

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

Demand for Services

Demand for client-based services continues to increase resulting in increased budget pressures and poor outcomes for those people in receipt of our services

Causes:

- 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

Adult Social Care

- 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

Children's Social Care

- 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

SEND

- Delivery of priorities within the Special Education Needs & Disability sufficiency strategy
- Consulted on Strategy
- Ongoing consideration of Covid impact

<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.