Draft Annual Governance Statement 2018/19

Executive Summary

The Leader of the County Council (County Councillor Geoff Driver CBE) and Chief Executive and Director of Resources (Angie Ridgwell) both recognise the importance of having good management, effective processes and other appropriate controls in place to run the County Council in delivering services to the communities of Lancashire.

Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how the corporate governance arrangements have been working across the group. To help do this both the Council's Corporate Management Team (CMT) and the Audit, Risk & Governance Committee undertake a review of the Council's governance framework and the development of the AGS.

On the 20 May 2019 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.

The final statement is signed by the Leader of the Council and Chief Executive and Director of Resources.

Governance Issues

Overall it can be confirmed that the council has the appropriate systems and processes in place to ensure good governance is maintained. Whilst these generally work well our review has identified the following issues which are currently underway but not yet completed:

Key Delivery/Improvement Area	Lead Officer	To be delivered by
Reshaping the Council • Through our Peoples Strategy ensuring adequate workforce plans, capacity and skills are in place across the organisation • Further embed a focus on service delivery • Develop a sustainable financial strategy	Chief Executive Director of Corporate Services Director of Strategy & Performance Director of Finance	31 March 2020 Autumn 2019 Ongoing
Getting to Good (Children's Social Care)	Executive Director of Education & Children's Services	Ongoing
Response to Special Educational Needs & Disability (SEND) inspection	Executive Director of Education & Children's Services	Ongoing
Supporting disadvantaged families to fulfil their potential (Troubled Families Programme)	Executive Director of Education & Children's Services	31 March 2020

Key Delivery/Improvement Area	Lead Officer	To be delivered by
Managing major projects	Executive Director of Growth, Environment & Transport	Ongoing
Intermediate care for older people in a residential setting	Executive Director of Adult Services & Health & Wellbeing	31 March 2020
Core systems and data	Director of Strategy & Performance	31 March 2020
Future provision of ICT Services	Director of Finance	31 March 2020
Recruitment and Retention	Director of Corporate Services	31 March 2020

Progress made against the issues identified in last year's AGS is reported in this year's statement.

We propose over the coming year to address the matters identified and will monitor implementation and operation as part of the performance management role of the Corporate Management Team and the Cabinet. The Audit, Risk and Governance Committee will also help us with independent assurance during the year.

-- County Councillor Geoff Driver CBE
Leader of the Council

-- Angie Ridgwell
Chief Executive and Director of Resources

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 Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority of Chief Executives (SoLACE) "*Delivering Good Governance in Local Government Framework*" (2016) (the Framework) helps fulfil this requirement. The Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations
- public money is safeguarded and properly accounted for
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

What is Corporate Governance?

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

The Council has adopted a Code of Corporate Governance which follows the CIPFA/Solace guidance "*Delivering Good Governance in Local Government*" (2016) which defines the seven core principles that should underpin the governance framework of a local authority:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the Council's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Key elements of the County Council's Governance Framework

Key elements of Lancashire County Council's governance framework are set out below:

Leader, Cabinet & Council	Decision Making	Risk & Performance Management
• The Leader provides leadership • Cabinet develops and sets policy • Full Council agrees the annual budget, sets Council Tax and the policy framework including the Corporate Strategy (the cornerstone of our policy framework)	• Meetings are held in public and many are webcast • Decisions are recorded on the Council's website • Scheme of delegation	• Risk registers identify both operational and strategic risks • Key risks are considered by Corporate Management Team (CMT), Cabinet Committee for Performance Improvement (CCPI) and Audit, Risk and Governance Committee • Processes are in place for managing and reporting performance to CMT and members (CCPI) • Directors complete assurance statements
Council's Leadership Team	Scrutiny & review	External & Internal Audit and review
• Head of Paid Service is the Chief Executive who is responsible for all council staff and leading Corporate Management Team • Chief Executive 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 Corporate Services who is responsible for ensuring legality and promoting high standards of public conduct	• Scrutiny Committees review council policy, decisions and budget proposals • Work to deliver local public sector accountability	• External audit provides an opinion on the Council's annual statement of accounts and whether the Council has secured economy, efficiency and effectiveness in the use of its resources • Internal Audit provides regular assurance on the governance, risk management and internal control framework • External inspections provide an accountability mechanism • Peer challenge/reviews highlight good practice and areas for improvement

How do we comply with the CIPFA/SoLACE Framework?

The Council has approved and adopted:

- a Local Code of Corporate Governance
- the requirements of the CIPFA/SoLACE Framework Delivering Good Governance in Local Government Framework 2016
- a number of specific strategies and processes for strengthening corporate governance.

An updated Local Code of Corporate Governance can be found here [insert link]. This shows how the County Council has complied with the seven principles set out in the CIPFA/SoLACE Framework. The Code is reviewed annually, and the outcome reported to Audit, Risk and Governance Committee and presented to Full Council for approval. It sets out the requirements underpinning these principles and how the council ensures that it meets them along with the evidence base used to assess their effectiveness.

Managing Risk & Performance

Performance management is a key component of the Council's approach to achieving its outcomes. Part of this process involves identifying and where appropriate, mitigating risks, ensuring that performance and risk management processes are in place throughout the organisation with effective processes to ensure sound financial management. Managing risks is the responsibility of services. All service risks are scored on the same basis and the greatest risks are elevated onto the Corporate Risk Register.

Service risk & opportunity registers are updated regularly, and the Corporate Risk and Opportunity register is reported to Corporate Management Team, Cabinet Committee for Performance Improvement (CCPI) and Audit, Risk & Governance Committee on a quarterly basis. Corporate Management Team have recently reviewed the content of the register. The Corporate Risk & Opportunity register and further information about the approach to risk management can be found here [insert link]

Equality Impact Assessments are used throughout the organisation to assess the impact of service proposals and to inform decision making.

The budget setting process is well established, and services prioritise budgets and spending to achieve intended outcomes. In recent years the budget setting process has inevitably focused on achieving savings whilst still focusing on the priorities of the political administration.

The medium term financial strategy is updated and reported to Cabinet together with relevant resource forecasts and takes full account of the changing regulatory, environmental, demographic and economic factors that impact on the financial environment in which the County Council operates. The quarterly report to the Cabinet, 'Money Matters', includes in-year revenue and capital expenditure monitoring information along with updates on the multi-year capital programme. Financial Monitoring Boards have also been established for service challenge options that have been agreed as part of budget savings.

In February 2019, Full Council agreed a new corporate strategy 'Our Vision for Lancashire' that includes a new set of high-level metrics which will enable the overall success and progress of the strategy to be monitored and demonstrated. Scrutiny Committees will play a key role in year 1 in ensuring that the high-level metrics are the right ones and that the targets are appropriate.

In addition to the high-level metrics relating to the strategy, the CCPI will continue to regularly receive the more detailed, service specific performance metrics which enable members to monitor ongoing service delivery and performance. The reports highlight good performance and areas for improvement (further reports setting out improvement action plans are presented when necessary).

The CMT receives a suite of performance dashboards monthly; these include executive summaries, written by each executive director, which draw attention to concerns with performance, describe recovery plans, and escalate issues for discussion and action by the corporate management team. Any concerns with the quality of the data are highlighted immediately and the recovery plan will focus on improving the data. Once there is confidence in the data, performance concerns are the focus of discussion. This approach requires a deeper understanding of data presented and is driving up the quality of data and reporting across the council.

Managing our resources (Value for Money)

The Council's external auditors, in their assessment of 2018/19, regarded the following as the significant value for money challenges that were faced by the Council during the year:

- Financial sustainability
- Internal Control

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 projections are reported to both the Corporate Management Team and Cabinet in the 'Money Matters' report which forms a regular review point for assessing the effectiveness of financial plans. The current budget strategy remains to use budget savings along with the use of reserves and capital receipts to ensure funding requirements are met.

The forecast will need to be reviewed in light of any central government funding proposals for local government.

Financial Sustainability

Financial sustainability remains the greatest risk facing the County Council. However, whilst the council's financial position has not been fully stabilised, over the course of the last year considerable work has been done to improve it.

As a result, it is anticipated that available reserves will be sufficient to support the council's expenditure until at least 2022/23. Full Council approved in February around £77m of savings, some of which were subject to further consultations. However, a forecast gap in funding of £46m by 2022/23 remains, with work continuing to identify further savings so that a financially sustainable position can be achieved.

For the 2019/20 budget, consultation on budget proposals were undertaken with a variety of stakeholders and partners including discussions with the Trades Unions. A number of savings proposals included within the agreed 2019/20 budget were subject to specific consultation exercises, with decisions to be made at future Cabinet meetings as to their final implementation. Any changes to these proposals resulting from the consultation which reduces the level of savings achievable is planned to be covered by reserves.

The Council regularly monitors its medium term financial forecast. The forecast for future years takes into account anticipated cost pressures (both inflationary and demand led), planned savings and expected resource levels. The forecast is necessarily underpinned by a range of professional estimates.

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*.

How do we know our arrangements are working?

There are a number of ways we do this:

The role of management
The Corporate Management Team oversee the review of the Council's governance arrangements. Following this review, they can confirm that appropriate internal controls for which they have responsibility are in place, in particular their scrutiny of regular budget and performance reports including performance against savings targets within the Medium Term Financial Strategy.

Directors have the day to day responsibility for managing and controlling services – they are accountable for their successful delivery. They set the culture, develop and implement policies, procedures, processes and controls. Directors have completed an 'assurance statement' for 2018/19 that reports on service compliance and they produce in-year quarterly service risk registers that set out appropriate mitigating actions for significant risks. Where the evidence needed to provide full assurance is not available, improvement plans are in place.

The Monitoring Officer regularly reviews the Council's Constitution and ethical governance arrangements and there are regular briefings on key corporate governance issues to Directors and Heads of Service.

The Role of the Audit, Risk & Governance Committee
The Council's Audit, Risk and Governance Committee plays a vital role in overseeing and promoting good governance, ensuring accountability and reviewing the way things are done.

The Committee provides an assurance role to the Council by examining such areas as audit, risk management, internal control, counter fraud, treasury management and financial accountability. The Committee exists to challenge the way things are done, making sure the right processes are in place. It works closely with both Internal Audit and senior management to continually improve the Council's governance, risk and control environment.

In addition to the standard items on the agenda, the committee considered reports on the following:

- Whistleblowing and Counter Fraud
- Overpayment of Salaries
- General Data Protection Regulations
- Delays and Overspends on Major Projects
- Neighbourhood Wellbeing Grants

In July 2018, the Chairman presented his first 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. As part of the report the committee agreed a new skills and knowledge framework. Committee members subsequently carried out a skills and development review and as a result training and development opportunities have been put in place.

The role of the Head of Internal Audit

The Head of Internal Audit is required to provide an independent opinion on the Council's governance, risk management and control frameworks and therefore the extent to which the Council can rely on them. The Internal Audit Annual Report and opinion has been considered in the development of the Annual Governance Statement.

Audit work has progressed well against an ambitious plan and 80% of the work completed by the year end has yielded favourable assurance over the design and operation of the services, systems and processes audited.

As a result, the Head of Internal Audit's overall opinion as set out in the Annual Report is that **moderate** assurance can now be given regarding the adequacy of design and effectiveness in operation of the organisation's framework of governance, risk management and control for 2018/19.

External Assurances

The opinions and recommendations of the External Auditor and other inspection and review agencies and peer reviews offer us further assurance.

Information Governance

The council has a comprehensive Information Governance Framework in place, overseen by the Corporate Information Governance Group. The group is attended by the Senior Information Risk Officer and Data Protection Officer.

The General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA 2018) came into force in the UK on 25 May 2018. The legislation makes provision for the processing of personal data. Preparations for GDPR and DPA 2018 began at the start of 2017 with the Information Governance team systematically assessing each part of the legislation and putting controls and processes in place to ensure the authority would be compliant when the legislation came into force on 25 May 2018.

In September 2018 the Internal Audit service carried out an audit of the council's compliance with GDPR and the Data Protection Act 2018. The audit gave the council 'Substantial Assurance' and zero actions to complete. However, the focus on implementing GDPR impacted on other areas of work. As a result, in January 2019, the Information Commissioner's Office (ICO) wrote to the Chief Executive raising concerns about the time the council was taking to process subject access requests. This had come about because of the demands placed upon the Information Governance team by the introduction of GDPR and staff turnover at that critical time. The Chief Executive assured the ICO that information governance was an issue we take very seriously and agreed an action plan to resolve the issue.

Scrutiny Committees

The work of the five Scrutiny Committees is presented to Full Council on an on-going basis for comment and discussion.

There is also a cross party Budget Scrutiny Review Panel. The Panel:

- Provides further support to the overall budget monitoring process
- Considers and formulates recommendations on Cabinet budget proposals
- Monitors progress of agreed budget savings

The Review Panel in exercising this function contributes to a robust budget scrutiny process and supports effective monitoring of the County Council's budget. The Review Panel's role is not to lead on the management of the budget or to set a budget, but to provide support as a 'critical friend'. The Review Panel reports to the Internal Scrutiny Committee.

Political Governance

During the year, the Political Governance Working Group was re-established with the remit to make recommendations to Full Council on revisions to the Constitution, Standing Orders and other democratic processes and procedures. The working group operates on a cross party basis with representation from all political groups. The working group recommended changes to standing orders that were adopted by Full Council. The agreed changes focused on Full Council procedures, including Question Time and Notices of Motion. Two of the changes were approved based on a six-month trial period.

Local Government & Social Care Ombudsman

During 2018/19 Full Council considered one public report from the Local Government & Social Care Ombudsman on the Blue Badge service. In this instance the Ombudsman found fault causing injustice. Full Council noted the actions already taken and endorsed further actions to remedy the complaint.

Lancashire County Developments Limited

Lancashire County Developments Limited is an owned subsidiary of the county council. As a material entity it forms part of the council's group accounts. The county council has the power to change decision making rights, and to appoint and remove Directors of the company. Board Directors are County Councillors who regularly meet, and receive financial and performance reports. In the 2018 / 19 financial year there have been no governance issues reported. The company is annually subject to a separate external audit to the county council.

Looking back on 2018/19

Several improvement actions were identified as part of the 2017/18 Annual Governance Statement. All of these have been the subject of detailed reports to Cabinet and/or committees or Full Council. Set out below is an update in relation to each area:

A new Operational Plan was adopted. The Plan summarised the priorities, delivery focus approach and aspirations for 2018/19. Building on past achievements the council pursued several operational priorities over the year:

1. **Establish a new leadership and management team**
   Vacancies to the Corporate Management Team (CMT) were filled. A permanent appointment to the post of Chief Executive and Director of Resources was made in October 2018, and a new Executive Director of Education and Children's Services took up post in January 2019. There were also in year changes to the senior management structure with two new director posts established in Education and Children's services and a realignment in Growth, Environment, Transport and Community Services following the resignation of two directors. Further to this a senior management restructure was completed in January 2019. The restructure grouped together complimentary services and provided the necessary capacity to lead the development of our partnership and organisational aspirations. It also provided corporate capacity to drive the system and the change required across the organisation.

   To provide visible leadership and engage the organisation, the CMT worked closely together to complete several individual and collective actions that included:

- Leading on a new corporate strategy
- Agreeing a vision and values for the organisation
- Completing a staff survey
- Implementing new employee engagement processes including a new performance engagement system
- Introducing new leadership and management training modules

2. **Embed a focus on service delivery**
   The focus in 2018 was to view our services through the eyes of users and develop them to be the best they can. A 'service challenge' was applied to each service area. This put users at the heart of the service and empowered delivery staff to design the optimum solution. In all cases the objective of the service challenge was to secure a better service at a lower cost.

   To support this, services were benchmarked against other county councils and managers were actively encouraged to speak to other high performing authorities and organisations to understand the differences in their costs and outcomes, and how they could be improved.

   In February 2019, Full Council agreed around £77m of savings proposals resulting from 43 service challenges. Work is continuing under the second phase of the service challenge process and further information about this process is set out later in the AGS.

3. Develop a sustainable financial strategy

Like many councils, Lancashire County Council is facing significant financial pressures, and while good progress has been made in addressing the forecast financial shortfall over the medium term, further work is required to ensure the council can achieve a financially sustainable position.

To address the budget gap a number of work streams have been established, that include:

- Service challenges
- Commercialisation
- Taxation & grants
- Productivity
- Commissioning and third sector

As a result of the work mentioned above, phase one of the process has produced significant savings.

In addition, Internal Scrutiny Committee received an update on commercialisation work and an approach on how the County Council is seeking to improve and strengthen its working relationships with the Voluntary Community Faith Sector in Lancashire has also been agreed.

Continue to improve Children's Services following Ofsted inspection

The Ofsted re-inspection of Children's Services in June 2018 noted significant improvements, with an overall effectiveness judgement of requires improvement to be good and good for our adoption service.

However, there is still more to do to ensure that all children receive a consistently good service. The Lancashire 'Getting to Good Plan' was approved by the Cabinet in December 2018, sets out the actions required to address the 11 recommendations in the Ofsted report, further improving the quality of practice and outcomes for children.

The Getting to Good Plan focuses on six key areas:

- **Prevention**
  We are committed to working with partners to utilise our collective resource to secure a county-wide approach within which all partners coordinate, prioritise and maximise their efforts to achieve successful outcomes for children and families
- **Effective partnership working**
  A Children's Partnership Board has been established to ensure partners are working collaboratively in addressing shared strategic priorities. The Neglect Strategy has been updated and was officially launched by the Lancashire Safeguarding Children Board in April 2019.
- **Purposeful practice**
  A Statement of Social Work has been developed which sets out our values and principles, with clear links to the Knowledge and Skills Statement (national standards for social workers). There is a strong focus on practice, casework consistency and developing more strength-based approaches to working with children and families.

• **Permanence and corporate parenting** Effective long-term planning for a child's upbringing is essential and an Improvement Partner is working with the service to help develop our practice in relation to permanence. Processes are being streamlined and policies and procedures updated to simplify them. Workshops are taking place to develop practitioners understanding of permanence and a permanence tracker is now in use to track cases which will reduce drift and delay in achieving permanence for children. • **Effective use of performance data** Whilst significant progress has been made in improving the accuracy of performance data, we need to improve the use of data so that it is an effective tool to help manager's measure progress and examine trends. We are working with North Yorkshire Children's Services, as part of the DfE Partners in Practice Innovation Programme to review our systems and use of data. • **Workforce development** In order to improve the quality of practice in line with the recommendations made by Ofsted, we need to ensure we have a workforce with the right skills, support and tools to do the job and provide strong leadership. We are successfully recruiting to social work posts through our centralised recruitment panel. The retention of our newly qualified social workers - ASYE (assessed and supported year in employment) improves year on year. An evaluation of our Social Work Academy has confirmed its key role in supporting a good induction of these social workers to Lancashire and a career with us.	There are new Governance arrangements within the Getting To Good Plan that include the Lancashire Health and Wellbeing Board, Corporate Parenting Board, Children's Services and Education Scrutiny Committees. Each of these Boards/Committees will review and challenge the areas relevant to themselves. 25
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Managing major projects

The County Council is currently involved in several major capital projects and significant risks can be associated with such projects. During 2018/19 the Council implemented steps to ensure robust risk management practices are in place.

Initial review work was undertaken of a sample of major capital schemes including Lancashire Central to improve the estimating and testing of current and future scheme costs. These include:

- o Reporting of cost ranges for new schemes
- o Routine updating of cost estimates
- o Inclusion of contingency at industry standards and benchmarks

Governance of the capital programme was strengthened under the auspices of the Capital Board where responsibility for oversight and challenge of cost estimates and capital budgets rests. A comprehensive review of the projects for 2018/19 including prior year slippage has been undertaken by project and programme managers, supported by finance and commissioning managers. The primary purpose of the review was to propose a delivery programme for 2018/19 which was approved by Cabinet and which now forms the agreed baseline for monitoring purposes. The review was focused on:

- o Updating the delivery programme for 2018/19 informed by the delivery performance in 2017/18 and previous years
- o Reviewing the level of funding available for unallocated budgets and the requirement for these to continue to be carried forward

- o Removal of budgets previously included in 2018/19 which have been carried forward from previous years where there is no expectation or plan of delivery in 2018/19

- o Of the new approved projects, a realistic assessment of 2018/19 delivery was made with timeframes and budgets being moved to future years where appropriate.

All this gave a proposed delivery programme for 2018/19 which had been risk-assessed as being deliverable and to which project and programme managers would be held accountable using the following actions:

- Detailed monitoring of the delivery programme through 2018/19 to ensure any slippage is reported in a timely manner and a robust level of challenge is provided to programme and project managers to ensure delivery remains on track.
- Detailed report of performance through reports developed to enable the Capital Board to undertake this monitoring and challenge.

During 2018/19 the Audit, Risk and Governance Committee received two separate reports setting out the progress made on this issue.

Neighbourhood Wellbeing Grants

At its meeting on 14th December 2017, Full Council resolved to appoint an independent auditor to carry out an investigation into the way Neighbourhood Wellbeing Grants were recommended, approved and paid.

The findings of the investigation were presented to the Audit, Risk and Governance Committee on 29th October 2018. The independent auditor concluded that the approval of the projects was undertaken in accordance with the County Council's decision making processes and was therefore lawful. However, the Cabinet Member (at that time in 2017) should have limited their involvement to setting the overall scheme objectives and principles. Officers should have been asked to administer all other aspects of the scheme, including determining which projects were recommended for funding, using pre-determined criteria.

As a result of these findings, the Committee asked to receive a further report setting out the responsibilities of County Council officers in relation to council expenditure. In addition, a protocol was to be set out when grants are awarded to community groups and other voluntary bodies. On 28th January 2019, the Committee agreed a protocol to ensure robust governance. It was also agreed that further efforts would be made to contact the recipients of the Neighbourhood Wellbeing Grants to request details of the outcomes achieved.

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Response to Special Educational Needs & Disability (SEND) Inspection

Lancashire local area SEND services were inspected by Ofsted and the Care Quality Commission (CQC) in November 2017 to judge how effectively the special educational needs and disability (SEND) reforms had been implemented, as set out in the Children and Families Act 2014. The inspection identified two fundamental failings and twelve areas of significant concern.

The partners in Lancashire were required to produce a Written Statement of Action (submitted April 2018) setting out the immediate priorities for action. This action plan has been supported by five thematic delivery plans which are monitored monthly against the action plan deadlines by the SEND Partnership team. Progress is reported bi-monthly to the SEND Partnership Board and the Department for Education (DfE) and NHS England (NHSE).

External monitoring by the DfE and NHSE has been taking place quarterly, with the last meeting in December 2018. The overall assessment, on the progress the Lancashire SEND Partnership is making, is now considered to be Green/Amber (concurring with our own view)..

The DfE/NHSE appointed advisors also concluded in December 2018 that sufficient progress has been made in implementing the Written Statement of Action to cease the quarterly monitoring meetings. The robust governance arrangements and the draft Improvement Plan 2019-2021 provided the necessary assurance that improvement is and will continue to be a priority for Lancashire. The Improvement Plan has therefore replaced the Written Statement of Action. Further monitoring will be undertaken in July 2019 prior to a possible re-inspection in the Autumn.

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Improving Health and Wellbeing
The Health and Wellbeing Board continued to receive regular progress reports and updates on the delivery and development of the Better Care Fund plan. Improved performance on the discharge of patients from hospital was also reported.

The NHS Long Term plans confirm the continuation of the Better Care Fund into 2019/2020 but with a national review of it underway. Alongside this review and the anticipated new framework, planning of a Lancashire wide review is underway that would reset the Better Care Fund in a context of an integrated care system. In developing further the Better Care Fund there are plans to hold a workshop on integration with a focus on transformation.

During 2018, Cabinet agreed *The Care, Support and Wellbeing of Adults in Lancashire Vision* and *The Housing with Care Strategy*.

The Care, Support and Wellbeing of Adults in the Lancashire Vision sets out how the County Council, together with its partners, will help people to live as independently and healthily as possible. The Vision recognises the need to keep pace with people's changing needs and expectations, whilst addressing the increasing demands upon public services at a time of significant financial pressure.

The Lancashire Vision also signals how services will be designed and delivered in the future, acknowledging that partners, the NHS in particular, have a key role to play in preventing and reducing long term physical and mental health conditions, and addressing the significant variations in health outcomes within the Lancashire population.

The Housing with Care Strategy outlines the County Council's intentions in relation to the development of housing with care and support for older

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adults and younger adults with disabilities. It will be used to engage with a wider audience as part of a collaborative approach to developing a range of high-quality housing with care and support schemes across Lancashire by 2025 for both older adults and younger adults with disabilities.

Our Vision for Lancashire
The County Councils Corporate Strategy 'Our Vision for Lancashire' was approved by Full Council in February 2019. The strategy sets out the five key objectives and ambitions for Lancashire and is the cornerstone of our policy framework providing a 'golden thread' linking our key strategies and plans.

The strategy enables staff to understand how their roles and responsibilities contribute to our key objectives and ambitions, and it will enable teams to develop service plans and work programmes with a clear focus on delivering key priorities. The strategy also enables our key partners, stakeholders and businesses to be clear about our longer-term ambitions, which will enable them to understand how it aligns to their own plans and facilitate collaborative work to deliver high quality, best value services to meet the needs of Lancashire residents.

Along with the strategy document, Full Council agreed a set of high-level key metrics. These will be monitored on a regular basis by the Cabinet Committee on Performance Improvement. Scrutiny Committees will play a key role in year one in ensuring that the high-level metrics are the right ones, or if more need to be added, and that the targets set are appropriate.

In addition to the high-level key metrics relating to the vision, the Cabinet Committee on Performance Improvement will continue to regularly receive the more detailed, service specific key performance metrics which enable members to monitor ongoing service delivery and performance.

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Both the strategy document and the accompanying high-level key performance metrics will be kept under regular review and will be updated to ensure they remain current and relevant in a fast-moving world. It is anticipated that the vision will have a lifespan of at least 5 years, with an annual review and refresh.

Core Systems and Data
As part of the senior management restructure completed in January 2019, Core Systems and Business Intelligence were brought together under the direction of the Director of Strategy & Performance. This allows them to be considered in their entirety to ensure synergies are optimised so that consistent and triangulated management information is delivered alongside measurably improved service performance.

Such a move is consistent with the highest performing councils and ensures the delivery of organisational performance sits with the directorate ultimately responsible for the setting of the organisation's strategic direction.

The quality of data in the Council's Core Systems has continued to improve during 2018/19. Children's Services continue to hold a Data Quality and Performance meeting on a monthly basis. Led by a Head of Service, this group has made significant progress in data quality over the last year. In Adults Social Care improvements in the quality of data within the systems continue. The development of performance trackers have enabled the team to focus on using these as exception reports. This in turn has helped managers and staff Improve data accuracy.

An improvement plan for our Highways and Asset Management System has been implemented and a Highways Improvement Board continues to operate. A comprehensive training and support plan for the service was also delivered. A follow up audit review has also been completed.

Core Systems working with Business intelligence and BTLS (our ICT providers) also completed a review of reporting across the authority. This will help shape our Business Intelligence and Reporting Strategy.

The development of an architectural vision for the digital strategy is underway, working closely with BTLS. This includes a landscape review of existing technologies.

The Internal Audit Service have given Substantial assurance over the effectiveness of controls operating over the Systems Support function within Core Systems.

Intermediate care for older people in a residential setting
A review of the Lancashire intermediate care system was commissioned using money from the Better Care Fund and included consideration of the best practice model for each service area including the community beds. Consultants were appointed and undertook initial investigatory work before carrying out a wider review.

Supporting disadvantaged families to fulfil their potential (Troubled Families Programme)
Payment by results (PBR) claims continue to be made where significant and sustained progress is evidenced. The current positive position is anticipated to further improve as all available data and information systems are fully utilised to maximise PBR claim opportunities. It was recently agreed that we look to maximise our claims by accelerating progress with partners and getting them to share this responsibility. This is an identified action in the Children Services 'Getting to Good' plan. It is anticipated that the target of 8,620 PBR claims will be achieved by the time the 5-year programme ends in 2019/20.

Governance challenges for 2019/20 and actions to be taken

Reshaping the Council

A lot of excellent work has taken place over the past 12 months. However, there is a risk 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.

Without the required workforce plans, capacity and skills in place, or the necessary drive to support and deliver a financially sustainable organisation, there is a risk that change opportunities will be missed that may result in us not meeting the needs of service users or delivering a balanced budget.

Therefore, building on the achievements of the Operational Plan, the County Council will pursue three priorities over the coming year:

1. **Through our People Strategy ensuring adequate workforce plans, capacity and skills are in place across the organisation**
   This will focus on:
   - Supporting the development of managers through continued leadership and management modules
   - Workforce sustainability including succession planning & recruitment and retention
   - Continuing use of the apprenticeship levy to increase the number of apprentices and support critical development needs
   - Continuing to respond to the issues raised in the staff survey
   - Managing absence effectively

2. **Further embed a focus on service delivery**
   Building on the success of the service challenge work carried out during 2018, a phase 2 service challenge process is being implemented to help reduce the £47m financial gap that is still anticipated by 2022/23. To take this forward a new board has been established to oversee the process. Three cross cutting strands have been identified to develop new savings proposals. These are:

   - Organisational
   - Finance & Commercial
   - Health & Care

   In addition to the cross-cutting themes, some services from phase 1 will be subject to further challenge based on updated benchmarking data.

3. **Develop a sustainable financial strategy**
   The council has faced an unprecedented period of financial challenge since 2010. Whilst good progress has been made to date in addressing the forecast financial shortfall over the Medium Term Financial Strategy period, further work is required to ensure the council can achieve a financially sustainable position.

   In reports throughout the financial year to Cabinet, it is clear that the council is committed to the delivery of a significant savings programme with £77m of new savings agreed by Full Council during 2018/19.

   There are inherent risks with savings plans of this scale and scope and any significant under-delivery of agreed savings will further

increase the funding gap. This has been identified as one of the highest level risks in the council's risk and opportunity register and there are comprehensive arrangements in place to track delivery of financial savings and take corrective actions as required.

Should any of these savings proposals ultimately not be achieved they will need to be replaced with alternative savings to avoid increasing the size of the funding gap. £7.5m of the savings proposals are subject to the outcome of specific consultations.

The Medium Term Financial Strategy (MTFS) includes government funding as announced in the settlement on 29th January 2019, with no change to the additional funding announced as part of the provisional settlement in December 2018.

As part of the local government finance settlement the Chancellor of the Exchequer announced several new 75% business rates pilot schemes, with Lancashire being successful in its bid. This means that in order to secure the additional growth from business rates authorities agree to forgo their revenue support grant. The bid contained the County Council, along with 11 district councils, Lancashire Fire and Rescue Authority and the two unitary authorities of Blackburn with Darwen and Blackpool which could see potentially a one-off extra c£10m retained across Lancashire based on current growth estimates.

It is currently anticipated that a new system of local government finance, the "fair funding formula", will be in place in 2020/21 which involves local government retaining 75% of the business rates and a review of the funding formula. However, details of the scheme and the impact on Lancashire are not known at this time.

Getting to Good
Our services for children's social care have improved significantly. The service knows itself well and appropriate action has taken place to improve services and multi-agency strategic partnerships are stronger leading to a more shared approach. However, there is still more to do to ensure that all children receive a consistently good service and, as previously mentioned, Cabinet have agreed a 'Getting to Good' plan.

The plan provides a framework for the next phase of our improvement journey, in line with our ambition that we deliver consistently good services to children and families in Lancashire.

The plan sets out the actions that will be undertaken, the expected outcomes and improvement measures. It also provides details of lead officers, targets and due dates. More detailed action plans, led by specific Delivery Boards, will drive specific service improvement. Sitting alongside this document is our Purposeful Practice Framework and our Corporate Parenting Strategy. It is also part of several strategies and plans that fit together to deliver improvement for children. The plan will be overseen by the Lancashire Getting to Good Board which will meet six weekly to review progress, maintaining focus and pace.

However, this plan is set in the context of increasing demand for services and an increasingly challenging financial backdrop. Therefore, we need to improve the way we manage demand for services and ensure that our improvement is sustainable. The plan therefore also includes actions to support us in delivering the best and most efficient services.

Work continues at pace in preparation for inspection, with a Peer Challenge on the services approach to Permanence - the long-term plan for a child's upbringing (LGA) scheduled for June 2019.

Response to Special Educational Needs & Disability (SEND) inspection
Work will continue to implement the Special Educational Needs and Disabilities Improvement Plan. This plan was considered by the Special Educational Needs and Disabilities Partnership Board at their meeting in January 2019. Following a period of consultation, the revised plan was approved by the same Board at their meeting on 1 April 2019.

To ensure continued momentum, initial work has included:

- Implementing an Audit Programme, to improve the quality of Education Health and Care plans, including training auditors and completing a pilot to test the approach
- Undertaking Special Educational Needs and Disabilities reviews in schools
- Increasing the involvement and profile of the Parent Carer Forum
- Implementing Local Area Partnerships, to improve communication and access for parents
- Holding area based informal sessions for parents to meet professionals
- Implementing an electronic case management system
- Publishing the draft Joint Strategic Needs Assessment
- Agreeing a Speech and Language Service specification and rolling this out across Lancashire

The SEND Improvement plan was also shared with the Health and Wellbeing Board at their meeting in May 2019. Ahead of the Ofsted re-inspection of SEND in 2019, a review meeting in preparation will take place with DfE/NHSE advisors in July 2019.

Supporting disadvantaged families to fulfil their potential (Troubled Families Programme)
The County Council currently receives funding towards working with troubled families. However, post 2019/20 there is no information available as to whether this funding will continue. It is assumed that funding will remain at 2019/20 levels. However, if the funding does cease this will result in a pressure on the County Council's budget.

Managing major projects
As stated earlier, there are now control measures in place for projects that reflect the Major Projects Review. Key projects for the coming year will be included in the following programmes:

- Preston, South Ribble and Lancashire City Deal (e.g. Cuerden site)
- Growth Deal (e.g. Advanced Manufacturing Research Centre/ Preston West Distributor)
- Enterprise Zones (e.g. Salmesbury)

Each project will be developed in line with the processes established in the Major Projects Review and the Capital Board will continue to monitor progress.

Intermediate care for older people in a residential setting
The review of the Lancashire intermediate care system was completed in April 2019. The recommendations from the review will be taken forward and monitored through a Quality Assurance Panel (chaired by the Director of Adult Services) and the Health & Wellbeing Board.

Future provision of ICT Services

An independent review was commissioned from The Society of IT Management to look at the options available for consideration regarding the current BTLS contract, which ends on 31 March 2021.

In January 2019, Cabinet considered a report from this work that provided an evaluation of the principal options available to the County Council which need to be considered in advance of the contract end date to allow sufficient time for effective implementation. A further progress report will be presented to Cabinet in due course.

Core systems and data

Whilst significant progress has been made in improving the accuracy of performance data, we need to improve the use of data so that it is an effective tool to help manager's measure progress and examine trends.

For Adults' Services, the new posts of Practice Improvement Officers will be in place during quarter 1 of 2019/20. They will work very closely with the quality and continuous improvement managers within Adult Social Care. A programme of work is being developed, specifically in relation to the delivery of service challenge, which must be underpinned by accurate data. Adult Services will be using their established performance management groups to monitor performance and data quality within each service area.

For Children's Services there is a clear work programme of continuous improvement managed through the data quality and performance group. The 'Getting to Good' Board has a comprehensive performance dashboard with very clear ownership across the service. Individual managers understand their roles

and responsibilities regarding performance and data quality and liaise closely with business intelligence. Going forward there will be a move towards proactive trend analysis with a focus on insight and impact.

The Corporate Strategy was agreed at Full Council in February 2019 and a workshop is being held in June 2019 with Chairs and Deputy Chairs of Scrutiny Committees to establish a suite of metrics to be reported quarterly to the Cabinet Committee on Performance Improvement. Once established these metrics will be subject to audit and the data quality reviewed accordingly.

A project to replace the 'Passport to Independence' trackers will identify potential suppliers of data analytics and will establish the resources and costs of implementation. If approved, the implementation of the solution will pave the way to better analytic capability for the council. Data quality issues are likely to be identified for the data sources and a programme of work will be needed to improve data quality. This will be managed through the Accuracy Steering Group.

A Digital Strategy is being drafted that includes a work stream relating to data and developing information architecture across the core systems.

Recruitment and Retention

As an organisation we are experiencing skills shortages in key professional and technical areas such as social care and design and construction. This is a risk in our corporate risk and opportunity register. As outlined in our draft People Strategy we have already taken some steps to address this issue. We have set up a recruitment website – 'Make a difference in Lancashire' and we have held specific recruitment events. We will also continue to use the apprenticeship levy to increase the number of apprentices in the workforce and use it to support critical development needs in the County Council.

Monitoring implementation

The key governance challenges facing the Council in 2019/20 will be monitored by the Corporate Management Team and are identified risks in the Council's Corporate Risk and Opportunity Register. This document is the 'action plan' for each issue identified.

The governance arrangements relating to the Register involve its review by the Corporate Management Team which is then reported in turn to the Cabinet Committee on Performance Improvement and then 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 score after mitigating actions have been applied.

Conclusion

Overall, the County Council has the appropriate systems and processes in place to ensure good governance is maintained. Whist these work generally well, the council has identified a number of areas where further improvements can be made to strengthen its governance framework. The governance of the County Council will continue to be monitored by the Audit, Risk & Governance Committee, Cabinet and Corporate Management Team.

Glossary

Audit, Risk & Governance Committee - The Committee provides independent oversight of the adequacy of the council's governance, risk management and internal control framework, and oversees the financial reporting process.

Better Care Fund - is a programme spanning both the NHS and local government which seeks to join-up health and care services, so that people can manage their own health and wellbeing, and live independently in their communities for as long as possible.

Capital Programme - identifies agreed capital schemes, showing the total cost of schemes and the projected phasing of those schemes over current and future financial years.

Care Quality Commission – is the independent regulator of all health and social care services in England.

Constitution - sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decision-making is efficient, transparent and accountable to local people.

Corporate Management Team (CMT) – is the strategic officer leadership body within the council that advise and support the elected members of the council and its key post holders and bodies, including the Cabinet and Overview and Scrutiny.

Corporate Risk Register – is a formal record of the major risks facing the county council and the mitigating actions to reduce the risk.

Directors' Assurance Statements - provide an assurance on the internal control framework operating within their service(s).

Equality Impact Assessment - is a process designed to ensure that a policy, project or scheme does not discriminate against any disadvantaged or vulnerable people.

External Audit - external auditors review annual financial statements to ensure they present a 'true and fair' view of the financial performance and position, and provide an opinion on the council's Value for Money.

General Data Protection Regulation (GDPR) – is a regulation in EU law on data protection and privacy for all individuals within the European Union (EU) and the European Economic Area (EEA).

Intermediate Care – services provide support for a short time to help individuals recover and increase their independence.

Internal Audit - is an independent, objective assurance and consulting activity designed to add value and improve the county councils operations

Medium Term Financial Strategy - is the Council's key financial planning document. It aims to provide the Council with an assurance that the Council's spending plans are affordable over the medium term.

Monitoring Officer - has the specific duty to ensure that the Council, its officers, and its Elected Councillors, maintain the highest standards of conduct in all they do.

Ofsted - is the Office for Standards in Education, Children's Services and Skills. They inspect services providing education and skills for learners of all ages.

Passport to Independence - its aim is to help people stay healthy and self-sufficient (independent) for longer.

Performance Management – is the activity and set of processes that aim to maintain and improve performance in line with an organisation's objectives.

Reserves – funds set aside to meet planned future spending and/or to cover emergency needs.

Risk Management - is an important part of both corporate governance and performance management. It allows the council to avoid problems and failures, rather than just reacting to them when they arise. It helps the council to identify where it needs to focus its efforts and resources, to exploit more opportunities and suffer fewer failures.

S151 Officer - an officer appointed under section 151 of the Local Government Act 1972 which requires every local authority to appoint a suitably qualified officer responsible for the proper administration of its affairs

Scheme of delegation - sets out how the Cabinet and full Council have delegated their executive and non-executive powers.