review to determine the adequacy and effectiveness of the implementation of the 'Love Clean Streets' app for reporting problems on Lancashire's network of public rights of way.
Growth, Environment and Planning	Business Growth	Grant: Liverpool City Region Local Energy Hub	An assessment of compliance with grant conditions.
Growth, Environment and Planning	Business Growth	Grant: Multiply	An assessment of compliance with grant conditions.
Growth, Environment and Planning	Skills and Employment	Grant: DfE Skills Bootcamp	An assessment of compliance with grant conditions.

Resources			
Governance and Democratic Oversight			
Corporate Services	Legal, Governance and Registrars	Scheme of delegation to heads of service	Compliance with constitutional delegations including approvals and recording of decisions.
Corporate Services	Legal, Governance and Registrars	Highways S278 agreements	Effectiveness of agreements with developers to cover costs of infrastructure around housing developments including up-front agreement and enforcement.
Corporate Services	Legal, Governance and Registrars	Declarations of pecuniary interests	Review of the effectiveness of the arrangements for the registration, recording, reviewing and monitoring of declarations of pecuniary interests.
Corporate Services	Corporate Finance and Exchequer Services	Department of Work and Pensions Searchlight system	Information sharing, gap analysis and compliance with DWP/LCC Memorandum of Understanding
Finance (Pension Fund)	Pension Fund	Pension Administration	Following the implementation of a new pension administration system a review to determine the adequacy and effectiveness of the administration of the scheme to providing a good quality member experience and to discharge the responsibilities of the scheme manager and pensions board in paying benefits to members. This includes the payment of complete and accurate benefits to each member, in accordance with the Trust Deed and Rules, and in line with service level agreement deadlines.
Business Effectiveness			
Finance	Corporate Finance and Exchequer Services	Oracle Fusion support	Consultancy and/or audit work on Fusion implementation. To respond to emerging risks as the fusion programme is implemented.
Finance	Corporate Finance and Exchequer Services	Delivery of budget savings	Arrangements to report delivery of identified action to deliver budget savings by directorates/ services. Includes use of risk registers to identify and manage delivery and service challenge review in 23/24 budget process.

Finance	Procurement	Compliance with procurement rules	Testing compliance with established procurement rules in Digital Services including the operation of counter-fraud controls, financial limits, approvals, tendering and selection.
People	Skills, Learning and Development	Use of employment agencies to support operational activity	Organisational understanding of the agencies/ contractors used including long-term use and IR35 tax arrangements.
People	Human Resources	HR case records	Effectiveness of current HR casework management and record keeping arrangements including investigations, access and security,
People	Human Resources	Retention of staff	Effectiveness of corporate approach to retaining key staff including use of non-standard methods.
Organisational Development and Change	Organisational Development and Change	Governance arrangements for the delivery of change within the organisation	A review to assess the adequacy and effectiveness of the governance arrangements within the council to deliver change.
Organisational Development and Change	Organisational Development and Change	Delivery of budget savings	A review to ensure that the processes in place for the management of the streams of work for the "budget saving" exercise are accurate and there are no interdependencies.
Service Delivery			
Finance	Financial Management (Development & Schools)	Schools Financial Value Standard (SFVS)	Compliance with SFVS requirements in a sample of schools to support S151 Officer certification.
Finance	Financial Management (Development & Schools)	Financial management in schools – summary report and opinion	Summary report on findings from audits of the adequacy and effectiveness of financial management arrangements in a sample of schools (schools to be agreed).
Finance	Financial Management (Development & Schools)	Financial management in schools	Adequacy and effectiveness of financial management arrangements in a sample of 15 schools (schools to be agreed).

Strategy and Performance	Facilities Management	Use of the council's buildings under the flexible working arrangements	A review that considers how the council, under the flexible working arrangements are monitoring the use of individual office spaces and establishing whether the current configuration is working for services. We will also consider how data re office use is influencing portfolio management decisions.
Strategy and Performance	Digital	Digital Risk identification	Review of the Digital Service risk management processes and their effectiveness to identify, assess, mitigate, record and report digital and cyber risks.
Strategy and Performance	Digital	Key System implementation (HAMS and PAMS)	Review the effectiveness of the project management standards as the projects are planned, procured and delivered. Including the overall program governance structure, the critical roles and responsibilities expected in the business, digital and for vendor personnel involved in the implementation. The effectiveness of the program governance to efficiently identify and resolve critical risks across all functional areas within the program.
Strategy and Performance	Digital	Lancashire Constabulary Data Transfer	A review to assess the completeness and accuracy of the data transferred to Lancashire Constabulary on cessation of the support service contract, with an additional focus on ensuring all relevant LCC data is removed by the Constabulary following transfer.
Strategy and Performance	Asset Management	Management of the council's property portfolio	A review to assess the adequacy and effectiveness of the council's property management arrangements, including community assets.
Strategy and Performance	Asset Management	Becon	A review to determine if there is adequate and effective management of building maintenance repairs through the Becon system.
Business Processes			
Finance	Corporate Finance and Exchequer Services	Payroll processing including schools	Compliance testing of the key controls, including financial reporting to support the production of final accounts The Scope will include school salaries.

Finance	Corporate Finance and Exchequer Services	Accounts receivable: central controls	Compliance testing of the key controls, including financial reporting to support the production of final accounts.
Finance	Corporate Finance and Exchequer Services	Accounts payable: central controls	Compliance testing of the key controls. including financial reporting to support the production of final accounts.
Finance	Corporate Finance and Exchequer Services	Cash and banking	Compliance testing of the key controls, including financial reporting to support the production of final accounts.
Finance	Corporate Finance and Exchequer Services	General ledger including accounting for the Pension Fund	Compliance testing of the key controls, including financial reporting to support the production of final accounts for both the council and the Pension Fund.
Finance	Corporate Finance and Exchequer Services	VAT	Compliance testing of the key controls, including financial reporting to support the production of final accounts.
Finance	Corporate Finance and Exchequer Services	Treasury management and investment	Compliance testing of the key controls, including financial reporting to support the production of final accounts. The Scope will include pensions.

Audit, Risk and Governance Committee
Meeting to be held on Monday, 24 April 2023

Electoral Division affected:
(All Divisions);

The Council's Annual Governance Statement 2022/23 and Code of Corporate Governance 2023/24

(Appendices 'A' and 'B' refer)

Contact for further information:

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paul.bond@lancashire.gov.uk

Brief Summary

The county council is required to produce and approve an Annual Governance Statement which will be included in its Annual Statement of Accounts for 2022/23. A draft Annual Governance Statement is presented for the committee's consideration at Appendix 'A'.

In addition, Full Council in July 2016 approved a new Code of Corporate Governance for the county council that reflected new guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (Solace). Full Council also agreed that the Code would be reviewed on an annual basis.

Therefore, the committee is asked to consider the updated Code of Corporate Governance and whether it wishes to make any changes to recommend to Full Council. The updated Code is presented for the committee's consideration at Appendix 'B'.

Recommendation

The Audit, Risk and Governance Committee is asked to:

- i) Consider and approve the draft Annual Governance Statement for 2022/23 for inclusion in council's Statement of Accounts, published on the council's website;
- ii) Agree that any subsequential amendments to the Annual Governance Statement for 2022/23 are made by the Director of Law and Governance, in consultation with the Chairman of the Audit, Risk and Governance Committee;
- iii) Note that the final Annual Governance Statement for 2022/23 will be signed by the Chief Executive and Leader of the Council; and

iv) Consider the updated Code of Corporate Governance and any amendments it wishes to recommend to Full Council for approval.

Background

Lancashire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. The council also has a duty under the Local Government Act 1999 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.

The Accounts and Audit (England) Regulations 2015 require the council to prepare and publish an Annual Governance Statement. This is a public document that explains how the county council makes decisions, manages its resources in line with the county council's priorities, and achieves the required outcomes for service users and communities. In the Annual Governance Statement, the county council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance;
- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment ;
- Describes how the council has monitored and evaluated the effectiveness of its governance arrangements in the year;
- Provides details of how the council has responded to any issue(s) identified in last year's governance statement; and
- Reports on any significant governance issues identified from this review and provides a commitment to addressing them

Annual Governance Statement

The committee is asked to consider and approve the draft Annual Governance Statement presented at Appendix 'A', to be included within the council's draft Annual Statement of Accounts for 2022/23.

It is also asked to note that at this stage the opinion of the Head of Internal Audit is provisional and will be reported to this committee in July 2023. Therefore, it is proposed that any subsequential amendments arising from that report is undertaken by the Director of Law and Governance, in consultation with the Chairman of the committee.



The final Annual Governance Statement will be signed by the Chief Executive and Leader of the Council and published on the council's website within the Statement of Accounts.

Code of Corporate Governance

In July 2016 the Full Council approved a new Code of Corporate Governance for the county council and agreed that the Code would be reviewed every year.

The Code is based on best practice guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (Solace) and should articulate and be consistent with the expected standards, principles, and values by which Lancashire County Council officers and members will operate. There should be clear links between the seven new principles within the Code, and the governance framework of strategies, policies and procedures which underpin it. The Code is also in a format that includes sources of evidence providing clarity for members, officers, and stakeholders about how the organisation uses the principles of the Code in practice.

Therefore, the Code now presented for approval at Appendix 'B' has been updated and includes new sources of evidence such as:

- Environment and Climate strategy
- Economic Development Strategy 2023-25
- Data Strategy
- Corporate Performance Report

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with sound arrangements for control and management of risk. An authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk. Failure to publish an Annual Governance Statement may be considered as the council being negligent in its responsibilities for ensuring accountability.



**Local Government (Access to Information) Act 1985
List of Background Papers**

Paper Date Contact/Tel

N/A

Reason for inclusion in Part II, if appropriate

N/A



Annual Governance Statement 2022/23

Executive Summary

The Leader of the County Council (County Councillor Phillippa Williamson) and Chief Executive (Angie Ridgwell) both recognise the importance of having good management, effective processes, and other appropriate controls in place to run the County Council in delivering services to the communities of Lancashire.

Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how the corporate governance arrangements have been working across the group. To help do this both the Council's Executive Management Team (EMT) and the Audit, Risk & Governance Committee undertake a review of the Council's governance framework and the development of the AGS.

This has been a challenging year for the county council as we have responded to significant inflationary and demand pressures, particularly relating to social care. Over the next twelve months we will focus on providing services more efficiently and effectively, proactively managing the impact of increasing demand to improve our financial sustainability. This will mean working closely with our partners to both reduce those costs and achieve the best outcomes for our residents through targeted investment.

We have seen a combination of a flexible, dynamic, committed workforce and implementation of new ways of working that will reshape the council going forward. However, we do have workforce challenges and we will need to be as creative and innovative as possible to overcome them. In February 2023, we experienced a data breach during the implementation of Oracle Fusion, and we acted quickly to resolve the issue. We are now looking at how this happened and what lessons we can learn to ensure it does not happen again.

During the past year, we have reverted to business-as-usual following the recovery phase of the Covid-19 pandemic and our attention turned to active surveillance and monitoring. Consequently, there is not a second conclusion relating to the impact of Covid-19 on governance. However, we will maintain a state of readiness so that we can respond if we see any new variants.

On the 24 April 2023, the Audit, Risk and Governance Committee considered the content of the proposed governance statement to ensure that it properly reflects how the Council is run.

Governance Issues

Overall, it can be confirmed that the council has the appropriate systems and processes in place to ensure good governance is maintained. Whilst they work well, our review has identified the following issues which are currently being addressed but not yet completed:

Key Delivery/Improvement Area	Lead Officer	To be delivered by
Recruitment & Retention	Executive Director of Resources/ Executive Management Team	March 2024
Financial Sustainability	Executive Director of Resources (Section 151 Officer)/Executive Management Team	March 2024/Ongoing
Demand for Services	Executive Director of Education & Children's Services Executive Director of Adult Services & Health & Wellbeing	March 2024
Our Improvement Journey	Executive Director of Resources/ Executive Management Team	March 2024
School Places	Executive Director of Education & Children's Services	March 2024
ICT Related Issues	Executive Director of Resources	Winter 2023

Progress made against the issues identified in last year's Annual Governance Statement is reported in this year's statement.

We propose over the coming year to address the matters identified and will monitor implementation and operation as part of the performance management role of the Executive Management Team. The Audit, Risk and Governance Committee will also help us with independent assurance during the year.

----- County Councillor Phillippa Williamson

Leader of the Council

----- Angie Ridgwell

Chief Executive

Signed on behalf of Lancashire County Council

Introduction

Local authorities are required by statute to review their governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/Solace "*Delivering Good Governance in Local Government Framework*" (2016) (the Framework) helps fulfil this requirement. The Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations
- public money is safeguarded and properly accounted for
- resources are used economically, efficiently, and effectively to achieve agreed priorities which benefit local people

The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

What is Corporate Governance?

Corporate governance is about the systems, processes, and values by which councils operate and by which they engage with, and are held accountable to, their communities and stakeholders.

The Council has adopted a Code of Corporate Governance which follows the CIPFA/Solace guidance "*Delivering Good Governance in Local Government*" (2016) which defines the seven core principles that should underpin the governance framework of a local authority:

- 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; and
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Key elements of the County Council's Governance Framework

Key elements of Lancashire County Council's governance framework are set out below:

Leader, Cabinet & Council	Decision Making	Risk & Performance Management
<ul style="list-style-type: none"> • The Leader provides leadership • Cabinet develops and sets policy • Full Council agrees the annual budget, sets Council Tax and the policy framework including the Corporate Strategy (the cornerstone of our policy framework) 	<ul style="list-style-type: none"> • Meetings are webcast • Decisions are recorded on the Council's website • Scheme of delegation 	<ul style="list-style-type: none"> • Risk registers identify both operational and strategic risks • Key risks are considered by Executive Management Team (EMT), Cabinet and Audit, Risk and Governance Committee • Processes are in place for managing and reporting performance to Executive Management Team and Cabinet • Directors' complete assurance statements
Council's Leadership Team	Scrutiny & review	External & Internal Audit and review
<ul style="list-style-type: none"> • Head of Paid Service is the Chief Executive who is responsible for all council staff and leading Corporate Management Team • The Executive Director for Resources is the council's s.151 Officer and is responsible for ensuring the proper administration of the council's financial affairs • The Monitoring Officer is the Council's Director of Law & Governance who is responsible for ensuring legality and promoting high standards of public conduct 	<ul style="list-style-type: none"> • Scrutiny Committees review council policy, decisions, and budget proposals • Work to deliver local public sector accountability 	<ul style="list-style-type: none"> • External audit provides an opinion on the Council's annual statement of accounts and whether the Council has secured economy, efficiency, and effectiveness in the use of its resources • Internal Audit provides regular assurance on the governance, risk management and internal control framework • External inspections provide an accountability mechanism • Peer challenge/reviews highlight good practice and areas for improvement

How do we comply with the CIPFA/SoLACE Framework?

The Council has approved and adopted:

- a Local Code of Corporate Governance
- the requirements of the CIPFA/SoLACE Framework Delivering Good Governance in Local Government Framework 2016
- a number of specific strategies and processes for strengthening corporate governance.

An updated Local Code of Corporate Governance can be found on our website. This shows how the County Council has complied with the seven principles set out in the CIPFA/SoLACE Framework. The Code is reviewed annually, and the outcome reported to Audit, Risk and Governance Committee and presented to Full Council for approval. It sets out the requirements underpinning these principles and how the council ensures that it meets them along with the evidence base used to assess their effectiveness.

Managing Risk & Performance

Performance management is a key component of the Council's approach to achieving its outcomes. Part of this process involves identifying and where appropriate, mitigating risks, ensuring that performance and risk management processes are in place throughout the organisation with effective processes to ensure sound financial management. Managing risks is the responsibility of services. All service risks are scored on the same basis and the greatest risks are elevated onto the Corporate Risk Register.

During the year, service risk & opportunity registers were updated regularly, and the Corporate Risk and Opportunity register was reported to Executive Management Team, Cabinet and Audit, Risk & Governance Committee. During the year, EMT revised the risks on the corporate register to better reflect the changing environment in which the County Council was operating.

The Audit, Risk & Governance Committee also monitor the effectiveness of risk management arrangements across the organisation. A review of this is undertaken annually by Internal Audit and reported to this committee. Internal Audit have recently completed a review of Risk Management and have provided substantial assurance that the Council's corporate risk management framework is operating effectively.

Equality Impact Assessments together with Health Impact Assessments are used throughout the organisation to assess the impact of service proposals and to inform decision making.

The budget setting process is well established, and services prioritise budgets and spending to achieve intended outcomes. In recent years, the budget setting process has inevitably focused on achieving savings whilst still focusing on the priorities of the political administration.

The medium-term financial strategy is updated and reported to Cabinet together with relevant resource forecasts and takes full account of the changing regulatory, environmental, demographic, and economic factors that impact on the financial environment in which the County Council operates. The quarterly report to the Cabinet, 'Money Matters', includes in-year revenue and capital expenditure monitoring information along with updates on the multi-year capital programme. The final outturn position will be reported to Cabinet.

During the year, Cabinet received high-level metrics relating to the corporate strategy together with more detailed, service specific performance metrics which enabled members to monitor ongoing service delivery and performance. The reports highlight good performance and areas for improvement.

A Performance Board that is chaired by the Director of Strategy & Performance meets quarterly. The Board receives a suite of performance dashboards, which draw attention to concerns with performance and describe recovery plans. The Board monitors against service level and corporate indicators and co-ordinates the reporting of performance information to both EMT and Cabinet. Directorates also monitor performance on a quarterly basis using performance dashboards.

A new approach to directorate and service planning is being introduced during 2023/24 that will be formally standardised for the years 2024/25. Directorate and service level planning is a cornerstone of effective performance management. It provides a solid foundation to enable us to hold the councils' strategic priorities and values firm, even in times of change. Good business planning also supports our budget planning cycle, ensuring that we prioritise activity and that we appropriately support our objectives through funding decisions.

They are a vital part of the 'golden thread' which links the councils' strategic priorities all the way through to staff individual performance appraisals. Directorate and service level plans should make sure that each person in our council workforce knows how their work contributes to achieving the council's strategic priorities.

Managing our resources (Value for Money)

The Council's external auditors, in their assessment of 2021/22, concluded that the authority had demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022 and to date have not identified any risk of significant weakness in the Council's arrangements.

The external auditors were satisfied that the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. Similarly, they did not identify any significant risks in relation to the valuation of the net pension liability.

Their work did not identify any significant weaknesses but identified a small number of improvement recommendations. These recommendations are being taken forward and the recommendations set out in the 20/21 assessment have been implemented.

The Council ensures that it provides timely support, information, and responses to its external auditors – properly considering audit findings and assumptions around what may happen in the future particularly relating to those elements that cannot be directed by the Council.

Financial Sustainability

Financial sustainability remains a significant risk facing the County Council. However, this is not unique, and we are in a relatively positive position through prudent financial stewardship. Throughout 2022/23 projections were reported to both the Executive Management Team and Cabinet in the 'Money Matters' report which forms a regular review point for assessing the effectiveness of financial plans. Councils across the country continue to face ongoing pressures, driven by increasing demand and inflation. When compounded with the current workforce challenges, local government must make difficult decisions and look to be as creative and innovative as possible. At the County Council we have responded by focussing on productivity and efficiency to deliver our priority services. We have a track record of success with such programmes and sound financial stewardship means we can take a considered and measured approach.

In particular, the Local Government Provisional Settlement announced on 19 December 2022, gave additional flexibility with a permitted increase in council tax of 4.99% for both 2023/24 and 2024/25 and additional grant funding for social care. Full Council agreed that the proposed council tax increase be restricted to 3.99% at its meeting in February.

The Council continues to retain relatively healthy reserves with the current uncommitted transitional reserve, being sufficient to meet the forecast funding gap for the lifetime of the Medium-Term Financial Strategy. However, the intention remains to identify further savings and/or deliver agreed savings earlier than currently planned to reduce the forecast funding gap enabling further investment to be made into priority services. The value of the council's reserves will be kept under review in future years including ongoing assessment of risks that it is established to cover.

The Council regularly updates its medium-term financial strategy. The forecast for future years considers anticipated cost pressures (both inflationary and demand led), planned savings and expected resource levels. The forecast is necessarily underpinned by a range of estimates and recommendations through the Executive Management Team, Cabinet and the Audit, Risk and Governance Committee. The financial management arrangements of the Council conform to the governance requirements of the CIPFA Statement on the *Role of the Chief Finance Officer in Local Government*.

Financial Management Code

The CIPFA Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The code sets out six principles underpinned by a series of financial management standards identifying the professional standards to be met if a local authority is to meet the minimal expectations of financial management that are acceptable to meet the fiduciary duties to taxpayers, customers, and lenders.

The Council continues to undertake medium-term financial planning which has driven the annual budget-setting and monitoring process. Through the Scrutiny Management Board, and the Audit, Risk and Governance committee sources of assurance are recognised as an effective tool in delivering and demonstrating good financial management. The positive financial performance of the council during the year has once again evidenced that the long-term sustainability of local services is at the heart of the council's strategy supported by the prudent use of public resources.

How do we know our governance arrangements are working?

There are several ways we do this:

The role of management

The Executive Management Team oversee the review of the Council's governance arrangements. Following this review, they can confirm that appropriate internal controls for which they have responsibility are in place, in particular their scrutiny of regular budget and performance reports including performance against savings targets within the Medium-Term Financial Strategy.

Directors have the day-to-day responsibility for managing and controlling services – they are accountable for their successful delivery. They set the culture, develop, and implement policies, procedures, processes, and controls. Directors have completed an 'assurance statement' for 2022/23 that reports on service compliance, and they produced regular directorate risk registers that set out appropriate mitigating actions for significant risks. Where the evidence needed to provide full assurance is not available, improvement plans are in place.

The Monitoring Officer regularly reviews the Council's Constitution and ethical governance arrangements and there are regular briefings on key corporate governance issues to Directors and Heads of Service.

The Role of the Audit, Risk & Governance Committee

The Council's Audit, Risk and Governance Committee plays a vital role in overseeing and promoting good governance, ensuring accountability, and reviewing the way things are done.

The Committee provides an assurance role to the Council by examining such areas as audit, risk management, internal control, counter fraud, treasury management, and financial accountability. The Committee exists to challenge the way things are done, making sure the right processes are in place. It works closely with both Internal Audit and senior management to continually improve the Council's governance, risk, and control environment.

In addition to the standard items on the agenda, the Committee considered reports on the following:

- Review of the Code of Conduct for Members - the Political Governance Working Group reviewed the Local Government Association proposals and reported back their recommendations.
- Code of Conduct – Summary of Complaints.
- An Update on the Overpayment of Salaries – further reports on this were considered by the committee.
- Assurance over the Pension Fund.

- Review of Arrangements for the Oversight of Council Controlled Companies

In July 2022, the Chairman presented his annual report. The report set out the work the Committee had undertaken and provided a means by which it was able to review its own effectiveness.

The role of the Head of Internal Audit

For 2022/23 the Head of Internal Audit provided Limited assurance (provisional*) overall regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.

In forming his opinion, he considered the work undertaken by the Internal Audit Service throughout the year. The vast majority of audits conducted provided a positive assurance opinion and ascertained that for the areas under review the vast majority were operating as would be expected. The work of external assurance providers and information available from less formal sources than planned audit engagements were also taken into consideration. Audit work covered the full range of the council's services. The Council is in a much stronger financial position than many Local Authorities, however, the financial projections show that it still faces financial challenges.

In the main the county council adapts well to the changing risk environment and for most of the 2022/23 financial year the Council was operating as would be expected. However, issues associated with the implementation of Oracle Fusion resulted in a data breach that was reported to the Information Commissioner's Office. The overall impact of this one project not being implemented as intended has significantly impacted on the Council's ability to conduct business as usual particularly within the Council's Key Financial and HR processes. The Council's initial response in resolving these issues has been quick and effective to date. A project programme with a new project board is now in place. The aim of this programme is to mitigate the risks, resolve the known issues, identify any yet unknown issues and apply lessons learnt from this process. The success of this programme will be critical in restoring business as usual and enable the Council to realise benefits from the system change.

Although it is expected that this situation will be rectified by the actions of the project board this work is still ongoing. At the time of writing this opinion the consequences of this event were impacting the whole council. Therefore, the assurance level that can be provided by the Head of Internal Audit has been reduced from moderate assurance to limited assurance (provisional*)

External Assurances

The opinions and recommendations of the External Auditor and other inspection and review agencies and peer reviews offer us further assurance.

External Auditor

The External Auditor's work did not identify any significant weaknesses in the county council's arrangements. Several improvement recommendations have been implemented and any new recommendations will be responded to appropriately.

Ofsted Inspection of Childrens Services

Following an inspection of our children's services from 28 November to 9 December 2022, we have received a rating of 'good'. Highlights in the report included:

- Our Early Help services have been successfully restructured with partner agencies and are well joined up with the Front Door, resulting in an impressive range of support for families
- Our Family Safeguarding model has led to positive changes for children and families
- Most children in care and care leavers live in stable homes that meet their needs to help them progress and achieve
- Relationship-based practice is embedded across all services
- Professionals in our MASH respond to referrals in a timely manner, and partnership working and information sharing in MASH are established and work well
- Our colleagues feel listened to and valued. The loyal and committed workforce is proud to work for Lancashire and are determined to do the best for children, often going over and above

Information Governance

The Council has a comprehensive Information Governance (IG) Framework in place, overseen by the Corporate Information Governance Group. The group meets quarterly and is attended by the Senior Information Risk Owner and Data Protection Officer. The annual review of policies took place in January 2023 and amendments were made to reflect our new ways of working and highlighting individual responsibility for keeping council information confidential and secure whilst working from home or agilely, and that any personal, confidential, or sensitive information must continue to be handled in accordance with IG Policies.

Oracle Fusion

Earlier this year, a data breach occurred involving personal data held within Oracle Fusion, the system we use for HR, Payroll, Finance and Procurement. The breach occurred during the implementation of Fusion and was not the result of a cyber security attack. There was no evidence to suggest that personal information was publicly available.

We informed all staff and partners of the breach and reported it to the Information Commissioners Office (ICO). Based upon the actions we have taken so far, the ICO have informed us that they are not taking any further action at this time. There is however some

scope for this decision to be revisited by the Commissioner, and we must therefore continue this work and report any further concerns to the ICO. We are undertaking an investigation to establish what went wrong and how to prevent this happening again. This issue has been escalated on to the Corporate Risk Register.

During the implementation of Oracle Fusion, several issues arose that need to be rectified and a new project programme and project board have been put in place. The aim of this programme is to mitigate the risks, resolve the known issues, identify any yet unknown issues, and apply lessons learnt from this process.

Local Government & Social Care Ombudsman

During 2022/23 Full Council did not receive any public reports from the Local Government & Social Care Ombudsman.

Lancashire County Developments Limited

Lancashire County Developments Limited is an owned subsidiary of the County Council. As a material entity it forms part of the Council's group accounts. The County Council has the power to change decision making rights, and to appoint and remove Directors of the company. Board Directors are County Councillors who regularly meet and receive financial and performance reports. In the 2022/23 financial year there have been no governance issues reported. The company is annually subject to a separate external audit to the county council.

Constitutional & Governance Changes

Cabinet Committee on Performance Improvement

The Cabinet Committee on Performance Improvement was a committee of the Cabinet with the remit to oversee the council's performance monitoring arrangements and influence and monitor progress against the corporate priorities.

Following an update of the corporate priorities, it was felt that performance monitoring would be better placed with Cabinet itself. This would give performance a higher profile and allow it to be considered by all Cabinet Members alongside financial and other information which is already regularly reported to Cabinet. Consequently, the Cabinet Committee on Performance Improvement was disestablished, and its functions delivered by Cabinet. Cabinet now receives the Corporate Performance report on a quarterly basis.

Scrutiny Committees

A new structure for scrutiny has been agreed by our councillors and we have worked closely with the Local Government Association (LGA) to provide training and guidance for all

councillors and senior officers. The new changes include four service area base committees and the creation of a new "Management Board" to oversee the work and performance of scrutiny. The Chair of the Management Board is drawn from the four chairs of the service area committees.

As part of these proposals, it was decided to disestablish two working groups of scrutiny – the Budget Scrutiny Review Panel and the Member Development Working Group, with these functions are now undertaken by the Management Board.

Executive Director of Resources and S151 Officer

The LGA Corporate Peer Review, recommended the Council consider its arrangements that combine the Chief Executive and Director of Resources (s151) roles. The combined role was created at a time of significant financial pressure for the council which is now in a much-improved position. It was therefore agreed that the role be separated to provide greater capacity for the Chief Executive to focus on key strategic objectives. It also strengthens strategic leadership capacity for the Resources Directorate and provides an opportunity to design an operating model that delivers future ambitions.

Secondment Arrangement of Executive Director of Adult Services and Health and Wellbeing to the Lancashire and South Cumbria Integrated Care Board

The Executive Director of Adult Services and Health and Wellbeing has been appointed to the leadership team of the Lancashire and South Cumbria Integrated Care Board on the basis that the role would be done in conjunction with her current county council role. The role will be notionally split with 80% of time spent working for the Integrated Care Board and 20% of time undertaking duties as Executive Director of Adult Services and Health and Wellbeing for the county council. To cover the gap left by the time spent by the Executive Director of Adult Services and Health and Wellbeing in undertaking Integrated Care Board business, additional director capacity has been secured by way of a deputy executive director of adult services. The Executive Director of Adult Services and Health and Wellbeing will continue to provide the statutory director function as part of her new role in so doing she will regularly line manage the deputy executive director maintaining a line of sight on quality of practice, performance, finance and policy issues.

Conduct Committee

At the request of the Monitoring Officer, the Conduct Committee met in March 2023 to determine whether a councillor had failed to comply with the Council's Code of Conduct. The committee resolved that the councillor had breached the Code of Conduct during his interactions with members of the complainant staff and that he had also breached the Code of Conduct in his response to the investigation of the Monitoring Officer into the complaint.

The committee further resolved that the councillor should provide a written apology to both the complainant and the Monitoring Officer.

Independent Remuneration Panel

The Independent Remuneration Panel met during the year and recommended to Full Council that the Basic, Special Responsibility, Dependents' Carers', and Chairman/Vice Chairman Allowances be increased by 4.04% for 2022/23, with effect from 1 April 2022. Full Council approved the Panel's recommendations at its meeting in December 2022.

Staff Survey 2022

For our most recent staff survey we received our best response rate with almost 50% of staff taking part. The comments are helping shape the way we operate, improving those things that are most important to employees, so that we can deliver the best possible services to our residents. We have explored the survey findings in more detail, and we have focused on designing the actions we need to take to build on our many strengths and improve those areas that staff have highlighted. Each service has produced an action plan, has set up a staff Voice Group and appointed Change Influencers to drive improvement.

Lancashire 2050 (A Strategic Framework for Lancashire)

During 2022, much progress was made with partners to develop a shared ambition for our county's future, and how we can work together to help every resident live their best life. Lancashire 2050 brings together the county's political leadership around a shared vision, goals, and priorities.

Our Lancashire 2050 framework, focuses on the needs and aspirations of our county's residents, placing people at its very heart. The plan sits above the ground-breaking work already undertaken on developing a County Deal for Lancashire, where political leaders have made the case to government for more powers and resources with a collective voice.

Lancashire 2050 is a long-term plan which is not dependent on local government reorganisation. It aims to be beneficial through the collaboration and commitment of all partners, helping Lancashire to take control and bring decisions closer to its' people. The plan highlights eight priority areas where collaboration across the county can unlock opportunities and growth to benefit everyone.

Lancashire County Pension Fund

Lancashire County Pension Fund (LCPF) is a Pension Fund within the Local Government Pension Scheme (LGPS England & Wales) which is a funded pension scheme (not paid

through taxation such as other public sector schemes). LCC is the body appointed under statute to act as the Administering Authority for LCPF. While the Fund is technically not a separate legal entity it does have its own specific governance arrangements and controls which sit within LCC's overall governance framework.

Governance documentation

LCPF produces its own Governance Compliance statement which has been prepared in accordance with the requirements of the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013. This statement sets out the Fund's Governance Structure, scheme of delegation, and the terms of reference for its Governing Bodies, the Pensions Committee, and the Local Pensions Board. It is reviewed on an ongoing basis.

In addition, there are several strategy statements and policies which together ensure suitable governance of LCPF.

Governance Structure

- The Pension Fund Committee fulfils the role of 'Scheme Manager', as set out in regulations, for LCPF which includes the administration of benefits and strategic management of Fund investments and liabilities. It is responsible for establishing and monitoring the progress on the strategic objectives of LCPF through a rolling three-year Strategic Plan.

The Council has established two bodies to assist and support the Pension Fund Committee oversee LCPF:

- Pension Fund Investment Panel; and
- Lancashire Local Pension Board

The Pension Fund's Investment Panel provides expert professional advice to the Pension Fund Committee in relation to investment strategy. The Panel also supports the Head of Fund with the specialist advice required by the Pension Fund Committee.

The Local Pension Board's role is to assist Lancashire County Council as the Administering Authority in its role as Scheme Manager (as delegated to the Pension Fund Committee). This includes the following roles:

- to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS;
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- in such other matters as the LGPS regulations may specify.

The Council is also responsible for the financial arrangements of the Lancashire County Pension Fund and a separate assessment of the adequacy of these arrangements is also required.

Risk Management

The management of risk is central to the activities of LCPF and it has established its own risk management arrangements which include the following:

- Risks are monitored and assessed on a quarterly basis;
- Risk reporting and risk register are presented to the Pension Fund Committee and the Local Pension Board on a regular basis;
- Additional oversight is provided by the council's Audit, Risk & Governance Committee; and
- LCPF has a 'Risk Management Framework' policy document which is reviewed periodically and sets out all the risk management arrangements for managing all risks for the Fund.

The risk register is broken down into the following key risk areas:

- Investment and Funding Risk – all financial risks associated with LCPF, including risks associated with managing scheme assets and pension liabilities;
- Member risk – all risks which may impact on the high levels of service the fund members receive;
- Operational risk – risks which could negatively impact the smooth and effective running of all aspects of Fund operations and governance;
- Transition risk – temporary risks arising from changes in the management of investments or service delivery;
- Emerging risk - evolving, new risk that is difficult to characterise or assess at this point in time, as the cause and / or how the risk will impact the organisation is unclear.

Investment and Administration Services

Pensions administration and investment functions have since 2016 been delivered on behalf of LCPF by the Local Pension Partnership Limited (LPPL) a company group owned by Lancashire County Council and the London Pensions Fund Authority (LPFA). Pension administration services are provided by the administration arm of the Local Pensions Partnership, which is called Local Pensions Partnership Administration Limited (LPPA), with investment services being undertaken by the investment arm, Local Pensions Partnership Investments Limited (LPPI).

The Pension Fund Committee monitors the performance of these functions. For all arrangements where there is a relationship between the Fund and another organisation LCPF seeks to spell out clearly the expectations and requirements on each party, whether in contractual form where appropriate or through a form of “service level agreement” where a contract is not appropriate.

Internal audit assurance

The County Council's Internal Audit Service undertakes an agreed audit plan each year to provide assurance regarding the operation of the pension fund service.

Activities

The key activities of LCPF undertaken during 2022/23

- Reviewed the governance arrangements of LCPF in light of the implementation of the Pensions Regulator draft new code of practice;
- Reviewed shareholder governance arrangements in respect of LPP Group;
- Actuarial Valuation completed to assess financial health of LCPF and determine local employer contribution rates; and
- Fully transitioned the employer risk service from LPPA to LCPF and developed management framework;
- Improved the risk management framework and risk register

Specific actions proposed during 2023/24 include:

- Finalise impact assessment in respect of the Pension Regulator's new code of practice and work towards compliance by prioritising mandatory areas;
- Commence activities to ensure compliance with climate related financial disclosure (TCFD) by December 2024;
- Identify gaps in respect of Good Governance requirements and timeline for achieving full compliance;
- Assess Fund's cyber resilience and plan activities to address any gaps and mitigate associated risks to the Fund;
- Develop Communications Strategy for the Fund.

Strategic oversight of actions to address the Council's governance challenges in 2022/23

This section provides a concise high-level summary of strategic actions taken to address the Council’s governance challenges for the 2022/23 financial year, and what arrangements are in place for oversight of delivery.

What risk was to be addressed?	Governance actions taken
<p>Financial Sustainability</p> <p>Deliver a sustainable financial strategy that supports the delivery of the corporate strategy and four priorities</p> <p>Prerequisites: Set a balanced budget or deliver services within available resources affected by various issues that include economic uncertainty; rising inflation that exceeds budget provision; high demand on care services; lack of certainty over future funding; specific impact of proposals for funding care costs (cap on the lifetime cost of personal care)</p>	<ul style="list-style-type: none"> • Updates provided to Cabinet through the money matters reports covering in-year financial position and medium-term financial strategy on a quarterly basis • Directorate Leadership Teams (DLT's) meet regularly and have a monthly focus on financial position and savings delivery chaired by the relevant Executive Director • Programme Office is supporting the overall programme of savings activity • Financial Benchmarking information (with other County Councils) produced and reviewed annually as a basis for identifying those service areas with most scope for further efficiencies • Continue to monitor the impacts of price changes via our regular monitoring activity updating our forecast outturn and the Medium-Term Financial Strategy • Continue to work with staff to develop new options savings options and revisit options • Continue to seek out, learn from and adapt services to follow best practice • Capital Strategy and capital delivery programme approved annually at Full Council in February • Directorate Leadership Teams' review progress and are each chaired by the relevant Executive Director • Savings plans have been subject to review as part of the budget monitoring process • Assessing scope of contracts and reviewing uplifts at recommissioning • Transformation options considered towards meeting future years funding gaps • The capital programme is managed by Capital Board at an officer level to ensure that its development is carried out with due regard to risk management and prudent and sustainable resource management. Alignment with property strategy review with capital work being focused on those buildings likely to remain operational and not surplus to

	<p>requirements going forward given potential embedding of different working arrangements going forward.</p> <ul style="list-style-type: none"> • Grant levels confirmed for 2022/23 and projects / schemes they will support being agreed and the agreed delivery programme for 22/23 also being reviewed to reflect the impact of slippage / earlier than planned delivery in the final quarter of 2021/22. • Additional capital requirements for 2023/24 provided by services before the end of July for consideration by EMT / Cabinet as part of the 2023/24 budget process.
<p>Recruitment & Retention</p> <p>Attract and recruit candidates, and retain staff leading to an inability to deliver services</p> <p>Issues :</p> <ul style="list-style-type: none"> • Lack of suitably qualified candidates in the labour market • Non-competitive pay rates • Unattractive terms and conditions • Retention policies ineffective • Poor workforce planning (including lack of workforce data) with an ageing workforce • Commissioned services and education settings unable to recruit and retain staff 	<ul style="list-style-type: none"> • Performance management dashboards established to collate and analyse workforce data • Governance structure identified to manage and lead the workforce performance & strategy (Adult Social Care) • Education and Children's Services Workforce Strategy agreed April 2022 • Corporate workforce group to facilitate joint solutions with directorate Senior Management Teams • Developing talent acquisition team and recruitment support • Commission recruitment consultants for some roles • Skills and development opportunities • Performance engagement • Social work academy • Additional Occupational Therapy capacity being sought from COMF funding started July 2022 • Backlog agency in place from April 2022 (Attenti) • Regular discussions at directorate management teams to understand areas where recruitment and retention is a challenge • Corporate exercise to identify recruitment and retention issues related to hard to fill posts • Reviewing structures as appropriate • In Adult Social Care (ASC), regular monitoring and action plans are in place and include: <ul style="list-style-type: none"> • ASC Workforce Strategy refresh • Education and Children's Workforce Strategy established

<p>Demand for Services</p> <p>Demand for client-based services continues to increase resulting in increased budget pressures and poor outcomes for those people in receipt of our services</p> <p>Causes:</p> <ul style="list-style-type: none"> • Provider failure • Insufficient funding • As we move into winter, seasonal illnesses such as flu and further Covid 19 peaks could exacerbate this risk • Adverse impact of the rising cost of living, high inflation, and increased cost of energy • Lack of qualified staff 	<p>Adult Social Care</p> <ul style="list-style-type: none"> • Ongoing discussions and working group in progress at Integrated Care System level • New practice focussed project Living Better Lives in Lancashire will fundamentally change the approach and ways of working particularly around current front-line assessment and determination of services • Undertaking an evaluation in terms of demand and capacity to ensure we have the right capacity within our workforce to respond to the demand. • Additional capacity sourced to help clear some of the Occupational Therapy Backlogs • Working closely with providers to review capacity in the domiciliary care sector and how to improve this which will include the prioritisation of care delivery to the most vulnerable people and key/essential tasks. • Winter resilience planning in progress in collaboration with the NHS • Review of front door will assess how people currently access services and support increase of signposting and use of community assets <p>Children's Social Care</p> <ul style="list-style-type: none"> • Delivery of Early Help Strategy • Delivery of Family Safeguarding • Evaluation of targeted interventions including Family Group Conferencing at pre proceedings, and Voluntary Community and Faith Sector model • Where Our Children Live Strategy and Sufficiency Strategy agreed by Cabinet in January 2021 • Deep dive on Placement Costs • Ongoing consideration of Covid impact • Provide input into the developing NHS operational plan for Child & Adolescent Mental Health Service developments and be sighted on / support ICS discussions on CAMHS related NHS investment proposals <p>SEND</p> <ul style="list-style-type: none"> • Delivery of priorities within the Special Education Needs & Disability sufficiency strategy • Consulted on Strategy • Ongoing consideration of Covid impact
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<p>Our Improvement Journey</p> <ul style="list-style-type: none"> • That the council to be sufficiently radical or innovative to transform services at the required pace to achieve the scale of change needed over the next 12 months and beyond <p>Issues:</p> <ul style="list-style-type: none"> • Inability to secure sufficient resource (capacity) across the organisation to deliver on some areas of the Improvement Journey due to competing priorities • Not having a joined up, cohesive, corporate wide LCC change programme with Executive Management Team oversight and appropriately allocated resources. • Multiple front doors with multiple gatekeepers to initiate change leading to: <ul style="list-style-type: none"> • A lack of strategic prioritisation, sequencing and link to corporate objectives • Too many competing asks • Silo working approach • Inconsistent approach to prioritisation and delivery of change projects 	<p>Capacity</p> <ul style="list-style-type: none"> • Continue to recruit to remaining positions and key matrix roles (including Change Hubs) • Regular engagement with Executive Management Team to understand capacity challenges and prioritisation requirements • Identify opportunities for realignment of roles / activities in complementary areas to support Improvement Journey (IJ) delivery, including Directorate change hubs which will help to identify, prioritise & deliver priorities using the full range of available resources. • Develop resource profile for activity in scope of IJ and identify any potential shortfalls with associated options / costings for filling gaps • Implement "Front Door to Change" framework and recommended actions including mapping of change capacity & demand, and prioritisation across directorates. <p>Change Programme</p> <ul style="list-style-type: none"> • Develop a joined up, cohesive view of all change activity. • Support Executive Management Team to have greater visibility and discussion on the entire change programme enabling informed strategic decision making from Executive Management Team and appropriate resource allocation. • Agree governance which will allow effective prioritisation and sequencing of change activity at a corporate level. <p>Our Ways of Working</p> <ul style="list-style-type: none"> • Link values & behaviours to performance & development discussions • Recruit Staff Experience Lead to lead implementation of staff experience programme deliverables • Ensure linkage between Ways of Working programme and Corporate Asset Management, use learning from Ways of Working to shape asset strategy to identify and deliver options for asset optimisation priorities and introduce new staff survey / engagement approaches to improve data, insight and understanding of staff experience
<p>Social Care Reform</p>	<ul style="list-style-type: none"> • Joint work programmes being agreed between Adult Social Care and NHS

<p>Reform of local government and/or the health and social care landscape has the potential to disrupt services, have a significant impact on staff and divert attention away from local efforts to transform and improve services (e.g. Health and Care Bill and White paper on Social Care Reform)</p>	<ul style="list-style-type: none"> • Place Based Directors of Integration to have joint accountability to the NHS and Upper Tier Local Authorities • Continue to build strong and effective working relationships with partners in anticipation of any structural reform • Continue to brief staff and managers of impact of any potential structural changes and take advantage of positive changes that may result • Adult Social Care Steering group now established • Fair Cost of Care completed and submitted to government for review • The funding for Fair Cost of Care is currently being assessed by Finance colleagues in light of the Autumn Statement
<p>School Places Insufficient school places in some parts of the county meaning children and young people are missing out on education</p>	<ul style="list-style-type: none"> • School Place Sufficiency Strategy in place • Monitoring of admission preferences key performance indicators • Monitoring of children missing education to identify localities where there are pressures, and proactive work with schools and settings to secure places and provide additional support to secure places for in-year admissions • Education service working with the Assets Team to ensure that the Directorate is informing and supporting the Implementation of the plans set out in the School Place Sufficiency Strategy 2022-2025
<p>Cyber Security Threats exist to our Digital infrastructure and vulnerabilities exist within it.</p>	<ul style="list-style-type: none"> • There is a Security Operations Centre (SOC) within the Digital Services department. This SOC works to identify and respond the cyber threats to manage cyber incidents and to reduce the impact and likelihood of a major cyber incident affecting Lancashire County Council's ability to deliver services
<p>Oracle Fusion – Data Breach Data Breach because of the way the new system has been configured and implementation</p>	<ul style="list-style-type: none"> • Appropriate security measures put in place • Reported to Information Commissioner • All staff and partners informed • Dedicated support for staff put in place • 'Lessons learnt' investigation underway

Governance Challenges for 2023/24 and onwards

The review of governance arrangements has identified the main areas where the Council will need to focus its efforts during 2023/24, to address changing circumstances and challenges. These are set out below. Completion or substantial progress against these objectives is due by the end of the financial year, in March 2024.

Recruitment & Retention

Our draft Corporate People Strategy will provide a coherent and cohesive direction of travel for the business in terms of attraction, recruitment, retention, and development with associated metrics. Alongside of this, a new operating model for people services will be implemented to support the business with key strategic people risks and activities. We are also completing a full review of our workforce to identify required staffing levels and skills via an agency/consultancy model.

Our recruitment process is being redesigned and benchmarked against emerging and best practice and a Talent Attraction team will be put in place as part of People Services operating model. A new Leadership capability framework has been drafted to further develop leadership capability in people management and development. Succession planning work has commenced with Executive Management Team.

Financial Sustainability

Overall, the Council has an appropriate level of reserves available to manage the financial risks it is facing from 2022/23 to 2026/27. However, on current forecasts it will be necessary that additional savings will be required to bring the council to a financially sustainable position. Whilst there is still a significant risk factor in relation to savings delivery, the £87m funding gap for 23/24 has been reduced to £9.5m with a focus on improving productivity and efficiency and generating additional income to support priority services.

Demand for Services

For many services demand pressures will continue to increase over the next year. In some areas, an increase in Government funding provides some mitigation, but substantial pressure remains. We will continue to invest in our services to reduce caseloads, improve customer service and meet customer needs. Where we can, we will save money, create efficiency, and use advances in technology to improve the way we work and connect to both customers and colleagues. We will continue to work with our partners to provide the best possible services to our residents.

Our Improvement Journey

Over the next twelve months we are looking to embed our approach to integrated business planning and develop the Strategic Change Delivery Plan (SCDP) using input from the Stop / Pause / Continue exercise and the service planning process. This will be supported by the Programme Office. The Strategic Improvement Board have committed to the Change Front Door process and to ensuring that all new change requirements are assessed and prioritised based on appropriate business cases which include sufficient information on costs, benefits, and resource implications. A programme of training for Lancashire County Council's staff to develop Agile, Lean, and Continuous Improvement skills has been piloted.

School Places

This issue continues to be one of our main priorities and we are working to identify further opportunities and mitigations. We have strengthened support to help new arrivals to county/country including support to address language barriers. We are improving our outreach in terms of publicity, and this has reduced the number of late applications for school places. Our website now shows levels of subscription for individual schools and maps of geographical priority areas. Officers will continue to attend open evenings for the most oversubscribed schools, and year 6 parent information sessions will be held in the areas with the most pressure for places. The expansion of popular schools has increased the number of places available for Year 7 pupils and the availability of places in higher year groups to accommodate in-year admissions. Consultations are taking place in the Spring Term 2023 in respect of new primary schools and a secondary school in Preston.

Information Technology

This year we will continue to invest in our Cyber Security. In the event of an attack, this will help minimise the impact on our operating services. We will conclude the 'lessons learnt' investigation on the Oracle Fusion data breach and put in place steps to ensure this does not happen again when implementing new digital systems. We will also be implementing the next phase of Oracle Fusion. This will focus on the issues that arose during implementation.

Monitoring implementation

The key governance challenges facing the Council in 2023/24 will be monitored by the Executive Management Team and are identified risks in the Council's Corporate Risk and Opportunity Register. This document is the 'action plan' for each issue identified.

The governance arrangements relating to the Register involve its review by the Executive Management Team which is then reported in turn to the Audit, Risk and Governance Committee. The Register identifies risks, the current controls that apply and the mitigating actions to be taken, producing a "risk score" and a residual (target) score after mitigating actions have been applied.

Conclusion

Overall, the County Council has the appropriate systems and processes in place to ensure good governance is maintained. Whilst these work generally well, the council has identified several areas where further improvements can be made to strengthen its governance framework. The governance of the County Council will continue to be monitored by the Audit, Risk & Governance Committee, and Executive Management Team.

Glossary

Audit, Risk & Governance Committee - The Committee provides independent oversight of the adequacy of the council's governance, risk management and internal control framework, and oversees the financial reporting process.

Better Care Fund - is a programme spanning both the NHS and local government which seeks to join-up health and care services, so that people can manage their own health and wellbeing and live independently in their communities for as long as possible.

Capital Programme - identifies agreed capital schemes, showing the total cost of schemes and the projected phasing of those schemes over current and future financial years.

Care Quality Commission – is the independent regulator of all health and social care services in England.

Constitution - sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decision-making is efficient, transparent, and accountable to local people.

Executive Management Team (EMT) – is the strategic officer leadership body within the council that advise and support the elected members of the council and its key post holders and bodies, including the Cabinet and Overview and Scrutiny.

Corporate Risk Register – is a formal record of the major risks facing the county council and the mitigating actions to reduce the risk.

Directors' Assurance Statements - provide an assurance on the internal control framework operating within their service(s).

Equality Impact Assessment - is a process designed to ensure that a policy, project, or scheme does not discriminate against any disadvantaged or vulnerable people.

External Audit - external auditors review financial statements to ensure they are a 'true and fair' account of past financial performance and current financial position.

General Data Protection Regulation (GDPR) – is a regulation in EU law on data protection and privacy for all individuals within the European Union (EU) and the European Economic Area (EEA).

Integrated Care System – Lancashire & Cumbria Integrated Care System is a partnership which joins up health and social care services.

Intermediate Care – services provide support for a short time to help individuals recover and increase their independence.

Internal Audit - is an independent, objective assurance and consulting activity designed to add value and improve the county council's operations

LRF (Local Resilience Forum) - are multi-agency partnerships made up of representatives from local public services, including the emergency services, local authorities, the NHS, the Environment Agency, and others.

Medium Term Financial Strategy - is the Council's key financial planning document. It aims to provide the Council with an assurance that the Council's spending plans are affordable over the medium term.

Monitoring Officer - has the specific duty to ensure that the Council, its officers, and its Elected Councillors, maintain the highest standards of conduct in all they do.

Oracle Fusion – the system we use for HR, Payroll, Finance and Procurement

Ofsted - is the Office for Standards in Education, Children's Services and Skills. They inspect services providing education and skills for learners of all ages.

Outbreak Control Plan – sets out how we will prevent and manage Covid-19 cases and outbreaks across the county.

Passport to Independence - its aim is to help people stay healthy and self-sufficient (independent) for longer.

Performance Management – is the activity and set of processes that aim to maintain and improve performance in line with an organisation's objectives.

Reserves – liquid assets order to meet expected future payments and/or emergency needs.

Risk Management - is an important part of both corporate governance and performance management. It allows the council to avoid problems and failures, rather than just reacting to them when they arise. It helps the council to identify where it needs to focus its efforts and resources, to exploit more opportunities and suffer fewer failures.

S151 Officer - an officer appointed under section 151 of the Local Government Act 1972 which requires every local authority to appoint a suitably qualified officer responsible for the proper administration of its affairs

Scheme of delegation - sets out how the Cabinet and full Council have delegated their executive and non-executive powers.

Code of Corporate Governance 2023/24

What is Corporate Governance?

Corporate governance is about the systems, processes, and values by which Councils operate and by which they engage with, and are held accountable to, their communities and stakeholders.

Lancashire County Council is committed to the principles of effective corporate governance and has therefore adopted a Code of Corporate Governance which follows the latest guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), entitled "Delivering Good Governance in Local Government (2016)"

The guidance defines the seven core principles, each supported by sub-principles that should underpin the governance framework of a local authority.

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules 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.

What are the benefits of having a Code of Corporate Governance?

Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. It enables the Council to pursue its priorities effectively as well as underpinning those priorities with mechanisms for control and the management of risk.

Lancashire County Council has a good governance framework in place. The documents and arrangements which comprise the framework demonstrate that the Council continually seeks to ensure it is and remains, well governed, through integration of the core principles of the CIPFA/SOLACE framework into all aspects of the Council's conduct and operation.

The Monitoring Officer is responsible for ensuring the Code is reviewed annually, and the outcome of the review, along with adoption of any revision to the Code is reported annually to the Audit, Risk and Governance Committee. It is then presented to Full Council for approval.

Lancashire County Council Code of Corporate Governance (Principle 1)

Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
<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"> • Maintain shared values both for the County Council and its officers. These are defined in the corporate strategy and reflect public expectations about the conduct and behaviour of individuals. • Use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the County Council. We demonstrate this by adherence to the constitution. • Have adopted formal codes of conduct defining standards of personal behaviour for Members and officers. • Maintain the Audit, Risk and Governance Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the County Council's culture. • Have put in place arrangements to ensure that Members and staff of the County Council are not influenced by prejudice, bias, or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies. • Ensure that systems and processes for financial administration and control together with protection of the County Council's resources and assets, comply 	<ul style="list-style-type: none"> • Our values <ul style="list-style-type: none"> ○ Supportive ○ Innovative ○ Respectful ○ Collaborative • Corporate Strategy & Priorities • Annual Governance Statement • The Constitution which includes: <ul style="list-style-type: none"> • Financial Procedure Rules • Contract Procedure Rules • Anti-Fraud and Corruption Strategy • Anti-Bribery Policy • Rules relating to Members External Interests • Rules relating to Gifts and Hospitality • Codes of Conduct for Members and Employees • Scheme of Delegation • Procedural Standing Orders • Register of Interests

	<p>with ethical standards; and are subject to monitoring of their effectiveness.</p> <ul style="list-style-type: none">• Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate. Officers will actively recognise the limits of lawful activity placed on them but also strive to utilise their powers to the full benefit of their communities.• Officers will observe all specific legislative requirements placed upon the Council as well as the requirements of general law and integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making.• Have put in place effective systems to protect the rights of staff. We ensure that policies for whistleblowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place.• Have established a corporate information governance group (CIGG) with the remit of collecting assurance information across all council functions. Establish a Senior Information Risk Officer and Data Protection Officer.• Publish an Annual Governance Statement, signed by the Leader of the Council and the Chief Executive to confirm that we are satisfied that we have effective governance arrangements in place.	<ul style="list-style-type: none">• Terms of reference• Information Security Policy• Information Governance Policy• Money Laundering Policy• Whistleblowing Policy• External inspections of accounts• Member's induction• Complaints Policy• Partnership Protocol• Job descriptions and Person Specifications• Clearance of committee reports• Anti-money laundering policy• Calendar of meetings• CCTV Policy• Companies – compliance with Companies Act 2006, directors' duties, LEP assurance framework• Councillor – Use of resources, social media, AUP• Employee policies & procedures• FOI Publication Scheme• Grants rules, process, decisions and website
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		<ul style="list-style-type: none">• Pre-election guidance• Election's complaints process, fly posting, website• Identifying politically restricted posts• Local Resilience Forum Agreement (LRF)
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Lancashire County Council Code of Corporate Governance (Principle 2)

Principle 2: Ensuring openness and comprehensive stakeholder engagement		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
<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"> • Ensure that the Council’s vision, strategic plans, priorities, and targets are developed in consultation and that they are clearly articulated and disseminated. • Maintain a culture of accountability so that Members and Officers understand to whom they are accountable and for what. • Strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands. • Publish reports giving information on the County Council’s strategies, plans and financial statements as well as information about outcomes, achievements. • Deliver effective scrutiny of the County Council’s business as appropriate and produce regular reports on the activities of the scrutiny function. 	<ul style="list-style-type: none"> • Corporate strategy • Corporate priorities 2021-25 and communication strategy • Lancashire 2050 • Staff Survey • Local Member Grants • Internal Audit reviews • Annual Governance Statement • Family Safeguarding • Special Educational Needs and Disabilities Improvement Plan • The Care, Support and Wellbeing of Adults in Lancashire Vision • The Housing with Care Strategy • Annual report on members allowances • Annual Pay Policy Statement • Freedom of Information Publication Scheme • Research and Consultation Strategy • Research and Consultation Database • Service Specific consultations • Communication Strategy • Constitution

	<ul style="list-style-type: none"> • Ensure that the Council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. • Attempt to publish all committee agenda items under “part 1” unless there is the need to preserve confidentiality (where it is proper and appropriate to do so). 	<ul style="list-style-type: none"> • Scheme of Delegation • Money Matters Budget reports • Lancashire Health & Wellbeing Strategy • Community Safety Agreement • Director of Public Health Annual Report • Children's Partnership Plan • Statement of Accounts • Scrutiny Reports • County Council Website • Joint Strategic Needs Assessment • Strategic Assessment of Crime & Anti-Social behaviour • Anti-Bribery Policy • Anti-Fraud & Corruption Strategy • Anti-Money Laundering Policy • Calendar of meetings • Companies - Companies database, Companies House database, Compliance with the Companies Act 2006, Directors duties, LCDL - 2020/21 Statement of Accounts, LEP Assurance Framework, LEP website • Employee Policies and Procedures • Equalities, Cohesion and Integration Strategy
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		<ul style="list-style-type: none">• Equality/ health Impact Analysis• External inspections of accounts• Grants rules, process, decisions, and website• Health and Safety Policies and Procedures• Information Governance Framework• Information Security Policy• Information sharing policy Partnership Protocol• Privacy Impact Analysis• Privacy Notice• Procedure for complaints against Councillors• Publication of Members' Allowances paid• Privacy Impact Analysis• Scheme for access of information• Outbreak Management Plan• Community Safety Strategy 22-25• Economic Development Strategy 23-25• Environment & Climate Strategy• Children's & Young Peoples participation strategy
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Lancashire County Council Code of Corporate Governance (Principle 3)

Principle 3: Defining outcomes in terms of sustainable economic, social and environmental benefits		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
<ul style="list-style-type: none"> • Defining outcomes • Defining outcomes benefits 	<ul style="list-style-type: none"> • Make a clear statement of the Council’s purpose and priorities and use it as a basis for corporate and service planning. • Publish reports to communicate the Council’s activities and achievements, its financial position and performance. • Ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications. • Identify and monitor service performance indicators which demonstrate how the quality of service for users is to be measured. • Maintain a Prudential Financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved. • Ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management. 	<ul style="list-style-type: none"> • Corporate Strategy • Corporate priorities 2021-25 and communication strategy • A New Deal for a Greater Lancashire • Local Member Grants • Service Plans • Family Safeguarding model • Special Educational Needs and Disabilities Sufficiency strategy • The Care, Support and Wellbeing of Adults in Lancashire Vision • The Housing with Care Strategy • Money Matters Budget Reports • Director of Public Health Annual Report • Reports to Audit, Risk & Governance Committee • Performance reports to Cabinet • Monthly budget monitoring reports

		<ul style="list-style-type: none">• Statement of Accounts• External Auditors letter & reports• External Inspections• Approach to Risk & Opportunity• Treasury Management Strategy• Capital Investment Strategy• Adult Services Annual plan• Boost Lancashire's Business Growth Hub• Care Act Policies, Procedures and Guidance• Children's Social Care• Community & Resilience Plan• Companies - annual business plans• Consultancy Code• Consultation and Engagement Procedures• Corporate Procurement Strategy, policies and guidance• Customer Access Strategy• Development Plan• Digital First Strategy• Equalities, Cohesion and Integration Strategy• Full Council Framework documents
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		<ul style="list-style-type: none">• Health and Wellbeing Strategy Delivery Plan• Lancashire Children Looked After Sufficiency Strategy• Lancashire CLA Residential Strategy• Lancashire County Council Dementia Strategy• Lancashire Economic Development Strategy 23-25• Lancashire Economic Partnership (LEP)• Lancashire Environment Strategy• Lancashire Health and Wellbeing Strategy• Lancashire Renewables• Libraries, museums and culture strategy• Local Transport Plan• Notice of forthcoming Executive Key Decisions (Forward Plan) and intention to conduct business in private• Prevent Strategy and Delivery Plan• Property Asset Management Strategy• Transport Asset Management Strategy• Risk Management framework
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		<ul style="list-style-type: none">• Roads, parking and travel plans• Treasury Management Strategy• Youth Justice Plan• Digital First Strategy• Adult Social Care Winter Plan• Strategy for Libraries, Museums, Culture and Archives 2019-24• Capital Strategy for Schools• Community Safety Strategy 22-25• Outbreak Management Plan• Family Safeguarding model• Adherence to the Financial Management Code• School Place Planning Strategy• Lancashire 2050• Community Safety Strategy 22-25• Environment & Climate Strategy
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Lancashire County Council Code of Corporate Governance (Principle 4)

Principle 4: Determining the interventions necessary to optimise the achievement of the intended outcomes		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
<ul style="list-style-type: none"> • Determining interventions. • Planning interventions • Optimising achievement of intended outcomes 	<ul style="list-style-type: none"> • Make a clear statement of the Council’s purpose and priorities and use it as a basis for corporate and service planning. • Have risk management arrangements in place including mitigating actions to support the achievement of the Council’s intended outcomes. • Ensure that there are effective arrangements in place to monitor service delivery • Put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our residents. • Have prepared contingency arrangements including a disaster recovery plan, business continuity plan and arrangements for delivering services during adverse weather conditions. • Provide senior managers and Members with timely financial and performance information. • Ensure that budget calculations are robust and reserves are adequate. • Align financial and performance data to provide an overall understanding of performance. 	<ul style="list-style-type: none"> • Corporate Strategy • Corporate priorities 2021-25 and communication strategy • A New Deal for a Greater Lancashire • LGA Peer Review action plan • Family Safeguarding model • Special Educational Needs and Disabilities Improvement Plan • The Care, Support and Wellbeing of Adults in Lancashire Vision • The Housing with Care Strategy • Our approach to Risk & Opportunity Management • Corporate Risk & Opportunity Register • Corporate & service performance dashboards • Highlight Reports • Business Continuity Plans • Emergency Plan • Money Matters Budget Reports • Social Value Policy & Framework

		<ul style="list-style-type: none">• Anti-Fraud & Corruption Strategy• Committee specific training for Scrutiny members• Companies - Articles of association, Directors duties, LEP Assurance Framework, Service level agreements• Scrutiny Committee's• Scrutiny Task Group Meetings/Reports• Webcast of all Scrutiny Committee meetings• LRF arrangements• Corporate Emergency Response Team
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Lancashire County Council Code of Corporate Governance (Principle 5)

Principle 5: Developing the County Council's capacity, including the capability of its leadership and the individuals within it		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
<ul style="list-style-type: none"> • Developing the County Council's capacity • Developing the capability of the County Council's leadership and other individuals 	<ul style="list-style-type: none"> • Through the constitution set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually. • Set out a clear statement of the respective roles and responsibilities of the Council's other committees and senior officers. • Have developed protocols to ensure effective communication between Council Members and officers in their respective roles. • Have developed protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained. • Set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011. • Have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required. • Ensure that effective management arrangements are in place at the top of the organisation. • Ensure the Chief Executive is responsible and accountable to the Council for all aspects of operational management. 	<ul style="list-style-type: none"> • Our Improvement Journey and organisational development programme • New Ways of Working • Constitution • Annual Pay Policy • Scheme of Delegation • Leadership Development Programme • Performance Engagement Reviews • Member Development Strategy and Programme • Member Development Working Group • Family Safeguarding model • Special Educational Needs and Disabilities Improvement Plan • Scheme of delegation to officers • Induction programme • Health & Wellbeing Policy • Children's Partnership Board - Terms of reference • Code of conduct training for councillors

	<ul style="list-style-type: none">• Ensure the Section 151 Officer is responsible to the County Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.• Have appointed a professionally qualified and experienced S151 Officer who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the County Council• Ensure the Monitoring Officer is responsible to the County Council for ensuring that the constitution is adhered to.• Assess the skills required by Members including the understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.• We will assess the skills required by officers through the performance engagement process and address any training gaps, to enable roles to be carried out effectively.• We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.• We will ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.	<ul style="list-style-type: none">• Companies - Articles of association, Directors duties, Directors induction packs, Directors induction training, Internal controls manuals• Corporate induction e-learning• Councillors - Internet and email acceptable use policy, Provision and use of resources, Use of social media, Fair Use Policy for Mobile Phones• County Councillor Training Records• Generic Job descriptions/specifications for officers• Internet, Email and Telephone Acceptable Use Policy for staff• Lancashire County Council Behaviour Framework• Leadership Development Programme• Mandatory e-learning modules• Recruitment & Selection Policy• LRF accountable body• Draft People's Strategy
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	<ul style="list-style-type: none">• We provide the Director of Finance with the resources, expertise and systems necessary to perform the role effectively within the County Council.• We will provide the Executive Director Education & Children's Services with the resources, expertise and systems necessary to perform the role effectively within the Council and respond to the last Ofsted & Special Educational Needs & Disability inspections.	
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Lancashire County Council Code of Corporate Governance (Principle 6)

Principle 6: Managing risks and performance through robust internal control and strong public financial management.		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
<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"> • Maintain an effective Audit, Risk & Governance Committee which is independent of the executive and scrutiny functions. • Enable the s151 and the Director of Finance to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained. • Ensure that risk management is embedded into the culture of the County Council, with Members and managers at all levels recognising that risk management is part of their job. • Ensure our arrangements for financial and internal control and management of risk are formally addressed within the annual governance reports. • Ensure effective internal control arrangements exist for sound financial management systems and processes. • Maintain a Performance Board that meets quarterly. The Board receives a suite of performance dashboards, which draw attention to concerns with performance, describe recovery plans, and escalate issues for discussion and action to EMT. • Ensure that a regular Corporate Performance report is produced and used to hold Cabinet Members and officers to account. 	<ul style="list-style-type: none"> • Audit, Risk & Governance Committee • Money Matters Budget Reports • Approach to Risk Management and publication of a quarterly Corporate Risk & Opportunity Register • Annual Governance Statement • Performance Board • Corporate Performance report • Internal Audit Reports • O&S arrangements • Information Governance Strategy • Data Protection Policy • Companies - account filed in accordance with all regulations, Companies House Database, LEP performance committee, own audit

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|--|--|--|
| | | <p>& finance committees
e.g. active companies,
Quarterly monitoring
reports, Regular
financial monitoring
reports, Risk
Management reports</p> <ul style="list-style-type: none"> • Audit, Risk &
Governance
Committee - terms of
reference • External Auditors
letter & reports • Internal Audit Plan
2023/2024 • Internal Audit Reports • Lancashire County
Pension Fund - Annual
Governance Statement
of Compliance • Peer Reviews • Local Code of
Corporate Governance • External reports
protocol • Directors Assurance
statement • Project Plans and Risk
Registers • Health and Wellbeing
Board revised terms of
reference |
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| | | <ul style="list-style-type: none">• Health and Wellbeing Strategy Delivery Plan• Lancashire Insight website• Medium Term Financial Plan• Minutes of committee meetings• Monthly budget monitoring reports• Notice of forthcoming Executive Key Decisions (Forward Plan) and intention to conduct business in private• Partnership Protocol• Peer Review• Performance Management• Quarterly Performance Highlight Reports• Statement of Accounts 2022/2023• Treasury Management Strategy• Webcasting of committee meetings• Public Bond issue• Data Strategy |
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Lancashire County Council Code of Corporate Governance (Principle 7)

Principle 7: Implementing good practices in transparency, reporting and audit to deliver effective accountability		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
<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"> • Comply with the local government transparency code and publish all required information in a timely manner. • Have established a medium-term business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review. • Put in place effective transparent and accessible arrangements for dealing with complaints. • Maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall. • Maintain an effective Audit, Risk & Governance Committee which is independent of the Executive and Scrutiny committees. • Ensure an effective internal audit function is resourced and maintained. • Maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based. • Attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so • Put in place arrangements for whistleblowing to which staff and all those contracting with the County Council have access. 	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Complaints Procedures • Scrutiny Committees • Audit, Risk & Governance Committee • Constitution • Modern.Gov • Whistle-blowing Policy • Monthly budget monitoring reports • Annual Pay Policy • Statement of Accounts • External Audit Reports • Annual Governance Statement • Approach to Risk Management & publication of a quarterly Risk & Opportunity register • Companies - Companies House database, LCDL - 2022/23 Statement of

	<ul style="list-style-type: none"> • Produce clear, timely, complete, and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council. • Maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011. • Publish annually details of County Councillors remuneration and expenses 	<p>Accounts, LEP Assurance Framework, own audit & finance committees e.g. active companies</p> <ul style="list-style-type: none"> • Data Protection Policy • External inspections e.g., Ofsted • External inspections of accounts • Information Governance Framework • Internal Audit Plan • Internal Audit Reports • Money Matters Budget Reports • O&S arrangements • Performance Reports
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Audit, Risk and Governance Committee
Meeting to be held on Monday, 24 April 2023

Electoral Division affected:
(All Divisions);

Corporate Risk and Opportunity Register - Quarter 4 Update
(Appendices 'A' to 'B' refer)

Contact for further information:
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Brief Summary

This report provides an updated (Quarter 4 2022/23) Corporate Risk and Opportunity Register for the committee to consider and comment on. The register has been refreshed to reflect the council's current operating environment and is presented to this committee to provide a progress update and assurance that the current risk management arrangements are both robust and effective.

The updated Corporate Risk and Opportunity Register is attached at Appendix A. The risk entries for Cyber Security and the Oracle Fusion Data Breach contain private and confidential information, so are provided at Appendix 'B' and included in Part II of the agenda.

Recommendation

The Audit, Risk and Governance Committee is asked to note the updated Corporate Risk and Opportunity Register.

Detail

This report provides an updated (Quarter 4 2022/23) Corporate Risk and Opportunity Register for the committee to consider and comment on. The register was refreshed at Quarter 2 to reflect the council's current operating environment and is now presented to provide an update and assurance that the current risk management arrangements are both robust and effective.

In line with the council's Risk Management Framework, the Executive Management Team (EMT) review the Corporate Risk and Opportunity Register quarterly, taking account of the current and predicted future internal and external environment in which the county council and its strategic partners operate. The Corporate Register sets out the 'across the board' risks that could threaten the authority's core business and the way it operates.

Below the Corporate Register are Directorate Registers that are managed by Executive Directors and identify risks that could threaten day to day activities. Where a new directorate risk has a score of 12 or above it is automatically referred to the Executive Management Team for consideration for inclusion on the Corporate Register. However, the Executive Management Team may decide not to escalate such a risk onto the Corporate Register and ask that it is managed at an operational level. This maybe because the Executive Management Team thinks that the risk does not threaten the core business of the organisation or that the score has been over inflated (scores are subjective).


Quarter 4 Update – Summer of Key Points

The risks and opportunities have been updated using information provided through directorate risk registers.

CORP1 – Financial Sustainability

Current Risk Score: 20

Target Risk Score: 16 (ongoing)

Target Risk Confidence: 

Key to scores

	CATASTROPHIC	5	10	15	20	25
	MAJOR	4	8	12	16	20
	MODERATE	3	6	9	12	15
IMPACT	MINOR	2	4	6	8	10
	INSIGNIFICANT	1	2	3	4	5
		RARE	UNLIKELY	POSSIBLE	LIKELY	CERTAIN
			LIKELIHOOD			


Overall, the council has an appropriate level of reserves available to manage the financial risks it is facing from 2022/23 to 2026/27. However, on current forecasts it will be necessary that additional savings will be required to bring the council to a financially sustainable position. Whilst there is still a significant risk factor in relation to savings delivery, the £87m funding gap for 2023/24 has been reduced to £9.5m with a focus on improving productivity and efficiency and generating additional income to support priority services. Consequently, the target risk confidence RAG rating has changed from red to amber.



CORP2 – Workforce Recruitment and Retention

Current Risk Score: 16

Target Risk Score: 12 (March 23)

Target Risk Confidence: 

Key to scores

	CATASTROPHIC	5	10	15	20	25
	MAJOR	4	8	12	16	20
	MODERATE	3	6	9	12	15
IMPACT	MINOR	2	4	6	8	10
	INSIGNIFICANT	1	2	3	4	5
		RARE	UNLIKELY	POSSIBLE	LIKELY	CERTAIN
			LIKELIHOOD			


A Corporate People Strategy has been developed and is awaiting approval. A new operating model for people services will be implemented in 2023 and review of the workforce is underway to identify staffing levels and skills. Recruitment processes are to be redesigned and a talent attraction team is being established. A leadership capability framework has been drafted and succession planning work has commenced with the Executive Management Team. Once the mitigations have been implemented the score should be revised downwards.

Within Adult Social Care, a Workforce data framework and a Performance Management Board has been established. An Adult Social Care Workforce Strategy has been agreed and an In-house Provider Workforce sub-group established, which is focused on recruitment and retention. There are ongoing discussions with external recruitment agencies to help resolve the issue.

CORP3 – Demand for Services

Current Risk Score: 16

Target Risk Score: 12 (March/September 23)

Target Risk Confidence: 

Key to scores

	CATASTROPHIC	5	10	15	20	25
	MAJOR	4	8	12	16	20
	MODERATE	3	6	9	12	15
IMPACT	MINOR	2	4	6	8	10
	INSIGNIFICANT	1	2	3	4	5
		RARE	UNLIKELY	POSSIBLE	LIKELY	CERTAIN
			LIKELIHOOD			




In terms of Special Educational Need and Disability (SEND), increased Government funding provides some mitigation, but substantial pressure remains. There has been additional investment to reduce SEND officers' caseloads together with additional inclusion teachers and support workers providing direct support to enable the full-time attendance and inclusion of pupils with Education Health and Care plans who are either experiencing difficulties with their mental health that prevents their attendance at school or who are at risk of exclusion.

A SEND Partnership Plan is agreed, and additional SEN Units continue to be established. We also have agreement to establish new SEN provision in North Lancashire. Staffing options have been developed and the delivery of the Early Help Strategy is ongoing. Outreach services have been expanded. Family Group Conferencing evaluation is being undertaken as part of a national programme. Voluntary, Community and Faith Sector (VCFS) provision is in place supporting referrals from Children's Social Care Teams.

There is a shift to block residential provision to establish more for children and young people with most complex needs. There is a continued focus on step down fostering placements with option to pay retainers to secure provision. Rates for Child in Need, Child Protection and Children Looked After are being tracked and the Where our Children Live capital bid to the Department for Education was successful and plans to implement it have been developed. There has also been a successful further bid to the Department for Education for children's home capital funding and proposals to develop additional in-house home supported by specialist NHS teams. Avoidance of high-cost homes workstream has been established through the Where Our Children Live project.

Adult Social Care has negotiated an agreed position with NHS in respect of responsibility for funding Continuing Health Care. The NHS have confirmed commitment to pay one off monies in the current year in respect of previous/ongoing cases and will reimburse appropriately going forward. Homecare, reablement and crisis services are being redesigned and will be reprocured next year with the aim of supporting Adult Social Care to respond effectively to increased demand pressures. The review of in-house older people's care services and day services is underway. Discussions are in progress with Shared Lives Plus to potentially expand the offer.

Adult Mental Health bed delays continue to increase and remain closely monitored. To manage the backlog, the Performance Board meets fortnightly. Dashboards are in the process of validation, some reporting remains off-system (carers service make manual submissions), and weekly highlight reports are published. Good progress being made in reducing the backlogs.

CORP4 – Our Improvement Journey
 Current Risk Score: 16
 Target Risk Score: 9 (March 23/ongoing)
 Target Risk Confidence: 

Key to scores

	CATASTROPHIC	5	10	15	20	25
	MAJOR	4	8	12	16	20
	MODERATE	3	6	9	12	15
IMPACT	MINOR	2	4	6	8	10
	INSIGNIFICANT	1	2	3	4	5
		RARE	UNLIKELY	POSSIBLE	LIKELY	CERTAIN
			LIKELIHOOD			

The Interim Executive Director of Resources worked with services to develop an integrated business planning and performance framework. This has been shared with the Senior Leadership Team and an indicative timetable agreed. The Strategic Change Delivery Plan (SCDP) is being developed for the Strategic Improvement Board (SIB), using input from the Stop / Pause / Continue exercise and the service planning process which commenced in January 2023. An interim Portfolio and Programme Manager has been recruited to develop the programme office and support the production and delivery of the agreed Strategic Change Delivery Plan priorities.

The Strategic Improvement Board have committed to the Change Front Door process and to ensuring that all new change requirements are assessed and prioritised based on appropriate business cases, which include sufficient information on costs, benefits, and resource implications. A new approach to business planning has been launched and will develop alongside the design and implementation of an integrated performance management framework. A programme of training for Lancashire County Council's staff to develop agile, lean and continuous improvement skills has been piloted and new data sets will support the next phases of the property review, providing a more accurate and up to date picture of building usage and efficiency.



CORP5 – Social Care Reform

Current Risk Score 15

Target Risk Score 6 (March 23)

Target Risk Confidence:



Key to Scores

	CATASTROPHIC	5	10	15	20	25
	MAJOR	4	8	12	16	20
	MODERATE	3	6	9	12	15
IMPACT	MINOR	2	4	6	8	10
	INSIGNIFICANT	1	2	3	4	5
		RARE	UNLIKELY	POSSIBLE	LIKELY	CERTAIN
			LIKELIHOOD			

The current risk score has reduced to 9, so this risk has been removed from the corporate register. The risk will continue to be monitored at directorate level.

CORP6 – School Places

Current Risk Score: 16

Target Risk Score 8 (March 24)

Target Risk Confidence:



Key to Scores

	CATASTROPHIC	5	10	15	20	25
	MAJOR	4	8	12	16	20
	MODERATE	3	6	9	12	15
IMPACT	MINOR	2	4	6	8	10
	INSIGNIFICANT	1	2	3	4	5
		RARE	UNLIKELY	POSSIBLE	LIKELY	CERTAIN
			LIKELIHOOD			



The target date for achieving the target score has been revised and is now March 2024 to reflect the size of the challenge. There are ongoing discussions to identify further opportunities and mitigations and the Assets Team have secured consultancy support. We are developing approaches to better support new arrivals to the county/country, including support to address language barriers. Publicity, including social media, has reduced the number of late applications and our website now shows levels of subscription for individual schools and maps of geographical priority areas.

Officers attend open evenings for the most oversubscribed schools and Year 6 parent information sessions are held in the areas with the most pressure for places. We are also expanding popular schools and a report was presented to February's Cabinet for approval. The number of places available for Year 7 pupils has been increased, as has the availability of places in higher year groups to accommodate in-year admissions. Consultations will be taking place in the Spring Term 2023 in respect of new primary schools and a secondary school in Preston.


New Risks Considered by the Executive Management Team

The committee has asked to be informed of instances when a risk has been considered by the Executive Management Team but not escalated onto the Corporate Register. Further details of such risks are set out below.

County Hall Complex – Electrical Resilience

Current Risk Score: 16

Target Risk Score: 6 (March 23)

Target Risk Confidence: 

Key to scores

	CATASTROPHIC	5	10	15	20	25
	MAJOR	4	8	12	16	20
	MODERATE	3	6	9	12	15
IMPACT	MINOR	2	4	6	8	10
	INSIGNIFICANT	1	2	3	4	5
		RARE	UNLIKELY	POSSIBLE	LIKELY	CERTAIN
			LIKELIHOOD			

In the event of a power outage to the County Hall complex there is currently a limited amount of backup generation leaving much of the complex at risk of a total blackout. The Executive Management Team felt that this risk tended to be more operationally focused than strategic in nature. Therefore, it was decided not to escalate the risk onto the Corporate Register and the Executive Management Team asked that it is managed at directorate level.

Appendices

Appendix	Title
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Appendix A	Corporate Risk and Opportunity Register
Appendix B (Part II)	Risk entries for Cyber Security and the Oracle Fusion Data Breach

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with sound arrangements for control and management of risk. An authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk. Failure to develop and maintain a Corporate Risk and Opportunity Register means the council would be negligent in its responsibilities for ensuring accountability and the proper conduct of public business

Local Government (Access to Information) Act 1985 List of Background Papers

N/A

Reason for inclusion in Part II, if appropriate

Appendix 'B' to this report is included in Part II of the agenda because it contains exempt information as defined in Paragraphs 3 and 7 of Part 1 of Schedule 12A to the Local Government Act, 1972:


- Information relating to the financial or business affairs of any particular person (including the authority holding that information)
- Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.



Lancashire County Council Corporate Risk & Opportunity Register 2022/23 - Quarter 4

Risk ID	Corp 1	Title: Financial Sustainability	Current risk score: 20	Target Risk Score: 16	
<p>Risk Description</p> <p>Failure to deliver a sustainable financial strategy that supports the delivery of the corporate strategy and four priorities</p> <p>Causes:</p> <ul style="list-style-type: none"> • Funding gap • Inability to set a balanced budget or deliver services within available resources because of various issues that include economic uncertainty; rising inflation that exceeds budget provision; high demand on care services; lack of certainty over future funding; specific impact of proposals for funding care costs (cap on the lifetime cost of personal care) 	<p>Risk Consequences</p> <ul style="list-style-type: none"> • Increased overspends in particular services • Services become unsustainable and we cannot fulfil our statutory duties because of funding pressures not being met • Adverse impact on clients/residents • Insufficient reserves • Unable to meet savings targets • External intervention if the council is unable to deliver a balanced budget in future years • Reputational damage • Budgetary pressures on providers leading to underperformance or contract variation • The council is unable to support all its capital investment requirements going forward resulting in a focus primarily on reactive works and resultant negative impact on asset condition 	<p>Risk Owner</p> <p>Executive Director of Resources/S151 Officer</p> <p>Target date March 23/Ongoing</p>	<p>Current Likelihood</p> <p>Likely (4)</p> <p>Target Likelihood</p> <p>Likely (4)</p> <p>Target Risk Confidence</p> <div style="background-color: orange; width: 50px; height: 20px; margin: 5px 0;"></div>	<p>Current Impact</p> <p>Catastrophic (5)</p> <p>Target Impact</p> <p>Major (4)</p>	
<p>Current Controls</p> <ul style="list-style-type: none"> • Updates provided to Cabinet through the money matters reports covering in-year financial position and medium-term financial strategy on a quarterly basis • Directorate Leadership Teams (DLT's) meet regularly and have a monthly focus on financial position and savings delivery chaired by the relevant Executive Director • Programme Office is supporting the overall programme of savings activity • Financial Benchmarking information (with other County Councils) produced and reviewed annually as a basis for identifying those service areas with most scope for further efficiencies 		<p>Control Owner</p> <p>S151 Officer/Director of Finance/Executive Directors</p>			

<ul style="list-style-type: none"> • Continue to monitor the impacts of price changes via our regular monitoring activity updating our forecast outturn and the MTFS • Continue to work with staff to develop new options savings options and revisit options • Continue to seek out, learn from and adapt services to follow best practice • Capital Strategy and capital delivery programme approved annually at Full Council in February 	
<p>Mitigating Actions</p> <ul style="list-style-type: none"> • DLT's review progress and are each chaired by the relevant Executive Director • Revenue position includes a planned contribution from reserves to support savings delivery and the 2022/23 funding gap • Savings plans have been subject to review as part of the budget monitoring process • Assessing scope of contracts and reviewing uplifts at recommissioning • Transformation options considered towards meeting future years funding gaps • The capital programme is managed by Capital Board at an officer level to ensure that its development is carried out with due regard to risk management and prudent and sustainable resource management. Alignment with property strategy review with capital work being focused on those buildings likely to remain operational and not surplus to requirements going forward given potential embedding of different working arrangements going forward. • Grant levels confirmed for 2022/23 and projects / schemes they will support being agreed and the agreed delivery programme for 22/23 also being reviewed to reflect the impact of slippage / earlier than planned delivery in the final quarter of 2021/22. • Additional capital requirements for 2023/24 to be provided by services before the end of July for consideration by EMT / Cabinet as part of the 2023/24 budget process. 	<p>Mitigation Owner</p> <p>S151 Officer/Director of Finance/Executive Directors</p>
<p>Progress:</p> <p>Overall, the Council has an appropriate level of reserves available to manage the financial risks it is facing from 2022/23 to 2026/27. However, on current forecasts it will be necessary that additional savings will be required to bring the council to a financially sustainable position. Whilst there is still a significant risk factor in relation to savings delivery, the £87m funding gap for 23/24 has been reduced to £9.5m with a focus on</p>	

improving productivity and efficiency and generating additional income to support priority services.				
Risk ID Corp 2		Title: Workforce recruitment and retention		Current risk score: 16 Target Risk Score: 12
<p>Risk Description Unable to attract and recruit candidates, and retain staff leading to an inability to deliver services</p> <p>Causes:</p> <ul style="list-style-type: none"> • Lack of suitably qualified candidates in the labour market • Non-competitive pay rates • Unattractive terms and conditions • Retention policies ineffective • Poor workforce planning (including lack of workforce data) with an ageing workforce • Commissioned services and education settings unable to recruit and retain staff 	<p>Risk Consequences</p> <ul style="list-style-type: none"> • Reduced capacity and skills to deliver key roles and council priorities leading to increased waiting times and delays for people in need of support • Potential skills gap and deterioration in service delivery through loss of experienced staff and age profile of workforce • Unable to deliver statutory services and services in key areas • Adverse impact on clients/residents/businesses • High vacancy rates • High use of agency staffing • Pressure to increase market rates • Weaknesses in approach to workforce planning • Reputational damage • Increased demands and pressures on remaining staff leading to morale issues • Commissioned services and education settings fail 	<p>Risk Owner Executive Directors</p> <p>Target date March 23</p>	<p>Current Likelihood Major (4)</p> <p>Target Likelihood Possible (3)</p> <p>Target Risk Confidence </p>	<p>Current Impact Likely (4)</p> <p>Target Impact Major (4)</p>
<p>Current Controls</p> <ul style="list-style-type: none"> • Performance management dashboards established to collate and analyse workforce data 		<p>Control Owner Executive Directors</p>		

<ul style="list-style-type: none"> • Governance structure identified to manage and lead the workforce performance & strategy (ASC) • Education and Children's Services Workforce Strategy agreed April 2022 • Corporate workforce group to facilitate joint solutions with directorate SMTs • Developing talent acquisition team and recruitment support • Commission recruitment consultants for some roles • Skills and development opportunities • Performance engagement • Social work academy • Additional OT capacity being sought from COMF funding to start July 2022 • Backlog agency in place from April 2022 (Attenti) 	
<p>Mitigating Actions</p> <ul style="list-style-type: none"> • Regular discussions at directorate management teams to understand areas where recruitment and retention is a challenge • Corporate exercise to identify recruitment and retention issues related to hard to fill posts • Reviewing structures as appropriate • In Adult Social Care, regular monitoring and action plans are in place and include: • ASC Workforce Strategy refresh in progress that includes: <ul style="list-style-type: none"> • Provider Services Recruitment Action Plan • Key transformation priorities (LbLiL, Demand Management) will address workforce issues in the immediate & longer term • Discissions with HR re international recruitment (pending data analysis) • Ensuring the right capacity within our workforce to respond to the demand. • Additional capacity being sourced to help clear some of the Occupational Therapy Backlogs • Workforce data framework established • Performance Management Board established 	<p>Mitigation Owner Executive Directors</p>

<ul style="list-style-type: none"> • In-house Provider Workforce sub-group established focused on recruitment and retention • Education and Children's Workforce Strategy established that includes: <ul style="list-style-type: none"> • Strengthening recruitment activity through, for example, clear approach to engagement through social media, virtual open days, engagement with local education partners, promoting LCC as an employer of choice, targeted recruitment activity including overseas recruitment • Strengthening retention activity through, for example, creating an inclusive and diverse workplace, listening to and responding to employee voice, clear development frameworks and learning opportunities, talent management, manageable caseloads and effective tools for the job 	
<p>Progress:</p> <ul style="list-style-type: none"> • Draft corporate people strategy developed and is subject to approval which will give a coherent and cohesive direction of travel for the business in terms of attraction, recruitment, retention, and development with associated metrics • New operating model for people services agreed to support the business with key strategic people risks and activities – moving to this new model in 2023 • Full review of contingent workforce underway to identify required staffing levels and skills via an agency/consultancy model • Recruitment process to be redesigned and benchmarked against emerging and best practice • Talent attraction team to be in place as part of People Services operating model • Leadership capability framework drafted, pending approval and adoption, to further develop leadership capability in people management and development • Succession planning work commenced with EMT 	

Risk ID Corp 3		Title: Demand for Services		Current risk score: 16		Target Risk Score: 8			
<p>Risk Description</p> <p>Demand for client-based services continues to increase resulting in increased budget pressures and poor outcomes for those people in receipt of our services</p> <p>Causes:</p> <ul style="list-style-type: none"> • Provider failure • Insufficient funding • As we move into winter, seasonal illnesses such as flu and further Covid 19 peaks could exacerbate this risk • Adverse impact of the rising cost of living, high inflation, and increased cost of energy • Lack of qualified staff <p>See Corp 1 & 2</p>		<p>Risk Consequences</p> <ul style="list-style-type: none"> • Significant financial pressure on the county council • Poor outcomes for those people in receipt of our services • Potential adverse impact on quality-of-service provision as backlogs and waiting times could increase further • Pressure on specific services such as Mental Health which are already under strain • Could result in additional safeguarding alerts • Additional pressures on family and other carers • Pressures on already pressured and fatigued workforce (internal and external) • Could result in strained relationships with key partners such as NHS, VCFS and external market • Potential drift and delay – impact on timeliness of assessments, plans and interventions with children and families • Special Educational Needs & Disability - Insufficient local places to meet needs 		<p>Risk Owner</p> <p>All Directors and Heads of Service within Adult Social Care and Education & Children's Services</p> <p>Target date</p> <p>March 2023</p>		<p>Current Likelihood</p> <p>Likely (4)</p> <p>Target Likelihood</p> <p>Possible (3)</p> <p>Target Risk Confidence</p> <div style="background-color: red; height: 15px; width: 100%;"></div>		<p>Current Impact</p> <p>Major (4)</p> <p>Target Impact</p> <p>Moderate (3)</p>	
<p>Current Controls</p> <p>Adult Social Care</p> <ul style="list-style-type: none"> • Working with the NHS locally to model capacity, agree plans and procedures (particular focus on Continuing Health Care (CHC), system resilience and hospital discharge), financial flows and workforce requirements • Designated leads in LCC to ensure oversight, performance, and assurance • Incomplete CHC Referrals Board in place – meets weekly to review progress/address issues 				<p>Control Owner</p> <p>All Directors and Heads of Service within Adult Social Care and Education & Children's Services</p>					

<ul style="list-style-type: none"> • ICS CHC recovery group in operation, with reporting lines upwards • Quality Improvement Strategy in development • Additional Agency staff maintained from April 2022 from temporary Covid grant (COMF) • Additional Occupational Therapy (OT) capacity in place with COMF funding • Processes and procedures are in place to help manage current demand for Adult Mental Health services • Review of ‘front door’ underway to improve how we work with people when they approach us for services • Assessment backlog Performance Management in place with fortnightly boards and weekly reports • New ASC internal structure and appointment of LCC Exec Director in joint leadership role as Director of Health and Care for Lancashire should result in an improved approach to cross system working to address demand pressures <p>Children's Social Care</p> <ul style="list-style-type: none"> • Clear governance and accountability arrangements in place via the Keeping Children Safe Board • MASH / Demand Management group and Permanence and Children in Our Care group providing oversight of service improvements • Family Safeguarding Board providing leadership and oversight of Family Safeguarding Programme • Range of further activity to manage demand including Family Group Conferencing evaluation funded through pan-Lancs bid, VCFS led model of support pilot in Preston to be extended • Where Our Children Live Strategy together with Sufficiency Strategy to ensure most effective use of provision and to help identify and address gaps in service <p>SEND</p> <ul style="list-style-type: none"> • SEND Sufficiency Strategy agreed by Cabinet January 2020 • Alternative Provision Strategy agreed by Cabinet October 2021 • Delivery plans established 	
<p>Mitigating Actions</p> <ul style="list-style-type: none"> • CHC: Ongoing discussions and working group in progress at ICS level 	<p>Mitigation Owner</p>

<ul style="list-style-type: none"> • New practice focussed project Living Better Lives in Lancashire will fundamentally change the approach and ways of working particularly around current front-line assessment and determination of services • Undertaking an evaluation in terms of demand and capacity to ensure we have the right capacity within our workforce to respond to the demand. • Additional capacity sourced to help clear some of the Occupational Therapy Backlogs • Working closely with providers to review capacity in the domiciliary care sector and how to improve this which will include the prioritisation of care delivery to the most vulnerable people and key/essential tasks. • Winter resilience planning in progress in collaboration with the NHS • Review of front door will assess how people currently access services and support increase of signposting and use of community assets <p>Children's Social Care</p> <ul style="list-style-type: none"> • Delivery of Early Help Strategy • Delivery of Family Safeguarding • Evaluation of targeted interventions including Family Group Conferencing at pre proceedings, and VCFS model • Where Our Children Live Strategy and Sufficiency Strategy agreed by Cabinet in January 2021 • Deep dive on Placement Costs • Ongoing consideration of Covid impact • Provide input into the developing NHS operational plan for CAMHS service developments and be sighted on / support ICS discussions on CAMHS related NHS investment proposals <p>SEND</p> <ul style="list-style-type: none"> • Delivery of priorities within the SEND sufficiency strategy • Consulted on Strategy • Ongoing consideration of Covid impact 	<p>As above plus Area and County Managers across directorates</p>
<p>Progress:</p> <ul style="list-style-type: none"> • Increased Government funding provides some mitigation, but substantial pressure remains • Additional investment to reduce SENDO caseloads 	

- Additional inclusion teachers and support workers provide direct support to enable the full-time attendance and inclusion of pupils with EHC plans who are either experiencing difficulties with their mental health that prevents their attendance at school or who are at risk of exclusion.
- SEND Partnership Plan agreed
- Additional SEN Units continue to be established
- Agreement to establish new SEN provision in North
- Staffing options developed
- Early Help Strategy agreed. Delivery ongoing.
- Family Safeguarding implemented.
- Outreach services expanded.
- Family Group Conferencing evaluation as part of national programme. VCFS provision in place supporting referrals from Childrens Social Care Teams.
- "Where Our Children Live" delivery underway.
- Shifted block residential provision to establish more for children and young people with most complex needs. Continued focus on step down fostering placements with option to pay retainers to secure provision.
- Rates for Child in Need, Child Protection and Children Looked After tracked
- Where our Children Live Capital Bid to DfE successful and plans to implement developed. Successful further bid to DfE for children's home capital funding and proposals to develop additional in-house home supported by specialist NHS team
- Avoidance of high-cost homes workstream established through Where Our Children Live project
- Negotiated an agreed position with NHS in respect of responsibility for funding CHC. NHS have confirmed commitment to pay one off monies in current year in respect of previous/ongoing cases and will reimburse appropriately going forward.
- Homecare, reablement and crisis services are being redesigned and will be reprocured next year with the aim of supporting adult social care to respond effectively to increased demand pressures
- Review of in-house older people's care services is underway
- Review of day services is underway

<ul style="list-style-type: none"> • Discussions in progress with Shared Lives Plus to potentially expand the offer • Adult Mental Health bed delays continue to increase and remain closely monitored • Backlog – Performance Board established fortnightly, dashboards in process of validation, some reporting remains off-system (carers service make manual submissions), weekly highlight reports published. Good progress being made in reducing the backlogs. • LBLiL Transformation Programme – Central Roll out has commenced • ASC Performance Board picks up actions and monitor progress • Front Door – baseline data completed and pilot underway in East Lancs 	
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Risk ID Corp 4		Our Improvement Journey		Current risk score: 16		Target Risk Score: 9	
Risk Description	Risk Consequences	Risk Owner	Current Likelihood	Current Impact	Target Likelihood	Target Impact	Target Risk Confidence
<ul style="list-style-type: none"> • That the council will not be sufficiently radical or innovative to transform services at the required pace to achieve the scale of change needed over the next 12 months and beyond <p>Causes:</p> <ul style="list-style-type: none"> • Inability to secure sufficient resource (capacity) across the organisation to deliver on some areas of the Improvement Journey due to competing priorities • Not having a joined up, cohesive, corporate wide LCC change programme with EMT oversight and appropriately allocated resources. 	<p>Insufficient Capacity</p> <ul style="list-style-type: none"> • Inability to deliver full programme of staff and customer experience improvement • Inability to identify improvement opportunities that could contribute to service efficiencies / improved outcomes <p>Change programme</p> <ul style="list-style-type: none"> • Priority change activities are not happening as quickly as they could/should, and consequently, the benefits for citizens/staff are not being realised as soon as they could be. • Resources are not focused on the priority change activities; and the competing demands on resource time results in focus being across too many initiatives and therefore the delivery is not as effective or efficient as needed. • There are financial costs for LCC, either for additional resources or delayed benefit realisation, as a 	<p>Corporate Management Team (EMT)/Director of OD & Change</p> <p>Target date March 2023/Ongoing</p>	<p>Major (4)</p> <p>Target Likelihood Possible (3)</p> <p>Target Risk Confidence</p> <div style="background-color: #FFD700; width: 50px; height: 20px; margin: 5px 0;"></div>	<p>Major (4)</p> <p>Target Impact Moderate (3)</p>			

<ul style="list-style-type: none"> Multiple front doors with multiple gatekeepers to initiate change leading to: <ul style="list-style-type: none"> A lack of strategic prioritisation, sequencing and link to corporate objectives Too many competing asks Silo working approach Inconsistent approach to prioritisation and delivery of change projects <p>See Corp 1, 2 & 3</p>	<p>consequence of the current approach, with the potential to failure to deliver key programmes.</p> <p>Our ways of working</p> <ul style="list-style-type: none"> Our future workplace model does not optimise the performance of our people, places, processes and technology. We are unable to leverage the best of what is possible today and continuously improve & adapt in response to future challenges. Inability to deliver full programme of staff and customer experience improvement Inability to identify improvement opportunities that could contribute to service efficiencies / improved outcomes <p>Commercialisation</p> <ul style="list-style-type: none"> We will not achieve our commercialisation vision 			
<p>Current Controls</p> <p>Capacity</p> <ul style="list-style-type: none"> "Front Door to Change" designed and implemented to support prioritisation & allocation of resource for change across organisation. Core roles appointed to lead on the major elements (Staff Experience Lead, Customer Experience Lead, Analysis & Design Lead & PM Lead) who will drive and monitor progress against critical elements. Engagement of an interim Director of People and Culture <p>Change Programme</p> <ul style="list-style-type: none"> Detailed PMO roadmaps developed with Adults, ECS and PH, and resourcing issues resolved. <p>Our ways of working</p>		<p>Control Owner Director of OD & Change</p>		

<ul style="list-style-type: none"> • Improvement Journey priorities aligned with corporate priorities, subject to regular review by Strategic Improvement Board • Staff Experience established, with plan in place for priority outcomes & deliverables for the next 12 months • Values & Behaviours developed and disseminated • Customer Experience SRO and lead appointed • Programme governance: <ul style="list-style-type: none"> ○ Head of Improvement appointed to drive Improvement Journey programme ○ Corporate Programme Office transferred to Director of OD & Change to support alignment of capacity & focus with agreed strategic & Improvement Journey priorities • Leadership and management development offer in place and evolving to meet needs of new ways of working • Development of framework to create "Front Door to Change" in order to agree priorities, allocate appropriate resources • The council has a number of work streams that support the corporate strategy and our ways of working e.g. digital connectivity: inequalities workshops etc <p>Commercialisation</p> <ul style="list-style-type: none"> • Commercialisation blueprint approved by cabinet 	
<p>Mitigating Actions</p> <p>Capacity</p> <ul style="list-style-type: none"> • Continue to recruit to remaining positions and key matrix roles (including Change Hubs) • Regular engagement with EMT to understand capacity challenges and prioritisation requirements • Identify opportunities for realignment of roles / activities in complementary areas to support IJ delivery, including Directorate change hubs which will help to identify, prioritise & deliver priorities using the full range of available resources. 	<p>Mitigation Owner Director of OD & Change</p>


<ul style="list-style-type: none"> • Develop resource profile for activity in scope of IJ and identify any potential shortfalls with associated options / costings for filling gaps • Implement "Front Door to Change" framework and recommended actions including mapping of change capacity & demand, and prioritisation across directorates. <p>Change Programme</p> <ul style="list-style-type: none"> • Develop a joined up, cohesive view of all change activity. • Support EMT to have greater visibility and discussion on the entire change programme enabling informed strategic decision making from EMT and appropriate resource allocation. • Agree governance which will allow effective prioritisation and sequencing of change activity at a corporate level. <p>Our Ways of Working</p> <ul style="list-style-type: none"> • Link values & behaviours to performance & development discussions • Recruit Staff Experience Lead to lead implementation of staff experience programme deliverables • Ensure linkage between Ways of Working programme and Corporate Asset Management, use learning from Ways of Working to shape asset strategy to identify and deliver options for asset optimisation priorities and introduce new staff survey / engagement approaches to improve data, insight and understanding of staff experience <p>Commercialisation</p> <ul style="list-style-type: none"> • Commercial champions/network in place • Commercial learning programme and business planning framework 	
<p>Progress:</p> <ul style="list-style-type: none"> • The Interim Executive Director of Resources is working with services to implement an integrated business planning and performance framework. • The strategic change delivery plan (SCDP) is being developed for SIB, using input from the Stop / Pause / Continue exercise and the service planning process which commences in Dec 2022. 	

<ul style="list-style-type: none"> • An interim portfolio and programme manager has been recruited to develop the programme office and support the production and delivery of the agreed SCDP priorities • SIB have committed to the Change Front Door process and to ensuring that all new change requirements are assessed and prioritised on the basis of appropriate business cases which include sufficient information on costs, benefits and resource implications. • New approach to business planning has been launched and will develop alongside the design and implementation of an integrated performance management framework • A programme of training for Lancashire County Council's staff to develop Agile, Lean and continuous improvement skills has been piloted • New data sets will support the next phases of the property review, providing a more accurate and up to date picture of building usage and efficiency 		
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Risk ID Corp 6		Title: School Places		Current risk score: 12		Target Risk Score: 8	
<p>Risk Description</p> <p>Insufficient school places in some parts of the county meaning children and young people are missing out on education</p>	<p>Risk Consequences</p> <ul style="list-style-type: none"> • Children are put at risk of harm • Children missing out on education • Adverse publicity 	<p>Risk Owner</p> <p>Director of Education and Children's Services</p> <p>Target date March 2023</p>	<p>Current Likelihood</p> <p>Possible (3)</p> <p>Target Likelihood</p> <p>Possible (3)</p> <p>Target Risk Confidence</p> <div style="background-color: #FFD700; width: 100px; height: 15px;"></div>	<p>Current Impact</p> <p>Major (4)</p> <p>Target Impact</p> <p>Major (4)</p>			
Current Controls		Control Owner					

<ul style="list-style-type: none"> • School Place Sufficiency Strategy in place • Monitoring of admission preferences key performance indicators • Monitoring of children missing education to identify localities where there are pressures, and proactive work with schools and settings to secure places and provide additional support to secure places for in-year admissions 	Director of Education and Children's Services
<p>Mitigating Actions</p> <ul style="list-style-type: none"> • Working with the Assets Team to ensure that the Directorate is informing and supporting the Implementation of the plans set out in the School Place Sufficiency Strategy 2022-2025 	<p>Mitigation Owner</p> <p>Director of Policy, Commissioning and Children's Health</p>
<p>Progress:</p> <ul style="list-style-type: none"> • Ongoing discussions to identify further opportunities and mitigations • Assets Team secured consultancy support • Developing approaches to better support new arrivals to county/country including support to address language barriers • Publicity, including social media has reduced the number of late applications. • Our website now shows levels of subscription for individual schools and maps of geographical priority areas. • Officers attend open evening for the most oversubscribed schools, and year 6 parent information sessions are held in the areas with the most pressure for places. • The expansion of popular schools including Unity College, Primet Academy and Saints John Fisher & Thomas More RC High School. The number of places available for Year 7 pupils has been increased, as has the availability of places in higher year groups to accommodate in-year admissions. • Consultations will be taking place in the Spring Term 2023 in respect of new primary schools and a secondary school in Preston. 	


Opportunity ID: CO1		Title: New Ways of Working (ACS&PH)		Current Opp score: 15		Target Opp Score: 20	
Opportunity Description	Opportunity Consequences	Opp Owner	Current Likelihood	Current Impact			
		ASC leadership	Certain	Moderate			

<p>The 'lessons learned' from remote working have provided a platform for future ways of working.</p> <p>Improved Partnership working to build better alliances with our partners to deliver improved outcomes for the people of Lancashire.</p>	<p>We will trust our staff to work at home, but we must be mindful not to disregard the disbenefits of home working and will seek to achieve a more balanced approach. We will take advantage of technology to improve the way we work and also improve and enhance our service offer. We will use people’s skills in a more flexible way and spend less time planning and more time in doing. These new ways of working and innovative approaches to service delivery should enable financial savings to be achieved</p> <p>We will build on the relationships that we have developed with our partners and will continue to take a 'system wide' approach to decision making. We will pursue the 'joint funding' approach and seek to agree the use of pooled budgets where appropriate.</p> <p>We will maintain the level of engagement that we have achieved with our valued providers. We will move forward at pace our market shaping work and will involve providers and service users at the forefront of our thinking.</p>	<p>Target date March 2023</p>	<p>Target Likelihood Certain</p> <p>Target Opp Confidence </p>	<p>Target Impact Major</p>
<p>Current Controls</p> <ul style="list-style-type: none"> • ASC leadership team continue to seek best practice examples and share learning • Ongoing reviews of services will capture potential financial savings • Discussions with partners continue to focus on more joined up approaches and opportunities to improve outcomes and save money • Front Door Project will focus on introducing training and upskilling to CAS on technology solutions, working with 3rd sector partners and improving knowledge of community assets, working with Digital Gaps. 		<p>Control Owner ASC Directors and HoS</p>		
<p>Progress:</p> <ul style="list-style-type: none"> • ASC themed discussion on lessons learned/new ways of working. Seeking to build on the positives achieved through the pandemic. • Ongoing discussions with partners 		<p>Mitigation Owner As above</p>		

<p>Actions to realise:</p> <ul style="list-style-type: none"> • Living Better Lives in Lancashire project will build on new ways of working • Adult Social Care and Health Partnership Board continues to build on benefits of joint working • Front Door project is supporting maximisation of community resources 	
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Opportunity ID: CO2	Title: Environmental Improvements	Current Opportunity score: 6	Target Opportunity Score: 16	
<p>Opportunity Description Environmental Improvements (Air Quality, Noise and Safety) Green Fleet</p> <ul style="list-style-type: none"> • Electric Vehicles (EV) • Ultra Low Emission Vehicles (ULEV) • Alternative Fuels (CNG and Hydrogen) • Lower Emission combustion engines 	<p>Opportunity Consequences</p> <ul style="list-style-type: none"> • Reduce Authorities Carbon Footprint • Reduce impact on air quality from LCC operations especially in urban areas by removing or reducing tailpipe emissions of noxious gases and particulates which impact adversely on health. 	<p>Risk Owner HoS P&IT</p> <p>Target date Ongoing</p>	<p>Current Likelihood 3</p> <p>Target Likelihood 4</p> <p>Target Confidence </p>	<p>Current Impact 2</p> <p>Target Impact 4</p>
<p>Progress to date</p> <ul style="list-style-type: none"> • Replacement of older significantly less environmentally friendly vehicles with newer lower emission vehicles and plant as part of Capital Fleet Replacement Programme (Note latest Euro specification vehicles emit exponentially less than earlier Euro standard vehicles). • Looking at Electric Vehicles (EV's) but ranges and charging remain an issue • Working group formed with Fleet, Property and D&C and proposals being completed for pilot for single dual point 22 KW charging facilities at Bamber Bridge and N65 to trial EV's in Fleet and inform the working group to enable further roll out of infrastructure and EV's within LCC. • Three EV mid-sized vans now in Fleet Services (delivered April 21) which will inform further the feasibility and actions that may need to be considered with a larger roll out of EV and ULEV's; one of the vans will initially be used by user departments and teams on extended 		<p>Control Owner</p> <p>HoS P&IT Fleet Manager and Property Service</p>		

<p>trials and to inform of possible changes to working practices and infrastructure requirements to achieve zero emission vehicles in practical operational use.</p> <ul style="list-style-type: none"> Investigation and trialling of various EVs (vans and cars) with Parking Services re enabling the use of suitable EV's for the Parking Services operations moving in-house this year. Premises review underway 	
<p>Actions to realise</p> <ul style="list-style-type: none"> Corporate Charging infrastructure for Electric Vehicles We are also undertaking a premises review which will help reduce carbon emissions and identify properties for improvement. We continue to investigate opportunities for carbon reduction in our premises and seek sources of external funding. 	<p>Opportunity Owner Director of Highways & Transport</p> <p>Director of Strategy & Performance</p>

Opportunity ID CO3 – Sub Regional Place Leadership and Governance		Current Opportunity score: 12		Target Opportunity Score: 16	
<p>Opportunity Description</p> <p>There is an opportunity for Lancashire to secure appropriate sub-regional governance, powers and resource to maximise shared outcomes and priorities (e.g. Combined Authority, Elected Mayor, County/Devolution Deal or other appropriate arrangement) through Central Government legislation, negotiation, Local Government Reorganisation or other mechanism.</p>	<p>Opportunity Consequences</p> <p>At a strategic level, in the absence of a Combined Authority, County/Devolution Deal or other arrangement for Lancashire, failure to secure devolved funding and powers impacts on the ability to achieve Lancashire's target outcomes and priorities to the detriment of residents and businesses. Furthermore, an amplified, stronger and unified voice for other sub-regions around the county, particularly those regions surrounding Lancashire, is likely to compromise Lancashire's ability to present its case and advocate for its residents and businesses with the same level of authority/influence.</p>	<p>Opp Owner Phil Green</p> <p>Target date Lancashire (collectively all 15 authorities) to adopt the 'Lancashire 2050' Strategy and further to Levelling Up White Paper agree a new governance model and commence negotiations with Gov't on County Deal by April 2023.</p>	<p>Current Likelihood Likely (4)</p> <p>Target Likelihood Possible (3)</p> <p>Target Opp Confidence </p>	<p>Current Impact Major (4)</p> <p>Target Impact Major (4)</p>	

<p>Current Controls</p> <ul style="list-style-type: none"> • (Previously) engaged specialised consultants advising on approach and submitted outline business case for change to Government. Leaders agreed principles of establishing a Lancashire strategic plan. • (2021/22) Aligned to introduction of County Deals, Lancashire councils agreed the principle of establishing a strategic plan, a governance model and the scope of a potential county deal to inform negotiations with Government. • (Feb/March 2022) Following publication of Levelling Up White Paper and devolution framework, Leaders have agreed to seek a dialogue with Government on county deal/governance and to commence work on Lancashire 2050. 		<p>Control Owner</p> <p>Director of Growth, Environment & Planning</p>		
<p>Mitigating Actions</p> <ul style="list-style-type: none"> • Reviewing new Government policy and statements on levelling up, devolution/county deals and local government reorganisation and continued lobbying • Aligning to and responding to Levelling Up White Paper (including the twelve 'missions' and devolution framework) • Continue with preparation and development of the scope of a potential County Deal including through the application of the recently concluded evidence base and emerging evidence. • Support Lancashire Leaders to strengthen governance and engage with Government with a unified voice. • Building strategic capacity and resource to develop and deliver new strategic and policy framework including operational governance and theme groups. 		<p>Mitigation Owner</p> <p>Director of Growth, Environment & Planning</p>		
<p>Progress:</p> <p>The Government has re-emphasised its commitment to devolution through the Levelling Up White Paper, and a number of devolution deals with other regions were announced over Summer 2022. Work on Lancashire 2050, governance and scope continues through regular meetings of Lancashire Leaders. Leaders await a response from Government about further engagement on a county deal, and clarity on how the new government will continue to develop this policy agenda.</p>				

Key to Scores

	CATASTROPHIC (for risk) OUTSTANDING (for opportunity)	5	10	15	20	25
	MAJOR	4	8	12	16	20
	MODERATE	3	6	9	12	15
IMPACT	MINOR	2	4	6	8	10
	INSIGNIFICANT	1	2	3	4	5
		RARE	UNLIKELY	POSSIBLE	LIKELY	CERTAIN
			LIKELIHOOD			

Audit, Risk and Governance Committee
Meeting to be held on Monday, 24 April 2023

Electoral Division affected: N/A;

Local Member Grants Scheme Annual Report
(Appendix 'A' refers)

Contact for further information:
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Brief Summary

On 16 December 2021, Full Council approved the reintroduction of the Local Member Grants Scheme. Under the Scheme, each county councillor has been given a specific budget which they can spend to enhance the economic, social, and environmental wellbeing of people who live in their division.

Monitoring of the money awarded under the Local Member Grants Scheme is conducted by Democratic Services. This is an annual report to the Audit, Risk and Governance Committee on the outcomes of that monitoring activity, in line with the committee's responsibility for oversight of the county council's governance and risk management.

This annual report covers the period January 2021 to September 2022

Recommendation

The Audit, Risk and Governance Committee is asked to note the Local Member Grants Scheme Annual Report for January 2021 to September 2022.

Detail

On 16 December 2021, Full Council approved the reintroduction of the Local Member Grants Scheme with effect from 1 January 2022. Under the Scheme, each county councillor has been given a specific budget which they can spend to enhance the economic, social, and environmental wellbeing of people who live in their division.

To support the reintroduction of the Scheme and in line with the powers granted by the Local Government and Public Involvement in Health Act 2007, the Leader of the Council has authorised individual county councillors to take formal decisions on

behalf of the county council. This legislation does not apply to Cabinet Members as they already have these decision-making powers.

Every decision taken by a county councillor to award a grant under the Scheme is available to view on the county council's website here:

<https://council.lancashire.gov.uk/mgDelegatedDecisions.aspx?bcr=1&DM=0&DS=2&K=0&DR=&V=0>

For the 2021/22 financial year (of which the Scheme was only in operation from 1 January to 31 March 2022), county councillors were allocated £500 to award to organisations in their own area. For every financial year thereafter, county councillors are allocated a budget of £2,000 and can also carry forward a maximum of £200 that was unspent in the previous financial year.

In addition, on 17 February 2022 Full Council approved a one-year increase to each county councillor's budget of £500, in commemoration of the Platinum Jubilee of Queen Elizabeth II. Accordingly, for the 2022/23 financial year county councillors were allocated a budget of £2,500 to award to organisations in their own area.

For reference, the rules of the Local Member Grants Scheme are set out at Appendix 'A' to this report.

Monitoring of the money awarded under the Local Member Grants Scheme is conducted by Democratic Services. Six months after a grant has been awarded to an organisation, the organisation is contacted to request evidence of their expenditure. This is to ensure the money awarded has been spent in line with the organisation's application and as agreed by the local county councillor(s).

The information below provides the Audit, Risk and Governance Committee with a summary of the outcomes of this monitoring activity, in line with the committee's responsibility for oversight of the county council's governance and risk management.

2021/22

Month	Total number of grants awarded	Total amount awarded (£)	Evidence of Use		No Evidence of Use	
			Total no. responses received	Total amount (£)	Total no. responses outstanding	Total amount (£)
Jan 2022	23	5,710.00	20	4,510.00	3	1,200.00
Feb 2022	34	8,928.35	30	8,028.35	4	900.00
Mar 2022	52	14,187.02	42	12,037.02	10	2,150.00
Total	109	28,825.37	92	24,575.37	17	4,250.00



For the period from 1 January to 31 March 2022, a satisfactory response providing evidence of expenditure has been received in relation to 84% of grants, equating to 85% of the total value awarded.

2022/23

Month	Total number of grants awarded	Total amount awarded (£)	Evidence of Use		No Evidence of Use	
			Total no. responses received	Total amount (£)	Total no. responses outstanding	Total amount (£)
Apr 2022	34	12,074.98	25	9,108.98	9	2,966.00
May 2022	64	23,069.78	7	2,626.98	57	20,442.80
Jun 2022	23	9,046.00	3	646.00	20	8,400.00
Jul 2022	26	8,985.00	0	0.00	26	8,985.00
Aug 2022	9	3,220.00	1	320.00	8	2,900.00
Sep 2022	30	13,065.00	4	515.00	26	12,550.00
Total	186	69,460.76	40	13,216.96	146	56,243.80

For the period from 1 April to 30 September 2022, a satisfactory response providing evidence of expenditure has been received in relation to 22% of grants, equating to 19% of the total value awarded. This information is correct as of 3 April 2023.

Due to some capacity issues, organisations awarded grants during July, August and September 2022 were not contacted for evidence of expenditure as promptly as they should have been. This has now been rectified.

For grants awarded from October 2022 to March 2023, organisations have not yet been contacted to request evidence of their expenditure. Updated information for the 2022/23 financial year will be provided in the next annual report to the Audit, Risk and Governance Committee in April 2024.

Month	Total number of grants awarded	Total amount awarded (£)
Oct 2022	23	9,976.70
Nov 2022	31	14,417.57
Dec 2022	29	14,606.06
Jan 2023	21	10,803.00
Feb 2023	42	17,973.41
Mar 2023	76	43,956.32
Total	222	111,733.06



For the full 2022-23 financial year, a total of 408 grants were awarded, equating to £181,193.82.

Appendices

Appendix	Title
Appendix A	Local Member Grants Scheme Rules

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Although the individual sums of money awarded under the Local Member Grants Scheme are relatively small, Democratic Services maintain an effective audit trail of the money allocated to organisations. Monitoring is intended to be proportionate and takes into account that the organisations receiving the money are often small volunteer groups with limited resources, meaning that it is important to keep paperwork to a minimum and to be flexible with the type and nature of evidence accepted. Where no reply is received, this is followed up.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A



Appendix A

Rules of the Local Member Grants Scheme

1. Grant amounts:

- Each county councillor will have £2,000 per year to award to organisations in their own area. This could be a single award of the full amount or multiple awards of smaller sums.
- For the partial year January to March 2022, each county councillor will have £500 to spend.
- The minimum award is £100.
- Councillors will be allowed to carry over up to £200 to the following year.
- Groups may apply for multiple grants in a year, but only once for each event/project.
- Groups may apply to more than one councillor as long as the event/project benefits the area of each councillor applied to.
- Organisations may apply for full or partial funding for their event or project. Councillors may decide to award a different amount to that applied for.

2. Decisions:

- As long as application for grants meet the criteria, individual councillors will be authorised to make the decision themselves – there is no need for approval by Cabinet or any other body.

3. Criteria:

- Groups applying must:
 - Be Not for Profit
 - Have a bank or building society account
 - Have some form of Constitution, Articles of Association or other similar rules
- Grants cannot be awarded to fund county council services.
- Grants cannot be awarded to District or Parish Councils, NHS organisations, the Constabulary or Fire and Rescue Service.
- Grants cannot be awarded directly to schools, although may be awarded to Parent and Staff Associations.
- Funding cannot be for "core funding" – e.g. staffing/salary costs, office rental etc.
- Political and religious activity may not be funded, although political and religious groups may apply for funding for other community activities.
- Individuals cannot receive funding.
- Funding cannot be for research.
- Grants cannot be awarded retrospectively.
- Projects or activities that run contrary to county council policies or are unlawful cannot be funded.

- Where the funding is in relation to supporting vulnerable children or adults, the groups would be expected to have appropriate safeguarding policies in place and be able to demonstrate that.

4. Monitoring:

- Groups are expected to keep receipts and records for monitoring purposes.
- Monitoring will be appropriate to the level of grants awarded.

Agenda Item 14

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3, 7 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Appendix A

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3, 7 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Agenda Item 15

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Agenda Item 16

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3,7 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

