

## Appendix A

### Lancashire County Council

#### Annual Governance Statement – Financial Year 2011/2012

**This statement is prepared in compliance with the requirements of the Accounts and Audit Regulations 2011 to prepare a statement on internal control in accordance with proper practices and the guidance on those practices provided by CIPFA and SOLACE in 2007.**

#### **The council's responsibilities in relation to internal control**

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 and 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.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government*'. The council also complies with CIPFAs statements on the role of the Chief Financial Officer in Local Government and on the role of the Head of Internal Audit in Public Service Organisations.

The code of corporate governance is available on the Council's website and hard copies can be obtained by contacting Roy Jones on 01772 533619. This statement explains how the council has complied with the code and identifies further actions to be taken to improve controls over corporate governance during the coming financial year.

The council's code of corporate governance has been approved by the cabinet and considered by Full Council, the Audit Committee and the Management Team.

This Annual Governance Statement will be considered for approval by the Audit Committee on 25 June 2012, and will be reported to the council on 12 July 2012.

## **The purpose of the governance framework**

The governance framework comprises the systems and processes, culture and values by which the council is directly controlled and the activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. It is an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

This statement confirms that the governance framework has been in place at the council for the year ended 31 March 2012.

## **The council's governance framework**

This section highlights the key elements of the systems and processes that comprise the council's governance arrangements in accordance with the six principles of corporate governance included in the code:

- ❖ The Council has a Corporate Strategy which sets out its vision for Lancashire for the period 2012-13. The strategy is refreshed annually to reflect changes in both local and national priorities.
- ❖ The council is keenly aware of the need to ensure that it delivers on its ambitions. Regular reports are considered by the Cabinet Committee on Performance Improvement which set out performance against both local and national indicators and in relation to progress against the objectives as set out in the Corporate Strategy including progress towards the achievement of the council's corporate performance priority areas. The council's Customer Access Strategy has the vision 'That everyone in Lancashire can get help and information on all the County Council's services conveniently and efficiently.' The council uses the views of the public through its 'Living in Lancashire' residents' panel and bespoke research and consultation activities to inform decision making.
- ❖ Lancashire has a leader and cabinet model of executive government and the roles and responsibilities of the different elements of the executive, leader, cabinet, and individual cabinet members, are set out in its constitution. In May 2012, the Full Council gave detailed consideration to the governance implications of the Localism Act 2011

including the retention of the Leader and cabinet model and a petition scheme.

- ❖ The Council's current scrutiny arrangements have been in place since May 2010. It comprises three scrutiny committees - the Scrutiny Committee, Education Scrutiny Committee and Health Scrutiny Committee.

The Forward Plan of executive decisions appears on the agenda of each committee, and cabinet members are regularly called to committees to be questioned about areas of policy. The committees appoint task groups to undertake scrutiny reviews which are then considered by the relevant committee for adoption. When recommendations are made to a cabinet member, a protocol requires an initial response to be provided to the committee within three months. This requirement will change to two months in 2012/13 to comply with the requirements of the Localism Act 2011. During the year scrutiny reviews through appointed task groups have considered a range of Council services and externally provided services. The functions of the Scrutiny Committee include scrutiny of the council's crime and disorder partnership, which is the Safer Lancashire Board. The committee is also responsible for the scrutiny of flood risk management

The Health Scrutiny Committee has the statutory role of scrutinising proposed substantial variations in service delivery in the health service and scrutinising the work of the NHS more generally. The committee has devoted a considerable amount of time and resource in the year to monitoring and scrutinising the impact of the proposed health service reforms on Lancashire, as well as continuing its role to monitor and scrutinise service delivery.

A standing joint health committee has been established with Blackburn with Darwen and Blackpool councils to consider substantial variations in services affecting all three areas. The principle area of work for the joint committee has been on a review of mental health provision.

A statutory Scrutiny Officer has been appointed in accordance with the terms of the Localism Act 2011.

- ❖ In advance of the statutory requirement to establish a Health and Wellbeing Board in April 2013, the Council has established a Shadow Board which is leading on the strategic co-ordination of commissioning across the NHS, social care and public health to secure better outcomes for the population, better quality of care for patients and care users and better value for the taxpayer. One of the key tasks of the Shadow Board is to develop a Health and Wellbeing Strategy for Lancashire.
- ❖ The Council has also been preparing, as Lead Authority, for the establishment during 2012/13 of a Police and Crime Panel for

Lancashire, which is required to be a joint Committee of the 15 pan-Lancashire local authorities, its purpose being to support and scrutinise the new Police and Crime Commissioner for Lancashire following his/her election in November 2012.

- ❖ The council has had a Standards Committee which complied with statutory requirements. Its views were sought during 2011/12 on the provisions in the Localism Act 2011 to abolish the national standards regime and to make new local arrangements for a Code of Conduct, registration and declaration of interests and the handling of complaints against members. Under its statutory role as the local filter for complaints, that there has been a breach of the code of member conduct, it has considered 23 complaints in total since May 2008. Of these only three have been referred for investigation, which demonstrates the high standards of conduct of members of the council. There has been a report of the committee's proceedings to each meeting of the Full Council and the committee has undertaken monitoring of compliance with both member and officer codes. - The Full Council meeting in May reviewed the standards arrangements including the disestablishment of the Committee and the introduction of new arrangements from 1<sup>st</sup> July 2012.
- ❖ The council has an Audit Committee which operates in accordance with CIPFA guidance. It provides independent oversight of the adequacy of the council's governance, risk management and internal control frameworks, and oversees the financial reporting process. It receives appropriate training for the work that it does.
- ❖ The terms of reference of the Audit Committee and other committees of the Council will be revised in 2012/13 to reflect the changing governance arrangements around standards and the code of conduct for members arising out of the Localism Act 2011.
- ❖ The council has a well regarded Internal Audit Service that provides an independent and objective opinion to the council on its control environment (comprising governance, risk management and internal control) by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. It works with officers to develop the control environment, and supports management's compliance with established policies, control procedures, laws and regulations. It also provides a counter fraud and investigatory service through its annual Counter Fraud Plan and produces an annual report on Counter Fraud and Special Investigations for the Audit Committee.
- ❖ There is an effective whistleblowing procedure in place which is well publicised to staff. Reports on the level of use and outcomes have been presented to the Standards Committee and Audit Committee.

- ❖ The scheme of delegation to officers enables decisions to be taken at the most appropriate and effective level. A fundamental review of the Scheme of Delegation to Chief Officers will be undertaken in 2012/13 to adopt the principle that chief officers will have the power to take decisions except where specifically reserved to Full Council, a Committee or the Executive. It is considered this will make decision making more efficient whilst continuing to ensure robust governance within the Council. A review will be simultaneously undertaken of the Council's Financial Regulations and Cabinet Member delegations.
- ❖ The council's Constitution includes a Protocol on County Councillor/ Officer Relations. A series of corporate political awareness training sessions for staff at all management levels of the Council, involving leading Councillors, has been underway in 2011/12 and will continue across Council Directorates in 2012/13.
- ❖ During 2012/13 the Council will launch a 'Think Councillor Guide' to embed amongst the officer structures of the Council the need to think about County Councillors in the work they undertake.
- ❖ There is a Corporate Risk Management Policy and Strategy and guidance on risk management is available to officers. Following the introduction of a new corporate approach to risk management in January 2012, this policy, strategy and guidance will be reviewed and updated during 2012/13.
- ❖ The process for ensuring legality and financial probity in relation to decisions has a number of components:
  - There are common templates for reports to committees and the cabinet, and also for decisions made by cabinet members.
  - Cabinet member decision-making is governed by statute and the Council's constitution and the Council has a decision-making protocol to manage the process, which will be reviewed in 2012/13.
  - Within that protocol, officers formulating reports are required to have regard to particular issues and in particular take legal and/ or financial advice at an early stage if that is warranted.
  - All reports leading to decisions are checked within the office of the county secretary and solicitor to ensure that governance issues are identified and statutory and financial requirements are complied with.
  - Corporate advice and guidance is provided on the implications of the public sector equality duty contained within the Equality Act 2010 and includes an Equality Impact Assessment template.
  - A full review of the process for the production of reports for decision is underway, with the intention of making the process

more efficient whilst maintaining the high standards of governance required.

- ❖ A new software system has been rolled out to support decision making and the tracking of reports. Further work is intended to take place in 2012 to develop this system further to support the decision making rules and protocols.
- ❖ There is a two-stage corporate complaints procedure in addition to statutory complaints procedures in relation to children's and adult social care. - The corporate procedure includes an Appeals and Complaints Committee comprising elected members.
- ❖ There is a cross-party member development working group in place with the remit of planning and co-ordinating member development activities to meet individual and group needs. Officer training is overseen through a new performance and development review process which was rolled out to all officers during 2011.
- ❖ The Council has fully reviewed its system for recording officer gifts, hospitality and interests. - Revised policies have been introduced and publicised to staff and an online form has been developed to make it easier for officer to record any interests or gifts and hospitality, and for that data to be collated and made available to senior managers.
- ❖ The current arrangements in relation to Information Governance are in the process of being reviewed in the context of recent advice from the Information Commissioner's Office and Department for Communities and Local Government. - The advice includes a recommendation that organisations should identify an individual at Board Level (Management Team) to act as the Senior Information Risk Owner.
- ❖ The Council is aware that for communication with the community to be effective, it needs to be approached on a number of levels. - Examples of the way in which the Council engages with its communities include:
  - High profile communication campaigns to encourage communities to take up our services or help change their attitudes and behaviours
  - Use of media relations and social media to keep residents informed of our activities
  - Encouraging members to use social media to engage with their communities
  - Council and committee meetings are web-cast.
  - There is member representation on neighbourhood management boards across Lancashire.

## **Review of effectiveness**

The council conducts an annual review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of the council's Management Team within the council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectors. The council is also required to review the effectiveness of its internal audit and this is undertaken by the county treasurer.

Statements of assurance have been completed and signed by members of the Management Team as to the effectiveness of the governance arrangements for which they are responsible, including the system of internal control. These statements of assurance cover all the principles set out in the council's Code of Corporate Governance. They reveal no significant areas of weakness in the council's corporate governance arrangements; all arrangements have been categorised as either good or adequate. However, more than one service area has noted the need to support the council's plans to improve information governance arrangements, and has also raised the need to refresh their service contingency plans.

In her annual report, the head of internal audit reports her concern that the procurement processes followed across the council have not in all cases followed corporate procedures and has also highlighted the need to improve the council's arrangements to ensure good information governance.

## **Programme of improvement on governance issues**

The council has recognised the need to review its information governance arrangements. It has recently reconvened its cross-service Corporate Information Governance Group and is reviewing its framework of control and guidance that will better secure the information it holds.

There is an ongoing programme to refresh service continuity and contingency plans, supported by the business continuity manager and principal emergency planning officer.

The transfer of the council's procurement activity to management by its strategic partner, One Connect Limited, is intended (amongst other things) to ensure robust compliance with the council's procurement procedures. The work of the partnership is subject to close scrutiny both by the Chief Executive and his Management Team, and by members including the Leader.

The council will, in the coming year, review its governance arrangements as the current national standards regime is abolished and additional responsibilities are placed upon the Audit Committee, and as CIPFA and SOLACE revise their guidance on good governance in local government. The roles and terms of reference of a number of committees are already under review and this work will continue into 2012/13. In addition, the council has a

project plan in place to respond to the potential governance structures to emerge from the proposed significant changes to the health service and the duties this will place on local authorities.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

**Signed:**

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Leader of Lancashire County Council	Chief Executive of Lancashire County Council

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