

Annual Governance Statement 2023/24

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 organisation. To help do this, both the council's Executive Management Team (EMT) and the Audit, Risk and Governance Committee undertake a review of the Council's governance framework and the AGS.

Like all other local authorities, this has been another challenging year for the county council as we have responded to significant inflationary and demand pressures, particularly relating to social care, special educational needs, and home to school transport. The council remains in a relatively strong financial position however we need to constantly innovate and adapt to meet these pressures. Over the next twelve months we will continue our focus on providing services more efficiently and effectively, proactively managing the impact of increasing demand to improve the quality and impact of our services. We will promote responsible partnering, seek to pool budgets where appropriate, and reduce costs to achieve the best outcomes for our residents through targeted investment.

This year, we have robustly reviewed our governance arrangements. This has included:

- A new Executive Director of Resources who has taken over the council's statutory Chief Finance Officer responsibilities;
- A risk and resilience review that involved senior officers and members;
- A new Constitution and Scheme of Delegation to Officers;
- A new officer board structure;
- A review of our companies and the establishment of a Company Member Cabinet Committee;
- A new Shareholder Agreement for Local Pensions Partnership Ltd.

These improved arrangements will help us ensure we are performing to the high standards we expect; that we are meeting our legal obligations and that we have good decision-making processes in place.

During the year we have also worked collaboratively with our Lancashire council partners and consulted with the public and local stakeholders to progress proposals to establish a Combined County Authority (CCA). This includes negotiating a Devolution Deal with Government to draw power from Whitehall and give Lancashire greater control over its public services and funding. The proposed CCA will give

Lancashire a stronger voice both nationally and in the Northwest and give us access to greater funding that can be deployed locally to build on Lancashire's many strengths.

At the end of the year, we received the interim external auditor's Annual Report for 2022/23 and their opinion on the council's accounts. The report has made no material comments on the accounts but did highlight the risk of significant weakness in relation to the implementation of Oracle Fusion and made a key recommendation that we have accepted. The recommendation relates to the position on 31 March 2023 and the report also noted that significant progress had been made in this area since then.

On the 22 April 2024 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

Good progress has been made against the issues identified in last year's Annual Governance Statement and this year's review confirms that the council continues to maintain appropriate systems and processes to ensure good governance. However, we recognise the need for continuous improvement and the following issues are currently being addressed:

Key Delivery/Improvement Area	Lead Officer	To be delivered by
Sustainability – Medium-Term Financial Strategy	Executive Director of Resources (Section 151 Officer)/Executive Management Team	March 2025/Ongoing
Workforce	Executive Director of Resources/ Executive Management Team	March 2025/Ongoing
Promoting independence and reducing demand	Executive Director of Education and Children's Services Executive Director of Adult Services Executive Director of Growth, Environment, Transport and Health	March 2025
Customer centric service delivery	Executive Director of Resources/ Executive Management Team	March 2025
School Places	Executive Director of Education and Children's Services	March 2025
ICT Related Issues	Executive Director of Resources	Winter 2024
Building Schools for the Future	Executive Director of Resources	Autumn 2024

Throughout the year, we will monitor the implementation and operation of our governance arrangements as part of the performance management role of the Executive Management Team. The Audit, Risk and Governance Committee will also provide 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; and
- 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 and Council	Decision Making	Risk and 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 the 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 and review	External and 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 the Executive 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 and 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 "*Delivering Good Governance in Local Government Framework*" (2016); and
- A number of specific strategies and processes for strengthening corporate governance.

An updated Local Code of Corporate Governance can be found on the council's 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 Performance and Risk

Performance management is a key component of the council's approach to achieving its outcomes. During the year, Cabinet received its Quarterly Performance Report setting out achievements against agreed high-level metrics relating to the corporate strategy. This includes executive summaries from the Chief Executive and Executive Directors and more detailed, service-specific performance metrics enabling members to monitor ongoing service delivery and performance. The reports highlight good performance and mitigation actions where required.

A new Strategy, Policy and Performance Board Chaired by the Executive Director for Education and Children's Services meets bi-monthly. The Board receives a suite of performance dashboards, which draw attention to concerns with performance, describe recovery plans, and escalates issues for discussion and action to the EMT. The Board monitors against service level and corporate indicators and co-ordinates the reporting of performance information to Cabinet. Directorates also monitor performance on a regular basis using performance dashboards.

A new approach to directorate and service planning was introduced during 2023/24 and has been refined for 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 the budget planning cycle, ensuring that the council prioritises activity and appropriately supports its objectives through funding decisions.

As part of the business planning process a new approach to workforce planning has also been introduced. Workforce planning is crucial in managing the balance between

workforce supply and demand. It's not just about numbers but the right mix of skills and experiences. It aligns service plans with the priorities of the council's Corporate Strategy, ensuring that we have the right people, with the right skills, in the right positions, at the right time. In a dynamic and challenging landscape, the ability to anticipate and respond to workforce needs is a key driver to the on-going delivery of quality services.

Part of the performance management process involves identifying, and where appropriate mitigating risks to ensure that the council's exposure to those risks is reduced. Managing risks is the responsibility of all services. Service risks are scored quarterly with the greatest risks being elevated onto the Corporate Risk and Opportunity Register.

During the year, service risk and opportunity registers were updated regularly, and the Corporate Risk and Opportunity register was reported to the Executive Management Team/Compliance and Assurance Board and Audit, Risk and Governance Committee. During the year, EMT revised the risks on the corporate register to better reflect the changing environment in which the council was operating. Risks are also monitored and reviewed by the new Compliance and Assurance Board that is chaired by the Chief Executive and attended by other statutory officers. In addition to this, the council's Chief Executive, Chief Finance Officer, and Monitoring Officer meet on a regular basis to discuss governance issues including risk and take appropriate action as necessary.

The Audit, Risk and Governance Committee also monitors the effectiveness of risk management arrangements across the organisation. A review of this is undertaken annually by Internal Audit and reported to the committee. The previous Internal Audit review of risk management provided for substantial assurance and 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 regularly and reported to Cabinet together with relevant resource forecasts. It takes full account of the changing regulatory, environmental, demographic, and economic factors that impact on the financial environment in which the council operates. The report to Cabinet 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.

Managing our Resources (Value for Money)

The council's external auditors, in their interim assessment of 2022/23, concluded that the council has a strong track record of financial control and that the Medium-Term Financial Strategy is updated regularly. Whilst the external auditor did not note any significant weaknesses, they have made some improvement recommendations regarding the council's savings plans.

During 2022/23, the new Oracle Fusion system, used for procurement, payroll, and financial procedures, was implemented. The implementation gave rise to several issues and due to the significance of the matters, the external auditor raised a key recommendation that has been accepted. Since this happened, good progress has been made in addressing a number of those issues and the council now has a 'business as usual' operating model in place. Aside from this issue the external auditor concluded that the council continues to have good procedures around risk monitoring and governance. The external auditor has made some improvement recommendations regarding risk management reporting arrangements that have been accepted.

The external auditor concluded that the council seeks to improve economy, efficiency, and effectiveness and that it has (broadly) strong arrangements for doing so. The council reports thoroughly on performance and works well with partners. The external auditor was satisfied that no significant weaknesses exist in this area but did identify one improvement recommendation relating to contract management arrangements.

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

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. Consequently, financial sustainability remains a significant risk facing the county council. Throughout 2023/24 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

In February 2023, Full Council agreed a Council Tax increase for 2023/24 of 3.99% that included a 2% levy for adult social care. Following the Local Government Provisional Settlement announced in December 2023, Full Council agreed a Council Tax increase for 2024/25 of 4.99% (reflecting a 2.99% increase in general Council Tax and a further 2% to be used for adult social care) at its meeting in February 2024.

There are several risks inherent in the assumptions within the budget and considerable challenges and uncertainty within the local government sector at present. The council has, therefore, also developed a strategy for identifying further efficiencies and

productivity improvements utilising best practice and technology designed to improve outcomes at lower cost.

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 County Fund will be kept under review in future years including ongoing assessment of risks that it is established to cover. The relatively healthy uncommitted transitional reserve level also supports and mitigates emergency situations.

The council updates its Medium-Term Financial Strategy twice a year. 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:

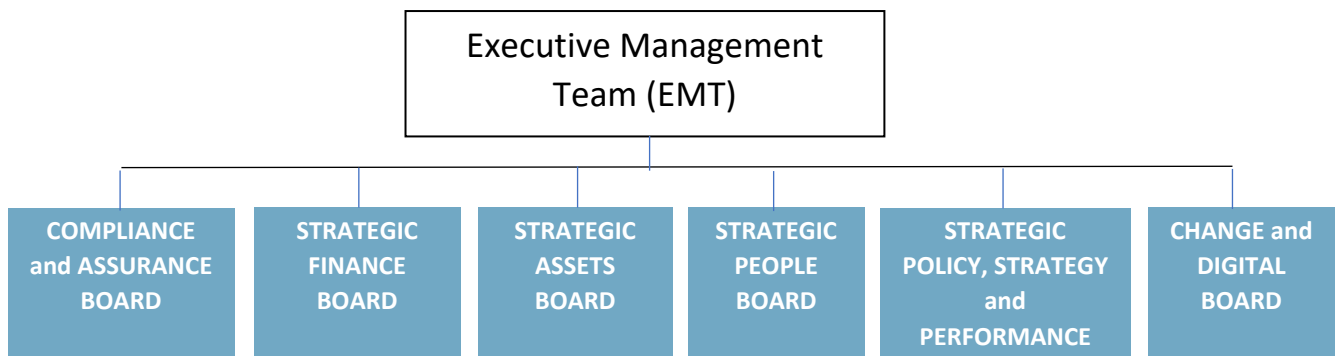
The Role of Management

Good governance enables the council to pursue its vision effectively as well as underpinning that vision with good arrangements for the control and management of

risk. To do this the Executive Management Team review the council's governance arrangements annually and can confirm that appropriate internal controls for which they have responsibility are in place. This includes their scrutiny of regular budget and performance reports including performance against savings targets within the Medium-Term Financial Strategy. In addition to this, the three statutory officers – the Head of Paid Service, Chief Finance Officer and Monitoring Officers meet on a regular basis to review and discuss governance issues and take forward any actions to improve the governance framework.

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 2023/24 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.

This year a new officer governance board framework has been introduced:



Each board is chaired by a member of EMT and seeks assurance that processes for operational decision making are robust and are in accordance with agreed schemes of financial delegation. It also ensures that decisions are not only compliant but deliver the required outcomes. The new governance framework enables effective and consistent strategic operational management of council business.

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 and 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 the Internal Audit Service 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:

- Oracle Fusion Data Breach
- Governance Risk and Resilience Framework Review
- The Overpayment of Salaries
- Local Member Grants Scheme
- Cyber Security Risks
- Assurance over the Pension Fund
- Data and Analytics Risks

In July 2023, 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 2023/24 the Head of Internal Audit provided moderate assurance (provisional*) overall regarding the adequacy of design and effectiveness in operation of the council's frameworks of governance, risk management and control. This is an improvement from 2022/23 when the opinion was limited due to the issues concerning the implementation of Oracle Fusion.

In forming his opinion, he considered the work undertaken by the Internal Audit Service throughout the year as well as the work of external assurance providers and information available from less formal sources than planned audit engagements. 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. The county council has adapted well to the changing risk environment and appears to be operating as would be expected.

*(*The Head of Internal Audit will be reporting his final opinion to Audit, Risk and Governance Committee in July 2024. However, based on the work currently undertaken it is anticipated that a moderate opinion will be given.)*

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's interim Annual Report of Lancashire County Council 2022/23

The external auditor's work identified one significant weakness in relation to Oracle Fusion and the key recommendation has been accepted. Several improvement recommendations were identified and will be responded to appropriately.

Joint Targeted Area Inspection on Serious Youth Violence

The council was subject to a thematic Joint Targeted Area Inspection on Serious Youth Violence. The inspection lasted for three weeks, with week three (from Monday 5 February) being the 'on-site' week.

Inspectors from Ofsted, the Care Quality Commission (CQC), His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) and His Majesty's Inspectorate of Prisons (HMIP) carried out the inspection.

Colleagues from the Police, Health, Education, Children's Social Care, the voluntary sector, and organisations such as the Lancashire Violence Reduction Network came together to showcase all that is done every day to reduce the risk of serious youth violence and prevent it from happening in the future. The report will be published late Spring 2024.

Adult Services Peer Review

To help us prepare for the Adult Services Care Quality Commission (CQC) Inspection, which may take place sometime during the next year, the council has sought external opinion on its self-assessment from two external peer review teams. The first peer review was undertaken in October 2023 and focused on the council's self-assessment of theme one – Working with People. The second peer review undertaken by a team from the Local Government Association took place in February 2024 and was run as a full mock inspection covering all four themes. Although the reviews are not a formal inspection, they provided the council with a good indication of its strengths and which areas it may need to do some more work on.

Information Governance

The council has a comprehensive Information Governance Framework in place, overseen by the Senior Risk Information Officer (SIRO) and the Corporate Information Governance Group (CIGG). The constitution of the CIGG has been broadened to include representation from Children's Social Care, Internal Audit, Investigations and Fraud.

The Corporate Cyber Risk and Security Group (CCRSG) was established in June 2023 to coordinate and manage cyber risk for the county council and create a collaborative and decision-making forum for cyber risk and security. The CCRSG meets monthly and may escalate or inform matters to the CIGG and Compliance and Assurance Board as appropriate.

A bi-monthly Compliance and Assurance Board has also been established to provide an overview of compliance and assurance on statutory responsibilities, statutory officer compliance and risk awareness reporting and governance management. To align with these new reporting arrangements, the CIGG now meets bi-monthly (at adjacent months to the Compliance and Assurance Board). The annual review of policies took place in January 2024 and appropriate amendments made to existing policy. An Artificial Intelligence Policy is in draft format and under review.

Access to Information

A review of the work undertaken by Information Governance in 2023 confirms a busy and productive year despite the challenges of managing higher demand for services and fluctuating capacity and availability of resources:

Request Type	Total Received	Note
Freedom of Information requests	1,541	9.5% increase from 2022
Subject Access Requests	1,064	17% increase from 2022
Police Requests for information held by LCC in connection with investigations	389	4% increase from 2022

Information Security Incident Reporting

There were 618 information security incidents reported to Information Governance. This is an increase of 56% from the 395 incidents reported for the same period in 2022. Of these incidents, only 4 (0.6%) were deemed to be 'data breaches' and

subsequently reported to the Information Commissioner's Office (ICO). This is a decrease of 43% from 2022, when 7 incidents were reported to the ICO.

This provides assurance that there is a 'speak up' culture at Lancashire in terms of the duty to report any concerns. The rise in information security reporting together with the reduction of data breaches to the ICO is a positive indication that employee awareness has increased, and the severity of incidents has reduced.

Oracle Fusion

Last year, a data breach occurred involving personal data held within Oracle Fusion, the system used for HR, Payroll, Finance and Procurement and during the implementation several issues arose that need to be rectified. The issue regarding implementation was identified as a significant weakness by the external auditor. However, over the past year officers have worked hard to resolve them, and the council now has a business-as-usual operating model in place. In terms of the data breach this was reported to the Information Commissioner's Office and no further action was taken because of the council's swift response.

Both issues have been risks on the Corporate Risk and Opportunity Register and both EMT and the Audit, Risk and Governance Committee have received progress reports on the issues.

Local Government and Social Care Ombudsman

During 2023/24 Full Council did not receive any public reports from the Local Government and Social Care Ombudsman.

Lancashire County Developments Limited

Lancashire County Developments Limited is an owned subsidiary of Lancashire 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 2023/24 financial year there were no governance issues reported. The company is annually subject to a separate external audit to the county council. No significant issues were identified during the audit and the accounts were signed off by both the Board and the auditors.

Constitutional and Governance Changes

During 2023/24 governance practices across the council have been reviewed. This project had several elements.

Risk and Resilience Review

The aim of this work was to review how the council's governance works in practice, and to identify any potential risks and improvement actions. The findings contributed to the review of the Constitution, and the production of a robust Annual Governance Statement. Ensuring that the council has a strong governance culture is a priority for all officers and members. This review was undertaken independently by the Internal Audit Service at the request of the council's Monitoring Officer to provide evidence of areas of governance strength and identify areas requiring continuous improvement.

Overall, the responses from officers and members were positive with a significant majority either agreeing or strongly agreeing with the seven characteristics of good governance. The review identified several actions to improve specific areas of governance including the 'speak up culture' and these were put forward to Audit, Risk and Governance Committee for approval in January. The committee also agreed that a further review be undertaken after the 2025 county council elections.

Constitution Review

Following the leadership of the new Monitoring Officer, the Political Governance Working Group agreed, in May 2023, to undertake a full review of the Constitution to ensure it is accurate, up to date and properly reflects the council's operational arrangements. As part of the review, all county councillors were invited to attend a briefing and take part in a survey. Group briefings and feedback have also been provided and views gathered as part of Internal Audit's Risk and Resilience Review have been utilised. External benchmarking on best practice was also conducted.

An Officer Working Group was consulted to ensure the input of specialist officers, for example in Procurement and Finance. Officers particularly commented on the Scheme of Delegation to Officers, which sets out the rules for officer decision making. The new Constitution was approved by Full Council in March 2024.

Officer Governance Board Framework

As mentioned above a new officer governance board framework has been introduced that enables effective and consistent strategic operational management of council business.

Review of Council Owned Companies

Following a Full Council request, an audit exercise was conducted into how the county council is performing as a company member/shareholder in relation to the companies over which it exercises control. The audit concluded that whilst there were no significant problems in relation to any of the county council companies, the independent auditors identified a gap in the county council's governance arrangements. In response, a new Company Member Cabinet Committee was established to provide strategic management of county council owned companies. Any

risks identified by the Company Member Cabinet Committee in relation to the companies will be reported to the Audit, Risk and Governance Committee.

Overview and Scrutiny

Following the establishment of new overview and scrutiny arrangements for 2022/23, there is a requirement for the Scrutiny Management Board to produce an Annual Report to Full Council. The Government's Statutory Guidance on Overview and Scrutiny in Local and Combined Authorities, and best practice guidance from the Centre for Governance and Scrutiny highlight this as an important way of ensuring that Full Council is informed about the activities of the scrutiny committees.

The Annual Report was presented to Full Council in December 2023 and provided a summary of activity undertaken by scrutiny during 2022/23 and incorporated information relating to scrutiny's findings, impacts and its contribution to the council's corporate priorities. The annual report for 2023/24 will be reported to Full Council during 2024.

Code of Conduct for Members

In general, Lancashire continues to receive relatively few complaints about county councillors. In January 2024, the Audit Risk and Governance committee considered a reporting setting out a summary of all complaints received in 2023 against county councillors under the Code of Conduct.

Independent Remuneration Panel

The Independent Remuneration Panel met in November 2023 and recommended to Full Council that:

- The Basic Allowance be increased by £1,925 (the same flat rate as the 2023/24 staff pay award);
- The current ICT and mobile phone subsidies of £240 per year be removed, and be added instead to the Basic Allowance; and
- The Special Responsibility Allowances be increased using the Scheme's existing multipliers and based on the increased Basic Allowance (£13,777).

The same percentage increase (18.64%) would also be applied to the Chairman / Vice Chairman Allowances and the Dependants' Carers' Allowance.

Full Council approved the recommendations at its meeting in December 2023.

Staff Survey 2023

For the council's most recent staff survey, the response rate was 46%. The comments are helping shape the way the council operates, improving those things that are most important to employees, so that the council can deliver the best possible services to Lancashire's residents. Officers have explored the survey findings in more detail and have focused on designing the actions needed to build on the council's many strengths and improve those areas that staff have highlighted. Each service has produced an action plan, set up a Staff Voice Group, and appointed Change Influencers to drive improvement.

Social Value Policy and Framework

Cabinet agreed a revised Social Value Policy and Framework that sets out the legal context for social value and the approach for the county council to deliver social value through its commissioning, procurement, and contract management activities. At the centre of the social value strategy are the priorities for the county council and Lancashire 2050. The aim of the revised policy is to focus the council's procurement activity across all service areas with a shared aim, shared ambition, shared goals, and shared priorities. The revised policy will provide a structured approach to monitoring, measuring, and reporting the council's social value achievements.

Lancashire Combined County Authority and Devolution Proposal

As part of the Autumn Budget Statement on 22 November 2023, the Government announced the opportunity for a Devolution Deal for Lancashire and proposed the creation of a Combined County Authority for the administrative area covered by the three upper tier councils, Blackburn with Darwen Council, Blackpool Council and Lancashire County Council.

To progress the potential Devolution Deal, under the Levelling-up and Regeneration Act 2023, a consultation was completed on the draft Combined County Authority (CCA) Proposal. In November 2023 Full Council agreed the proposal and consultation with residents and other stakeholders of the wider CCA area for a period of 8 weeks commencing on 1 December 2023.

Following consultation, the three councils met in March 2024 to agree their final Proposal to Government, which took account of the outcome of the consultation and formally proposed the creation of the CCA. The creation of the Combined County Authority by regulation will then be subject to formal parliamentary approval in summer and autumn 2024.

Role of the Responsible Officer for Adult Services

The services of the Executive Director for Adult Services (Executive Director), are shared with the Lancashire and South Cumbria Integrated Care Board (ICB), based on 80% ICB to 20% Lancashire County Council (LCC), via a secondment agreement. To facilitate continuity whilst the Executive Director undertakes ICB business, additional director capacity has been secured by way of a Deputy Executive Director of Adult Services (the Deputy), who directly line manages the relevant Adult Services Directors, providing day to day support and direction to them, and professional support to the council.

There are significant benefits to be secured for residents and for the NHS/local authorities if the secondment arrangement delivers improved integration between health and social care in the county, although, seconding the lead officer to a different organisation presents a risk to the council especially as Adult Services are moving to a Care Quality Commission (CQC) inspection regime.

An Internal Audit review has been undertaken at the request of the Executive Director, to consider the operation of the arrangement with a view to identifying and addressing any material risk. The review provides a substantial assurance opinion with regards to the control framework surrounding the revised leadership arrangements. Robust controls exist to ensure that strategic responsibility and accountability for the planning, commissioning, and delivery of social services for all adult client groups, ensuring adults receive the care and support they need, when they need it. The review has highlighted where controls could be strengthened.

A particular area of focus for the Executive Director has been in relation to income receivable from the NHS. There are many different joint funding arrangements with the NHS across a range of services, most of which are quite complex and have been subject to ongoing discussion and negotiation. Recent work has focused on several savings targets and the directorate's ability to recover due income from the NHS. This is an area of particular challenge for the NHS in Lancashire due to the overall financial position of the ICB and poses significant risk to the adult services budget. Work is ongoing with the Executive Director and the council's Treasurer to reach a reasonable resolution to this and other areas with the NHS, where a shared approach to funding is required.

Lancashire County Pension Fund

Lancashire County Pension Fund (LCPF) is a Pension Fund within the Local Government Pension Scheme (LGPS England and Wales) which is a funded pension scheme (not paid through taxation such as other public sector schemes). Lancashire County Council 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 the council'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 Pension Fund 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 the Fund's Strategic Plan.

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

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

The Pension Fund Investment Panel provides expert professional advice to the Pension Fund Committee in relation to investment strategy. The Panel also supports the Head of Pension 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 and 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.

During 2023-24, there has been a governance review resulting in an updated Shareholders' Agreement for Local Pensions Partnership Ltd.

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 and 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 now, 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).

2023/24 has been a challenging year due to the implementation of new IT systems by LPPA and Lancashire County Council. The transition to new systems has adversely impacted overall service experience for members and employers. However, officers remain confident that long term improvement is achievable as the new systems 'bed in' and both parties are implementing plans to enhance service provision.

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 council's Internal Audit Service undertakes an agreed audit plan each year to provide assurance regarding the operation of the Pension Fund Service.

Strategic Oversight of Actions to Address the Council's Governance Challenges in 2023/24

This section provides a concise, high-level summary of strategic actions taken to address the council's governance challenges for the 2023/24 financial year, and what arrangements are in place for oversight of delivery.

Challenge to be addressed	Governance actions taken
<p>Financial Sustainability</p> <p>Failure to deliver a sustainable financial strategy that supports the delivery of the corporate strategy and four priorities.</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. • Overall, the Council has an appropriate level of reserves available to manage the financial risks it is facing from 2023/24 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. • Indicative savings targets covering updated MTFS position have been allocated to Directorates to identify savings proposals to meet the forecast future gap. Budget proposals for 24/25 presented to November Cabinet along with MTFS update. • The updated MTFS and budget proposals (including council tax) went to January Cabinet incorporating the outcome of the local government financial settlement. • Following the Local Government Provisional Settlement announced in December 2023, Full Council agreed a Council Tax increase of 4.99% (reflecting a 2.99% increase in general council tax and a further 2% to be used for adult social care) at its meeting in February 2024.

<p>Recruitment and Retention</p> <p>Unable to attract and recruit candidates and retain staff leading to an inability to deliver services.</p>	<ul style="list-style-type: none"> • People Strategy developed which gives 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. • Full review of contingent workforce completed to identify required staffing levels and skills. • Recruitment process to be redesigned and benchmarked against emerging and best practice. • Talent attraction team in place as part of People Services operating model • Development of a leadership capability framework • Revised approach to strategic Workforce planning launched November 2023 • Adult Social Care vacancy rate reducing overall from 20% to 15% • Childrens Social Care nearly full establishment
<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 council services.</p>	<ul style="list-style-type: none"> • Adult Social Care • New Living Well at Home framework now incorporated into a single 'Pseudo Dynamic Purchasing System' to enable better utilisation of provider capacity at a fixed price. • Living Better Lives in Lancashire new operating model is agreed, and operational plan is being formulated. • Additional resource has been procured to help reduce waiting lists and risk assessment plans for people on waiting lists. This work will start in January. • SEND • Additional SEN Units continue to be established. • Agreement to establish new SEN provision in North of the county. • Staffing options developed and short-term investment secured. • Refreshed Alternative Provision Strategy 2023-26 agreed by Cabinet September 2023 • SEND Inspection readiness work continues to strengthen oversight. • Refreshing Improvement Plan.
<p>Our Improvement Journey</p>	<ul style="list-style-type: none"> • Revised change governance in place - Change and Digital Board (CandD) established and meeting.

<p>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>	<ul style="list-style-type: none"> • Further prioritisation of change activity underway with paper to EMT Dec 23 agreeing further consolidation of priorities • Single view of change requirements developing through collaboration between CandD Board and People Board, plus links to property programme • Single change and programme management office service to be introduced by March 2024, review to commence imminently; includes additional resources to deliver agreed priorities. • Service redesign proofs of concept completed on schedule by December 23, including business case for implementing first element of service redesign. • Initial work to develop Resources redesign and agreed areas of LCC blueprint on completed Dec 23
<p>School Places</p> <p>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"> • Ongoing discussions to identify further opportunities and mitigations. • Developed 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. • The 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 (Burnley), Primet Academy (Colne) and Saints John Fisher and Thomas More RC High School (Colne). 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 have taken place in respect of primary and secondary schools in Preston. • 11 secondary schools increased their intake of pupils to reflect the growth in demand: Longridge High, St Cecelia's RC High, Fulwood Academy, Lostock Hall Academy, Academy@Worden, Albany Academy, Parklands Academy, Bowland High, Clitheroe Royal Grammar, Shuttleworth College, Burnley High.

<p>ICT Related Issues</p> <p>Cyber Security, and the Oracle Fusion Implementation and Data Breach</p>	<ul style="list-style-type: none"> • There have been quarterly updates on each issue to both EMT and Audit Risk and Governance Committee and a range of mitigating actions have been put in place. There has been a reduction in the risk score for Cyber Security following the implementation of tools and services with a new security partner. • An enormous amount of work has been completed by colleagues to rectify the Oracle Fusion post implementation issues. There have been numerous service improvements and a business-as-usual operating model is now in place.
<p>Building Schools for the Future</p>	<ul style="list-style-type: none"> • There have been quarterly updates on this issue to both EMT and Audit Risk and Governance Committee and a range of mitigating actions have been put in place.
<p>Mental Health Beds</p>	<ul style="list-style-type: none"> • Community Mental Health Team Transformation supports earlier intervention and support in times of crisis and was rolled out in Quarter 3, 2023. • Lancashire and South Cumbria Foundation Trust have an ambitious capital and workforce plan phased over the next 2 years to significantly increase the overall inpatient bed base to address this gap. • The use of Out of Area placements will continue throughout this period of transition.

Governance Challenges for 2024/25 and Onwards

The review of governance arrangements has identified the main areas where the council will need to focus its efforts during 2024/25, 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 2025.

Sustainability – Medium Term Financial Strategy

Financial sustainability remains one of the council's biggest risks and it is encouraging that the projected revenue underspend has continued to improve. However, a significant risk factor is in relation to savings delivery, as the budget is based on the delivery of both new / previously agreed savings. Mitigation plans have been implemented to reduce the financial impact both in-year and within the Medium-Term Financial Strategy.

Workforce

The council faces recruitment and retention issues with significant hard to recruit to areas such as social work and structural engineering. Through the new People Strategy, the council wants to become an employer of choice with a workforce that is skilled, productive, healthy, and motivated. A new approach to strategic workforce planning has been integrated into business and service planning process to help to achieve this aim.

Promoting Independence and Reducing Demand

Demand management is incredibly challenging and post-covid residents are presenting with increasingly complex needs. However, the continued reduction in children being taken into care is a good example of where the practice model can have significant positive impact, in this case keeping families together and children and young people safe in their own homes. The council is also now more confident of reducing waiting times for adult social care clients and the issues relating to Education, Health and Care Plans, and home to school transport, are being addressed.

Customer Centric Service Delivery

In terms of change and improvement, the priority change portfolio has been agreed with the Executive Management Team. Further scoping of programmes and projects is underway to enable forecasting and allocation of resources and production of programme plans for key areas including SEND, WOCL, Adults Services quality and practice elements and in-house residential review. Recommendations from the change programme health check are being implemented. Recruitment to the Change

Service is in progress, with internal and external recruitment taking place and work to deliver against the service redesign financial targets is progressing, with the first redesign project commencing in April 2024.

School Places

This issue continues to be one of the council's main priorities and work continues to identify further opportunities and mitigations. Support to help new arrivals to county/country has been strengthened, including support to address language barriers. Outreach in terms of publicity is improving and this has reduced the number of late applications for school places. The council's 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. Work will continue with secondary schools to increase their intake of pupils to reflect the growth in demand.

Information Technology

The council's Digital Strategy will be refreshed to ensure a digital first approach and look at the use of Artificial Intelligence to help residents access council services in an easier and more responsive way. The council will also continue to work with cyber security partners to minimise the risk of attacks on services and focus on reducing cyber-crime. Officers will continue working on the post implementation issues related to Oracle Fusion.

Building Schools for the Future

Work will continue with partners to resolve the issues identified in the affected schools.

Monitoring Implementation

The key governance challenges facing the council in 2024/25 will be monitored by the Executive Management Team, the Compliance and Assurance Board 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 and Compliance and Assurance Board, 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

The council's governance arrangements have continued to provide overall assurance over the past 12 months and have been strengthened in several areas. As a result, 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 external auditor's interim Annual Report for 2022/23 has identified a weakness in relation to the implementation of Oracle Fusion. At the time, the council acted swiftly to resolve the issues and now has a business-as-usual operating model in place. A lesson learnt assessment has been undertaken to ensure that the issues encountered are avoided in any future digital programme implementation.

The governance of the county council will continue to be monitored by the Audit, Risk and Governance Committee, the Executive Management Team and the Compliance and Assurance Board.

Glossary

Audit, Risk and 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 – 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 – 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) – The strategic officer leadership body within the council that advises and supports the elected members of the council and its key post holders and bodies, including the Cabinet and Overview and Scrutiny.

Corporate Risk Register – 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 – 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) – 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 and 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 – An independent, objective assurance and consulting activity designed to add value and improve the county council's operations.

LRF (Local Resilience Forum) – 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 – 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 – Holds 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 council's digital system for HR, Payroll, Finance and Procurement.

Ofsted – 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 the Council will prevent and manage Covid-19 cases and outbreaks across the county.

Passport to Independence – Aims to help people stay healthy and self-sufficient (independent) for longer.

Performance Management – 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 – 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.

Section 151 Officer – The Chief Finance 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.