

Annual Governance Statement – Financial Year 2010/2011

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

The authority's responsibility in relation to internal control

Lancashire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The authority has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The authority also complies with the CIPFA statement on the role of the Chief Financial Officer in Local Government (2010).

A copy of the code of corporate governance is on our website and a hard copy can be obtained by contacting Roy Jones on 01772 533619. This statement explains how the authority has complied with the code and identifies actions further to improve our corporate governance arrangements during the coming financial year.

The purpose of the governance framework

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

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

This statement confirms that the governance framework has been in place at the authority for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

The authority's governance framework

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

- ❖ Lancashire County Council has a Corporate Strategy which sets out its vision for Lancashire for the period 2010-2013. The strategy is refreshed annually to reflect changes in both local and national priorities.
- ❖ The authority is keenly aware of the need to ensure that it delivers on its ambitions. Quarterly reports are considered by the Cabinet Committee on Performance Improvement which set out performance against applicable indicators and in relation to the authority's corporate objectives. The authority's Customer Access Strategy has the vision 'That everyone in Lancashire can get help and information on all the County Council's services conveniently and efficiently.' The authority uses the views of the public through its 'Living in Lancashire' residents' panel and bespoke research and consultation activities to inform decision making.
 - ❖ Lancashire has a 'strong leader' model of executive government and the roles and responsibilities of the different elements of the Executive, Leader, Cabinet, and individual cabinet members, are set out in its constitution. In December 2008 it passed a resolution to adopt a leader and cabinet executive within the terms of the Local Government and Public Involvement in Health Act 2007.
 - ❖ The Council's current scrutiny arrangements have been in place since May 2010. It comprises three scrutiny committees - the Scrutiny Committee, Education Scrutiny Committee and Health Scrutiny Committee.

The Forward Plan appears on the committees' agendas and cabinet members are regularly called to committees to be questioned about areas of policy. The committees appoint task groups to undertake

scrutiny reviews which are then considered by the relevant committee for adoption. When recommendations are made to a cabinet member, there is a protocol under which an initial response will be provided to the committee within three months. During the year scrutiny reviews have included consideration of safeguarding adults, access to county museums and looked after children from outside Lancashire. The functions of the Scrutiny Committee include scrutiny of the authority's crime and disorder partnership, which is the Safer Lancashire Board. The committee met to consider these arrangements during the year.

To date, no decisions have been 'called in' in this authority, although during the year, scrutiny committees held special meetings on two occasions to deliberate whether a decision should be called in.

The Health Scrutiny Committee has the statutory role of scrutinising proposed significant variations in service delivery in the health service. In this geographically large county, that involves working with three primary care trusts, six acute trusts and several specialist trusts (such as mental health, physical disabilities and ambulance trusts). A number of trusts straddle our borders so that joint working has been undertaken with the two unitary authorities in our area, Blackburn with Darwen and Blackpool, and also with adjoining authorities. With the many changes taking place in the health service this has entailed a heavy workload for this committee. It has worked hard at forming and maintaining productive relationships with the various health trusts. This year, the Health Scrutiny Committee has used its statutory power to refer substantial variations to the health service in the area proposed by the NHS on two occasions. On both occasions, the Secretary of State declined the request for an independent review.

- ❖ The authority has a Standards Committee which complies with statutory requirements. It has kept itself fully updated on the Government's proposals to abolish the national standards regime during 2011/12. Since May 2008 it has had the additional statutory role of acting as the local filter for complaints when there has been a breach of the code of member conduct. Of 20 complaints in total since that period only 3 cases have been referred for investigation, a demonstration of the generally high standards of conduct of members of the authority. There is a report of the committee's proceedings to each meeting of the Full Council and the committee has undertaken monitoring of compliance with both member and officer codes.
- ❖ The authority has an Audit Committee in place which operates in accordance with CIPFA guidance. It has delegated to it approval of the annual statement of accounts and also this annual governance statement. It receives appropriate training for the work that it does, and regularly conducts a review of its manner of operation.
- ❖ The authority has a well regarded internal audit service that works with officers to assess and develop the control environment, and which

supports management's assessment of compliance with established policies, procedures, laws and regulations.

- ❖ The authority's internal audit service provides a counter fraud and investigatory service through its annual Counter Fraud Plan and produces an Annual Report on Counter Fraud and Special Investigations for the Audit and Standards Committees.
- ❖ The scheme of delegation to officers enables decisions to be taken at the most appropriate and effective level. The Constitution includes a Protocol on County Councillor/Officer Relations, providing the foundation for good and regular information flowing between officers and members. Reviews of the scheme of delegation and the protocol are to be held during 2011/12.
- ❖ Standing Orders, Financial Regulations and the Scheme of Delegation are embedded within the county council and under constant review. There are common templates for reports to committees and the cabinet, and also for decisions made by cabinet members. Cabinet member decision-making is governed by a decision-making protocol and takes place in accordance with a pre-arranged programme. There is a Corporate Risk Management Policy and Strategy and also guidance on risk management available to officers.
- ❖ The process for ensuring legality and financial probity in relation to decisions has a number of components:
 - The decision-making protocol mentioned above.
 - Within that protocol, officers formulating reports are required to have regard to particular issues and in particular take legal and/or financial advice at an early stage if that is warranted.
 - All reports leading to decisions are checked within the office of the county secretary and solicitor to ensure that governance issues are identified and statutory and financial requirements are complied with.
 - Corporate advice and guidance is provided on the public sector equality duty contained within the Equality Act 2010 and includes an Equality Impact Assessment template. This is to be reviewed during 2011/12.
- ❖ There is an effective whistleblowing procedure which is regularly used. Reports on the level of use and outcomes are presented to the Standards Committee. There is a two-stage general complaints procedure and also specific complaints procedures for Children and Young People and Adult Social Care, which follow the relevant statutory guidance. In the general procedure, after initial investigation, if a complainant remains dissatisfied they have access to a panel of county councillors who they have the right to address in person.

- ❖ There is a cross-party member development working group in place with the remit of planning and co-ordinating member development activities to meet individual and group needs. Officer training is overseen through a new performance and development review process which was rolled out to all officers during 2011.
- ❖ A number of communication tools have already been identified, such as the Living in Lancashire Panel. However, the authority is aware that for communication with the community to be effective, it needs to be approached on a number of levels. Other examples are:
 - Cabinet in the Community – Cabinet members have a 'Question Time' in various parts of the county facilitated by a local journalist.
 - Council and committee meetings are web-cast.
 - There is member representation on neighbourhood management boards across Lancashire.

Review of effectiveness

The authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectors. The authority is also required to review the effectiveness of internal audit and this has been undertaken by the county treasurer.

The authority's code of corporate governance has been approved by the cabinet and considered by Full Council, the Audit Committee and the former County Management Board (now Management Team.)

This Annual Governance Statement will be considered for approval by the Audit Committee on 27th June 2010, and will be reported to the Standards Committee on 30th June. It will thereafter be considered by the council on 22 July.

Statements of assurance have been signed by executive directors as to the effectiveness of the governance arrangements for which they are responsible, including the system of internal control. The statements of assurance cover all the principles set out in the authority's Code of Corporate Governance. The statements of assurance reveal no significant areas of weakness in the authority's corporate governance arrangements; the arrangements have been categorised as either good or adequate.

Programme of improvement on governance issues

In her annual report, the head of internal audit reports her concern that the procurement processes followed across the council have not in all cases followed corporate procedures. The head of internal audit has also highlighted that the council's arrangements to counter risks arising from the employee's conflicts of interest are currently inadequate and the need to strengthen the arrangements relating to officers' declaration of interests.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

The authority will, in the coming year, review its governance arrangements as the proposals to abolish the current national standards regime progress and as additional responsibilities are placed upon Audit Committees in relation to the appointment of external auditors.

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

Signed:

Leader of Lancashire County Council

Chief Executive of Lancashire County
Council

Dated