

Lancashire County Council

Audit and Governance Committee

Monday, 13th April, 2015 at 2.00 pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Supplementary Agenda

We are now able to enclose, for consideration at the next meeting of the Audit and Governance Committee on Monday, 13th April, 2015, the following information which was unavailable when the agenda was despatched.

Part I (Open to Press and Public)

No. Item

- 5. The Council's Code of Corporate Governance and Annual Governance Statement 2014/15 (Pages 1 - 36)**

County Hall
Preston

I Young
Director of Governance,
Finance and Public Services

Agenda Item 5

Audit & Governance Committee

Meeting to be held on 13 April 2015

Report of the Director of Governance, Finance and Public Services

Electoral Division affected: <u>All</u>
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The Council's Code of Corporate Governance and Annual Governance Statement 2014/15

(Appendices 'A' and 'B' refer)

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Executive Summary

The County Council has previously approved and adopted a Code of Corporate Governance. The Code was adopted in January 2008 and has not been reviewed since. A commitment in the Annual Governance Statement approved by the Committee in September 2014, was to review the Code during 2014/15.

The County Council is also required to produce and approve an Annual Governance Statement for inclusion in its Annual Statement of Accounts for 2014/15.

Recommendation

The Committee is asked to:

1. Consider and comment on the draft revised Code of Corporate Governance for the County Council.
2. Recommend that once adopted the Code will be reviewed by the County Council every year.
3. Consider and comment on the initial draft Annual Governance Statement for 2014/15.

Background and Advice

Code of Corporate Governance

Good governance is about ensuring that the Council does the right things, in the right way, in a timely, open, and accountable manner. It must therefore include the systems, processes, cultures and values by which services are directed and controlled, and by which we are accountable to, and engage with our stakeholders and communities.

CIPFA and the Society of Local Authority of Chief Executives (SOLACE) have provided best practice guidance on establishing a local Code of Corporate Governance: Delivering Good Governance in Local Government Framework document. This was originally published in 2001; refreshed in 2007 and most recently updated in 2012. The Framework document is intended to be followed as best practice for developing and maintaining a local code of governance and discharging an Authority's accountability for the proper conduct of business.

The County Council has previously approved and adopted a Code of Corporate Governance. The Council's Code of Corporate Governance was approved by the Audit and Governance Committee in January 2008. The Code hasn't been reviewed or updated since to reflect best practice, organisational changes or emerging governance issues.

The Code should be consistent with the principles of the CIPFA/SOLACE Framework which defines the following six core principles, each supported by sub-principles that should underpin the governance framework of a local authority:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risks
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders to ensure robust public accountability

The Code should also articulate the expected standards, principles and values by which Lancashire County Council Officers and Members will operate. There should be clear links between the principles of the Code, and the governance framework of

strategies, policies and procedures which underpin the Code. The Annual Governance Statement approved by the Committee in September 2014 included a commitment to review the Code during 2014/15.

The Committee has responsibility for monitoring compliance with the Council's Code and reviewing the Code.

The initial review of the Code has been undertaken from the position of the Council operating a new transformational model. It has also considered the continuing relevance of the principles and sub principles of the Code, and provides an opportunity to ensure that the evidence sources used to demonstrate compliance with the Code are as wide ranging and comprehensive as possible.

The format of the published current Code does not include sources of evidence, but the suggested format of the revised Code is updated to include this. This provides clarity for Members, Officers and stakeholders about how the organisation uses the principles of the Code in practice. A draft Code is set out at Appendix A for the Committee's consideration.

An updated Code will be presented to the June 2015 Audit and Governance Committee for approval. The suggested approval process would be for Audit and Governance Committee to receive, review and recommend the revised Code to the Cabinet and Full Council for approval. The Code would then be widely communicated to members, officers and stakeholders.

Annual Governance Statement (AGS) 2014/15

The CIPFA/Solace Framework urges local authorities to prepare a governance statement in order to report publicly on the extent to which they comply with their own Code of Governance on an Annual basis, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year and on any planned changes in the coming period.

It is also a statutory requirement to conduct a review of the effectiveness of the Council's systems of internal control each year and prepare an Annual Governance Statement to be published alongside the Annual Statement of Accounts. The AGS should demonstrate and evaluate how the Council has complied with its Code. It should also highlight any significant governance issues which have arisen, where the Council has not been able to achieve the performance standards set out in the Code, supported by an action plan for improving and enhancing governance in these specific areas.

A draft AGS is presented at Appendix 'B' for the Committee's consideration. The AGS will have to be approved at the June Committee meeting to be included within the Council's Annual Statement of Accounts for 2014/15. The final AGS will be signed by the Chief Executive and Leader of the Council and published on the Council's website.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

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

Legal Implications

The Council must adopt a Code of Corporate Governance which has been produced to the standards prescribed in the best practice guidance in order to prepare the Annual Governance Statement (AGS). The best practice guidance is recognised as the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2007). The AGS is used by the Council to report publically on the extent to which the Council has complied with its adopted Code, which is a requirement of the Accounts and Audit Regulations (England) 2015.

Financial Implications

Good governance leads to good management, good performance and good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. However, there are costs associated with embedding and continuing good governance practices, and as the Council's organisational structures develop, the costs associated with governance need to be monitored to ensure they remain proportionate.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Directorate/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

Code of Corporate Governance

What is Corporate Governance?

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

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

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

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risks
- Developing the capacity and capability of members and officers to be effective

- Engaging with local people and other stakeholders to ensure robust public accountability.

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

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

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

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

The production of the Annual Governance Statement, in compliance with the Accounts and Audit Regulations 2011, is presented to the Audit and Governance Committee annually in conjunction with the Statement of Accounts.

Action Plan

Attached at Annex 1 are the governance framework processes that have been identified for action.

Suggested revised format for the Local Code of Corporate Governance (Principle 1)

Principle 1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas:		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
1.1 Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and users	Develop and promote the authority's purpose and long term vision	<ul style="list-style-type: none"> • Corporate Strategy • Lancashire Health & Wellbeing strategy • Community Safety Agreement 2014-16 • Director of Public Health Annual report • Children & Young People's Plan 2014-17 • Lancashire Strategic Economic Plan & Lancashire Growth Plan • Medium Term Financial Strategy • Money Matters Budget Reports
	Review on a regular basis the authority's priorities and its implications for the authority's governance arrangements	<ul style="list-style-type: none"> • Quarterly Quality of Service reporting • Annual Governance Statement • Annual budget and service offers/plans
	Communicate the authority's activities and achievements, its financial position and performance	<ul style="list-style-type: none"> • Statement of Accounts • Annual Governance Statement • Quarterly performance

		<p>reporting to Cabinet Committee on Performance Improvement</p> <ul style="list-style-type: none"> • Quarterly Quality of Service Reports • Council Tax Leaflet • County Council public website
1.2 Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	<ul style="list-style-type: none"> • Service/Commissioning Plans • Community engagement and research work • Joint Strategic Needs Assessment • Strategic assessment of Crime & Anti-social Behaviour • Review of complaints
	Put in place effective arrangements to identify and deal with failure in service delivery	<ul style="list-style-type: none"> • Business Continuity Plans • Project management arrangements • Quality of Service Reports & Recovery Plans • Risk management plans • Contracts; specifications etc. • Review of complaints
1.3 Ensuring that the authority makes best use of resources, that tax payers and service users receive excellent value for money	Work towards improving value for money through exploring innovative ways of working including the potential for joint working and shared services	<ul style="list-style-type: none"> • Public Service Integration Plans • Commissioning Plans • Procurement Strategy

		<ul style="list-style-type: none"> • Service offers/plans
	Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use	<ul style="list-style-type: none"> • Project Management arrangements • Quarterly performance reporting • Calendar of committee meetings
	Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Quarterly performance reporting • Annual Statement of Accounts • External inspection of accounts • Internal audit reporting • Reports to Audit and Governance Committee, Cabinet and Overview & Scrutiny

Suggested revised format for the Local Code of Corporate Governance (Principle 2)

Principle 2: Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles:		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:

<p>2.1 Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard</p>	<p>Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.</p> <p>Make the Chief Executive or equivalent responsible and accountable to the authority for all aspects of operational management.</p> <p>Ensure that the authority's governance arrangements allow the Director of Financial Resources direct access to the CEO and to other leadership team members.</p> <p>Develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.</p> <p>Make a senior officer (the Director of Finance Resources as Section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records, and for maintaining an effective system of internal financial control</p> <p>Make a senior officer (the Director of Governance, Finance and Public Services as Monitoring Officer) responsible to the authority for ensuring agreed procedures are followed and that all applicable statutes and regulations are complied with</p>	<ul style="list-style-type: none"> • Constitution • Scheme of Delegation • Standing Orders • Code of Conduct for Members • Code of Conduct for Officers • Financial Regulations • Financial arrangements • Financial roles and responsibilities • Decisions of the Council • Protocol on County Councillor/Officer Relations
<p>2.2 Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function</p>	<p>Set out a clear statement of the respective roles and responsibilities of the Cabinet and the Cabinet members individually and the authority's approach towards putting this into practice.</p>	<ul style="list-style-type: none"> • Constitution • Scheme of Delegation • Members area on Intranet

	<p>Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers.</p> <p>Ensure that the Director of Financial Resources reports to the Management Team</p> <p>Develop protocols to ensure effective communication between members and officers in their respective roles.</p> <p>Set out terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective independent remuneration panel (for members).</p>	<ul style="list-style-type: none"> • Section 151 responsibilities • Protocol on County Councillor/Officer relations • Members allowances and expenses • Annual Pay Policy • Code of Conduct (staff & Member)
<p>2.3 Ensuring the relationship between the authority, its partners and the public are clear so that each knows what to expect of the other</p>	<p>Ensure that effective mechanisms exist to monitor service delivery.</p> <p>Ensure that the organisations vision, strategic plans, priorities and targets are developed through robust processes, and in consultation with the local community and other stakeholders, and that they are clearly articulated and disseminated.</p> <p>Establish a medium term business planning process to deliver strategic objectives including:</p> <ul style="list-style-type: none"> • A medium term financial strategy to ensure sustainable finances. • A robust annual budget that ensures financial balance. • A monitoring process that enables scrutiny of delivery and supports appropriate mitigation for estimates that may vary in year. 	<ul style="list-style-type: none"> • Monitoring of Quarterly Quality of Service reports • Current Consultations • Budget Consultation • Agreed Joint Strategies and Plans • Forums and Youth Council • Shared Services Agreements • Review of Partnerships

	<p>Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used.</p> <p>When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and the authority.</p> <p>When working in partnership ensure that there is clarity about the legal status of the partnership.</p> <p>Ensure that, when working in partnership, all parties understand and make clear the extent of the authority to bind their organisation to partner decisions.</p>	
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Suggested revised format for the Local Code of Corporate Governance (Principle 3)

<p>Principle 3: Good governance means promoting values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour:</p>		
<p>Supporting Principles</p>	<p>To meet the requirements of this Principle, Lancashire County Council will;</p>	<p>This will be evidenced by:</p>
<p>3.1 Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance</p>	<p>Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect</p> <p>Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.</p> <p>Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias</p>	<ul style="list-style-type: none"> • Constitution • Code of Conduct (Staff & Member) • Performance Development Appraisal • Financial Regulations • Standing Orders • Register of Gifts and Hospitality • Declaration of

	<p>or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.</p>	<p>Interests register</p> <ul style="list-style-type: none"> • Procurement Rules • Equal Opportunities • Equality & Cohesion • Professional Qualifications and memberships • Protocol on County Councillor/Officer Relations
<p>3.2 Ensuring that organisational values are put into practice and are effective</p>	<p>Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners.</p> <p>Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.</p> <p>Develop and maintain an effective mechanism for dealing with standards issues.</p> <p>Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.</p> <p>In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.</p>	<ul style="list-style-type: none"> • County Council's Values • Constitution • Code of Conduct • Conduct Committee • Performance Development Appraisal • Learning & Development • Memorandums of Understanding • Decision Making Practices • Data Transparency Arrangements • Review of partnerships

Suggested revised format for the Local Code of Corporate Governance (Principle 4)

Principle 4: Good governance means taking informed and transparent decisions which are subject to effective scrutiny and managing risk		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
4.1 Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	<p>Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible.</p> <p>Ensure an effective internal audit function is resourced and maintained.</p> <p>Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.</p> <p>Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.</p> <p>Develop and maintain an effective audit committee (the Audit and Governance Committee) which is independent of the executive and scrutiny functions.</p> <p>Ensure that the authority's governance arrangements allow the Director of Financial Resources direct access to the Audit and Governance Committee and External Audit.</p> <p>Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.</p>	<ul style="list-style-type: none"> • Overview and scrutiny Committees • Internal Audit • Codes of Conduct • Decision Making procedures • Audit and Governance Committee • External Audit • Complaints Frameworks • Local Government Ombudsman Reports

<p>4.2 Having good quality information, advice and support to ensure services are delivered effectively and are what the community wants/needs</p>	<p>Ensure those making decisions, whether for the authority or partnership, are provided with information which is fit for purpose – clear, timely, relevant, accurate and complete, and gives clear explanations of issues and implications on both a financial and non-financial basis.</p> <p>Ensure information provided on the financial performance of the organisation to budget managers and senior officers is well presented, timely, complete and accurate.</p> <p>Ensure that timely professional advice on matters that have legal or financial implications is available and recorded in advance of decision making and used appropriately.</p> <p>Ensure the authority’s governance arrangements allow the Director of Financial resources to bring influence to bear on all material decisions.</p> <p>Ensure that advice is provided on the levels of reserves and balances in line with good practice guidance.</p>	<ul style="list-style-type: none"> • Members Induction and Training • Forward Plan • Lancashire Profile • Joint Strategic Needs Assessment • Decision Making Report Templates • Financial Regulations • Money Matters Budget reports
<p>4.3 Ensuring that an effective risk management system is in place</p>	<p>Ensure that risk management is embedded into the culture of the authority; with members and managers at all levels recognising that risk management is part of their job.</p> <p>Ensure the authority’s arrangements for financial and internal control and for managing risk are addressed in annual governance reports.</p> <p>Ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those in contracting with or appointed by the authority have access.</p>	<ul style="list-style-type: none"> • Management Team • Quality of Service Reports • Service Plans • Business Continuity Planning • Annual Governance Statement • Audit and Governance Committee • Anti-fraud Policy & Strategy

		<ul style="list-style-type: none"> • Information Governance Strategy and Policy • Whistleblowing Policy & Procedure
<p>4.4 Using their legal powers to the full benefit of the citizens and communities in their area</p>	<p>Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities.</p> <p>Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law.</p> <p>Observe all specific legislative requirements placed upon them, as well as the requirement of general law, and in particular to integrate the key principles of good administrative law - rationality, legality and natural justice – into their procedures and decision making processes.</p>	<ul style="list-style-type: none"> • Constitution • Report Templates

Suggested revised format for the Local Code of Corporate Governance (Principle 5)

Principle 5: Good governance means developing the capacity and capability of members and officers to be effective:		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
5.1 Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	<p>Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.</p> <p>Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.</p>	<ul style="list-style-type: none"> • Staff Induction • Member Induction & Member Development Programme • Committee Specific Training • Learning and Development programmes – both mandatory and voluntary • CPD Training • Specific Service Area training e.g. Public Health
5.2 Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group	<p>Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.</p> <p>Ensure that councillors' roles and responsibilities for monitoring performance are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities.</p> <p>Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise</p>	<ul style="list-style-type: none"> • Performance Development Appraisal • Member and Staff Training and Induction • CPD training • Performance Management Framework

	when outside expert advice is needed.	
5.3 Encouraging new talent for membership of the authority so that best use can be made in individuals' skills and resources in balancing continuity and renewal	<p>Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.</p> <p>Ensure that career structures are in place for members and officers to encourage participation and development.</p>	<ul style="list-style-type: none"> • Encourage engagement through a variety of methods e.g. consultations; Petitions; Forums etc.

Suggested revised format for the Local Code of Corporate Governance (Principle 6)

Principle 6: Good governance means engaging with local people and other stakeholders to ensure robust public accountability:		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
6.1 Exercising leadership through a robust scrutiny function which effectively engages local people & all local institutional stakeholders including partnerships, and develops constructive and accountability relationships	<p>Make clear to all staff and the community to whom they are accountable and for what.</p> <p>Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required.</p> <p>Produce an annual report on the activity of the scrutiny function and promote a regular dialogue between executive and scrutiny functions.</p>	<ul style="list-style-type: none"> • Constitution • Corporate Strategy • Overview & Scrutiny Committees • O&S Reports
6.2 Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning	<p>Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively.</p>	<ul style="list-style-type: none"> • Consultations • Budget consultation • Petitions • Community Engagement including

	<p>Hold meetings in public unless there are good reasons for confidentiality.</p> <p>Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that sections of the community have different priorities and establish explicit processes for dealing with these competing demands.</p> <p>On an annual basis, publish information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.</p> <p>Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnership, subject only to those specific circumstances where it is proper and appropriate to do so.</p>	<p>Living in Lancashire Panel & Toolkit</p> <ul style="list-style-type: none"> • Constitution • Standing orders • Statement of Accounts • Pay Policy Statement • Website • Facebook • Twitter • You Tube • Service User Forums • Statement of Accounts • Publication of information as set out in Transparency Code • Freedom of Information • Complaints Frameworks
6.3 Making the best use of human resources by taking an active and planned approach to meet responsibility to staff	Ensure that staff are fully informed and have an opportunity to feedback with comments and suggestions.	<ul style="list-style-type: none"> • Team Talk • Regular Staff Meetings • Staff Conferences • Intranet – Staff Notices • Email • Management Team Feedback • Joint Staff Consultative Committee • Staff Groups/Forums

Code of Corporate Governance Action Plan

(To be completed following meeting of Audit and Governance Committee 13 April and submitted to June Committee for consideration.)

Key Action	Responsible Officer
1.	
2.	
3.	
4.	
5.	
6.	
7.	

Lancashire County Council

Annual Governance Statement 2014/2015

1. The Council's responsibilities

- 1.1. Lancashire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3. The Council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. The Code is currently under review and a revised Code will be approved during 2015/16.

2. The purpose of the Governance Framework

- 2.1. The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2. 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. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 2.3. The governance framework has been in place at Lancashire County Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

3. Governance Issues in 2013/14

- 3.1 The Annual Governance Statement for 2013/14 highlighted that the County Council had experienced exceptional challenges during 2013/14 which had absorbed and diverted a considerable amount of senior leadership time. These circumstances had impacted upon a number of the issues relevant to the adequacy and effectiveness of the Council's control environment highlighted by the Chief Internal Auditor's Annual Report which resulted in an overall limited assurance of the Council's control environment.

The Council's Response to the Chief Internal Auditors Report 2013/14

- 3.2 The Council's Leadership and Management Team acknowledged that the exceptional events of 2013/14 had been a diversion having a direct impact on the assessment in the Chief Internal Auditor's report. It was recognised that a number of key aspects of the report for 2013/14 which related to high risk areas of operation could be attributed to failures in the delivery of services by OCL. These had been addressed by the renegotiation of the Strategic Partnership arrangements and the return of key services to the Council.
- 3.3 The Management Team gave serious and careful consideration to the Chief Internal Auditor's opinion on the County Council's control environment, and confirmed its very strong commitment to ensure that basic controls were maintained and, particularly in those cases highlighted by the Annual Report, significantly improved. They expressed their commitment to ensuring that robust governance remained at the heart of the Council's business and to ensure that areas of concern highlighted by the Annual Report would be rectified.
- 3.4 Some areas identified in the Chief Internal Auditor's Annual Report for 2013/14 had already been addressed through remedial actions reported to the Audit and Governance Committee. However those remedial actions did not form part of the 2013/14 assurance judgement as the implementation of agreed action plans had yet to be audited.
- 3.5 All outstanding actions formed part of the Chief Internal Auditor's Audit Plan for 2014/15 with the intention that all areas of high and moderate risk assessed as limited or nil assurance would achieve at least a substantial assurance

Specific Actions

- 3.6 Regular reports have been made to the Council's Management Team during 2014/15 to ensure that the Council's control environment is sound and applied consistently to ensure the successful delivery of corporate objectives.

4. Emerging Governance Issues

- 4.1 The following risk areas reflect a number of the issues identified in the External Audit Plan for 2015/16 and similarly will feature in the Internal Audit Plan for 2015/16, which will also draw upon the Council's Risk Register (see below).

To be added from the External and Internal Audit Plans to be submitted to the Audit and Governance Committee on 3 April.

Chief Internal Auditors Annual Report 2014/15

- 4.2 *To be completed once available. On the basis of the update report submitted to Committee for the meeting on 13 April. No major issues are anticipated with most functions audited attracting substantial assurance.*

The Council's Transformation Programme

- 4.3 With effect from 1 April 2015 the transformation of the Council's senior management structure at grade 11 and above is complete and the Council now moves into the second phase that will see a new look organisation in place by April 2016.
- 4.4 The principles underpinning the second phase for staff at grade 10 and below remain the same as in the first phase but the task is quite different because of the scale of the change with around 12,000 staff in scope. Consultation on the proposed approach has now commenced, the intention being that as many staff as possible will be "slotted into roles" rather than having to go through a competitive recruitment exercise or, where that is not possible, with a greater use of closed ring fences.
- 4.5 There will be a far smaller reduction in staff numbers in the second phase relative to the first phase and there continues to be a commitment that no member of staff will be made compulsorily redundant before 1 April 2016.
- 4.6 Management Team accepts that 2015/16 will present challenges as the Council transitions from the "old" to the "new", particularly given the need for services, some of them quite new, to deliver budget savings.

Financial Management

- 4.7 The challenge facing the County Council is unprecedented, having to find £300 million of savings in the council's revenue budget by 2017/18.
- 4.8 The Service Offers agreed at the Council's budget meeting in February recognise the need to manage demand more effectively, particularly in relation to social care, offering earlier help for those who need it and ensuring that preventative services are effective. Central to this service offer is the recognition for the Council to work more closely with communities and partners to develop new ways of delivering services, targeting and combining public services where they can be the most effective.
- 4.9 The Council has the availability of significant one-off resources to enable the effective downsizing of the staffing structure over 2015/16 to 2017/18 and beyond, including resources to fund voluntary severance. The County Council will also invest in ICT and other service developments which will enable the Council to deliver its savings programme and to provide risk management resources to ensure financial and service sustainability.
- 4.10 However the Council continues to face significant financial challenges in the period 2015/16 to 2017/18 and beyond. There is considerable legislative, operational and delivery risk, and it is vital that the Council maintains robust financial and operational monitoring to oversee the delivery of savings, and is able to take action to respond to the changing environment. The interim Director of Financial Resources will provide regular reports on budget and performance to Management Team including an assessment of the delivery of savings identified in the 2015/16 budget.

The Better Care Fund

- 4.11 The Council has recently entered into a planning and pooled budget arrangement with the Clinical Commissioning Groups (CCGs) known as the Better Care Fund (BCF). This plan sets out the Council's and CCGs' vision to deliver integrated health and social care systems to reduce demand on acute hospital and care home provision in favour of a sustainable integrated neighbourhood health and social care system. Lancashire's BCF plan has now been approved by Government without conditions.
- 4.12 The pooled budget for the BCF is c £90 million, with a current Council contribution of £9.438 million, the pooled fund to be used for the purpose of commissioning services for citizens. The Council will host and manage the pooled fund on behalf of itself and partners and will be responsible for its internal audit. Similarly, the Council's External Auditor will be responsible for the external audit of the pooled fund, in each case their reports being made available to the Health and Wellbeing Board.

Peer Review

- 4.13 Last autumn, at the invitation of the Administration, the Council underwent a Local Government Association Corporate Peer Review Challenge. The challenge process is primarily an improvement tool for councils and focuses on five core components that will help to provide an indication of a local authority's ability and capacity to deliver on its plans, proposals and ambitions. With this in mind, the particular areas of focus for the Council's Peer Review Challenge covered the ongoing transformation process along with a general "health-check".
- 4.14 The Peer Review Challenge report has been accepted by the Council as fair and balanced, picking out a lot of strengths within the Council such as economic development and our work with other public sector partners. The report also however noted a number areas for improvement/key challenges including:
- relationships with the health system
 - our role as a strategic leader for the county and opportunities for more collaborative working
 - financial leadership
 - a clear, set out programme for the transformation
 - internal control and risks
- 4.15 These areas for improvement highlighted in the report have been included within the Council's improvement plan for the new corporate strategy.

Risk

- 4.16 One particular issue identified by the Peer Review Report was the need to create an effective corporate risk register or alternative structured approach to identifying, monitoring and mitigating corporate risk. If used effectively, such an approach bolsters internal controls and better equips the Council as it moves through future large scale change.
- 4.17 With that recommendation in mind Management Team have agreed to take up a proposal from Grant Thornton for a facilitated workshop, the objectives being:
- to re-emphasise the benefits of strategic risk and opportunity management and identify external best practice approaches that could work for Lancashire
 - to consider the Council's current approach to risk management and what practical steps can be taken to strengthen it where necessary
 - to create a framework within which Management Team can identify and evaluate the current risks and opportunities facing the Council

4.18 Management Team are committed to creating an effective risk register owned by them, with regular updates provided both to Management Team and also to Members, including the Audit and Governance Committee.

Proposals for a Combined Authority for Lancashire

- 4.19 An important recent development has been the exploration of alternative decision-making arrangements for Lancashire, including moves toward a Combined Authority model. To this end, local authorities in Lancashire have been actively working together to consider and define new governance and collaboration arrangements.
- 4.20 At this stage, a preferred governance model has yet to be identified. However, local councils recognise the need to explore enhanced arrangements capable of making robust and binding shared decisions. Leaders and Chief Executives are therefore exploring a fully-integrated approach to shaping, delivering and monitoring local growth and regeneration strategies. Agreement has been secured to undertake a formal governance review of all possible options, including the formation of a Lancashire Combined Authority, to assess which model, if any, would improve delivery of our major aspirations.

5. The Council's Governance Framework

- 5.1 The Council's governance framework comprises many systems and processes. The following identifies key elements of the governance framework and the Council's arrangements for fulfilling them:

Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users.

- 5.2 The Council's Administration have developed a Strategic Direction document with the intention that this is an interim statement of Policy, the intention being to develop a Corporate Strategy to sit alongside its budget for the period 2015-2017.

Reviewing the Council's vision and its implications for the Council's Governance arrangements.

- 5.3 To measure the effectiveness and delivery of the Council's ambitions, the Council's Cabinet Committee on Performance Improvement regularly receives Quality of Service reports which review the performance of services against local and national indicators and are considered at meetings of Cabinet, the Chief Executive and Directors. The Council's Management Team is currently working to embed more effective performance measures across a wide range of its services.
- 5.4 The Council engages with the communities of Lancashire in a number of ways:
- High profile communication campaigns to encourage communities to take up our services or help change behaviours;

- Use of traditional and new media channels to keep residents informed of our activities;
- Encouraging elected members to use social media;
- Webcasting of Council and Committee meetings;
- Member representation on neighbourhood management boards across Lancashire;
- Using our residents' panel Living in Lancashire to inform priorities and measure service experience;
- Talking regularly with service users and communities to understand their service needs; and
- Consulting on changes we are planning to make.

Translating the vision into objectives for the Council and its Partnerships

- 5.5 As part of developing the new corporate strategy the County Council's vision will be underpinned by a set of objectives that will be clearly articulated to both partners and the Lancashire public. A new set of performance measures will also be adopted so that progress against the objectives can be monitored and appropriately managed.

Measuring the quality of services for users, ensuring that they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources and value for money.

- 5.6
- Using our residents' panel Living in Lancashire to inform priorities and measure service experience;
 - Talking regularly with service users and communities to understand their service needs; and
 - Consulting on changes we are planning to make

Defining and documenting the roles and responsibilities of the Executive, Non-Executive, Scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the Council and Partnership arrangements.

Decision-making and conduct

- 5.7 The Council operates a leader and cabinet model of executive government with a Cabinet of eight members including the Leader and Deputy Leader of the Council. The responsibilities of the individual Cabinet Members are outlined in the Council's constitution. In 2014/15, a full review of the council's decision making arrangements was undertaken via a member officer working group, reporting to full council. Detailed alternative options for a committee system and a "hybrid" system were drafted, and the outcome of the review was to maintain the current Cabinet model. The working group continues to

meet at the request of Full Council to consider some aspects of the decision making arrangements, such as Full Council procedures and the roles of some committees.

- 5.8 The Scheme of Delegation to officers is intended to enable decisions to be taken at the most appropriate and effective level. The Scheme of Delegation has been reviewed, and a new scheme introduced from 1 April 2015. The new scheme empowers Heads of Service in the new organisational structure to take all decisions within their area of responsibility, except for those reserved to Cabinet or Cabinet members.
- 5.9 The Council operates a decision making protocol, which is regularly reviewed to ensure the legal and financial probity of decisions of the Council, the executive and Committees. New software has been embedded to support consistency and good governance in decision making. Decision making rules are clearly outlined within the Council's constitution.

Scrutiny

- 5.10 The Council has four scrutiny committees.
- The Scrutiny Committee, whose responsibilities include the Council's crime and disorder and flood risk management scrutiny responsibilities.
 - The Health Scrutiny Committee has the statutory role of scrutinising proposed substantial changes in health service delivery and scrutinising the work of the NHS more generally.
 - The Education Scrutiny Committee scrutinises any issues around education.
- 5.11 Since May 2013 the Council has also operated an Executive Scrutiny Committee which considers in advance any key decisions to be taken by Cabinet and Cabinet Members, and all other reports (non-key decisions) to be considered by Cabinet. As part of the arrangements for this latter Committee a Budget Scrutiny Working Group has also been established to have oversight of the budget setting process.

Partnership arrangements

- 5.12 The Council recognises the substantial benefits of developing and delivering services in collaboration with other organisations, providing an integrated approach to service provision that is cost effect and maximises impact for people living in Lancashire. The Council plays a key role, either as a statutory lead, or significant partner, in facilitating wider engagement in decisions and developments to align budgets, capacity and expertise and agree shared priorities. This approach is embedded in a range of formal partnership structures that drive and support ambitious priorities whilst recognising existing and future key

challenges, building upon a strong track record in Lancashire that has been recognised by numerous inspectorates, for collaboration and partnership working. The review, development and implementation of a single commissioning framework for Domestic Abuse is an example of how the Council has led partners in delivering a model of provision, consistent across Lancashire and using pooled resources, to provide support for victims and perpetrators of domestic abuse.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.

- 5.13 The code of conduct for members and the terms of reference of some of the Council's committees were revised during 2012/13 to reflect changes to the governance arrangements arising from the Localism Act 2011. The former Standards Committee was disestablished and complaints under the Code are now initially considered under delegated powers and, where necessary, referred to a Conduct Committee. The Council has a Code of Conduct for employees and a system for recording officer gifts, hospitality and interests, which has recently been reviewed and updated. Councillors and staff are reminded of their requirements on a regular basis. The Council also has a protocol for Councillor/officer relations.

Reviewing the effectiveness of the Council's decision making framework including delegation arrangements, decision making in partnerships and robustness of data quality.

- 5.14 The Council agreed to revise its Scheme of Delegation in May 2012 bringing in those changes with the new structure from April 2015. The intention behind the changes is to remove bureaucracy and to ensure that decisions are made at the appropriate level in the organisation.
- 5.15 The council undertook a major review of partnerships in 2013/14, resulting in significantly streamlined arrangements and improved coherence and integration across some of the key strategic partnerships. For example, local structures around the Children's Trust and the Safeguarding Children Board have been brought together, replacing 12 District Children's Trust Boards and 3 Locality Safeguarding Groups with 5 new Children's Partnership Boards established. A number of other partnership bodies were also disestablished or substantially revised and this has reduced the number of strategic multi agency meetings by approximately 300 a year.
- 5.16 A key feature of the partnership review is an ongoing commitment to continual evaluation of partnership structures to ensure a model that is fit for purpose, sustainable and allows multi agency decision making that improves outcomes for people.

- 5.17 The recent Peer Challenge commented that there is positive recognition from a number of partner agencies of the efforts the council's leadership is making in strengthening external relationships. There are a number of examples where the council is working with partner agencies to make a real impact for local communities. This includes; delivering specific projects/services with the other local authorities in Lancashire and other public, private and voluntary sector partners.

The Council understands that good quality data is important to ensure accurate reporting of performance to the public and is the basis for effective decision making. Maintaining data that is fit for purpose is an integral part of operational, performance management, and governance arrangements. The Council follows good practice guidance issued by the Information Commissioners Office and general data quality standards, ensuring that information is accurate, valid, reliable, timely, relevant, complete and secure. Data quality advice is included in the Councils Information Governance mandatory training course for all staff and Heads of Service Information Governance awareness sessions.

Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability.

- 5.18 The Council seeks to manage its risks well. Management Team are currently reviewing the Council's approach to risk management and are committed to creating an effective risk register owned by them, with regular updates provided both to Management Team and also to Members, including the Audit and Governance Committee.

Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained.

- 5.19 The Internal Audit Service undertakes data analysis in areas likely to be susceptible to fraud, supports the biennial National Fraud Initiative data matching exercise, and provides support to managers in investigating allegations of fraud, theft or impropriety.

Ensuring effective management of change and transformation.

- 5.20 High level milestones for the County Council's Transformation Programme were set out by Management Team in November 2013. A project team was established to manage delivery of Phase 1, with Management Team acting as Programme Board, providing leadership and oversight of significant issues and risks. Delivery has focussed around five key interrelated themes: Culture, behaviours and leadership; Developing the service offer; Restructure; Systems and processes; Skills development.

- 5.21 Employee and Trade Union consultation has helped to shape future structure and the agreed principles for appointment to the structure. Decision making in respect of the new structure for posts at Grade 11 and above, and the County Council's future service offer, has been supported by Equality Analysis where appropriate.

Ensuring the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010)

- 5.22 The Council's financial management arrangements conform with the governance requirements of CIPFA's 'Statement on the Role of the Chief Financial Officer in Local Government' (2010). The Council has appointed an interim Section 151 Officer who operates in accordance with the relevant statutory and professional guidance.
- 5.23 The County Council's financial arrangements exist within the wider context of UK public sector finance and the local government finance system. The programme of austerity measures instituted by Central Government since 2010 has resulted in a requirement for the County Council to significantly reduce the level of its annual revenue expenditure. The Council's financial planning and management arrangements have maintained robust control of expenditure and enabled resources to be set aside to support the process of adjustment to a lower level of recurrent expenditure.

Ensuring the Council's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010)

- 5.24 The Council's Internal Audit Service operates in accordance with professional standards and is a key element of the corporate governance framework.

Ensuring Effective arrangements are in place for the discharge of the Monitoring Officer function.

- 5.25 The Council has appointed a Monitoring Officer and Deputy Monitoring Officer. Each role operates in accordance with the relevant statutory and professional guidance.

Ensuring Effective arrangements are in place for the discharge of the Head of Paid Service function.

- 5.26 The Council has appointed the Chief Executive as Head of the Paid Service.

Undertaking the core functions of an Audit Committee, as identified in CIPFAs Audit Committees: Practical Guidance for Local Authorities.

- 5.27 The Council has an Audit and Governance Committee which operates in accordance with the CIPFA Statement and receives appropriate training. It provides independent oversight of the adequacy of the Council's governance, risk management and internal control frameworks, and oversees the financial reporting process.

Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

- 5.28 In an organisation of the size and complexity of Lancashire County Council, it will be never be possible to provide absolute assurance that compliance with all applicable laws and regulations is achieved. However, processes are in place within individual service areas that ensure that compliance with applicable laws, regulations, policies and procedures is achieved.

Whistleblowing and for receiving and investigating complaints from the public.

- 5.29 The Council has a whistle-blowing procedure in place, which has been publicised to staff. Reports on its use and outcomes are presented to the Audit and Governance Committee.
- 5.30 The Council has robust arrangements for processing all complaints, including those made under statutory social care procedures. These arrangements have recently been the subject of a detailed internal audit review which resulted in substantial assurance being given.

Identifying the development needs of members and senior officers in relation to their strategic roles supported by appropriate training.

- 5.31 A cross-party member development working group plans and coordinates member development activities to meet individual and group needs.
- 5.32 All senior officers appointed to the new organisation structure will participate in a new Senior Leadership Development Programme designed to create a supportive and respectfully challenging thinking environment that enables leaders in setting a vision, engaging our employees and ensuring the council delivers high quality services for the people of Lancashire. Additional training needs will be identified through a corporate performance and development review process.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

5.33 The Council uses a number of main channels to communicate with the community and other stakeholders including:

- The website www.lancashire.gov.uk, which is our most used channel and received more than 4.2m unique visitors in 2014/15
- Local newspapers, magazines and newsletters
- Local radio and television
- Social media, particularly Facebook and twitter
- A variety of public information leaflets and other literature distributed to public places across the county

Enhancing the accountability for service delivery and effectiveness of other public service providers.

5.34 Overview and Scrutiny has engaged with the NHS, Police and other public sector partners to hold them to account through formal meetings and through informal engagement arrangements. Work was undertaken in the year through Overview and Scrutiny to consider processes for complaints against care providers across all sectors. The Council also hosts the "Healthwatch" organisation, and supports it in its work in relation to health and social care providers.

5.35 The Council has strong relationships with district and parish councils, and works collaboratively with them.

Incorporating good governance arrangements in respect of partnerships and other joint working as identified in the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

5.36 The 2013/14 review of partnerships has ensured a model of strategic partnerships that have a far greater synergy across key corporate priorities and improved the clarity of purpose and accountabilities that exists across partnership structures. The formal working protocols that have been agreed between the Children's Trust, Health and Wellbeing Board and Lancashire Safeguarding Children Board demonstrate this commitment and endorsement of better governance and accountabilities between partnerships.

5.37 County Council Scrutiny Committees have continued to conduct scrutiny of external bodies and partners, including the Health services and the Police service.

6. Internal Control

To be completed following submission of the Chief Internal Auditor's Annual report.

7. Key Issues

Set out below are key issues that have arisen from internal audit work.

To be completed following submission of the Chief Internal Auditor's Annual Report.

8. Review of Effectiveness and a Programme of improvement

To be completed following submission of the Chief Internal Auditor's Annual Report.

Signed:

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Leader of Lancashire County Council

Chief Executive of Lancashire County Council

Date

Date

