

**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 Auditor's 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 One Connect Limited (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 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. To achieve that objective a Senior Auditor, working to a member of Management Team, was tasked with the specific responsibility of working with services within these categories to ensure that remedial actions were fully implemented. Regular progress reports were provided to Management Team and once this pre-audit work was

judged to be complete these areas of work were referred back to Internal Audit for them to review and give a formal opinion.

3.6 The areas reviewed now form part of the Internal Audit Report for 2014/15. With only two exceptions all the areas of high or medium risk previously assessed as limited or nil assurance are now assessed as attracting substantial assurance. The opinions provided demonstrate significant improvements in services, particularly in relation to information governance where a new Information Governance Team has been established. An update report to the Audit and Governance Committee on 13 April 2015 set out the actions that have been completed including the creation of an Information Governance Framework; revised IG policies; the creation of a suite of mandatory IG training courses including an online course completed by over 12,000 staff; the establishment of new governance groups and new information sharing templates.

3.7 As a consequence of the improvements in IG the Council has now achieved 94% compliance with the NHS Toolkit which is required for the NHS to provide sensitive patient data and the Council is also now able to connect to the Public Services Network which offers secure access to government information. In view of the high number of serious security breaches that had occurred within 2013/14 and reported to the Information Commissioner's Office (ICO) it was also agreed that the ICO would undertake a voluntary audit. As a consequence of the audit the Council will not now be subject to any more formal action in relation to the breaches reported. Whilst the outcome of the audit has resulted in limited assurance, the recommendations for improvement have been addressed and the ICO has commented that *"the council is in a great position to put the necessary controls in place before our follow-up in 6-9 months"*, a process that will be reported to the Committee in due course.

#### **4. Emerging Governance Issues in 2014/15**

4.1 A number of risk areas emerged or came to prominence during 2014/15 including:

- The impact of the transformation process agreed by Cabinet and Full Council approving the senior management structure at grade 11 and above and the principles for recruitment for the whole workforce;
- The need to embed a systemic approach to identifying and managing strategic risks and opportunities;
- The introduction of the Care Act 2014 and pressures arising from new responsibilities in relation to Deprivation of Liberty Safeguards;
- The establishment of the Better Care Fund with partners in Health with a Council contribution of £9.438m into the pooled fund;
- The Council's decision to terminate the waste PFI contract with Global Renewables Ltd in July 2014 as a result of which the Council took ownership of the waste recovery parks and operating company;

- The issue of legal proceedings concerning the catastrophic fire at Lancashire Business Park in 2011 which was resolved on terms benefitting both the Council and LCDL;
- Procurement issues relating to a number of contracts for which Procurement Rules had to be waived as it would not have been possible to complete tender exercises before current contracts expired;
- Issues relating to the implementation of the Liquidlogic systems for adult and children's social care.

With the exception of risk management (see later), all of these risk areas have been the subject of detailed reports to Cabinet and other committees/ Lancashire County Developments Limited.

### **Chief Internal Auditor's Annual Report 2014/15**

- 4.2 The Annual Report provides substantial assurance as regards the Council's key financial controls. However, due to the approach taken to remedy areas of high/medium risk assessed in 2013/14 as attracting nil or limited assurance, it was not possible to complete the Audit Plan for the remainder of 2014/15. The Chief Internal Auditor's Annual Report does not therefore provide an overall opinion for 2014/15 and the assurances provided within the Annual Report for individual services must be seen in that context.
- 4.3 The Annual Report also identifies a number of key issues and themes (paragraphs 4.2 and 4.3). The following sections comment on those themes and other issues which have started to emerge during 2014/15 and which will continue to feature in 2015/16.

### **Risk Management**

- 4.4 In relation to the need to embed a systematic approach to identifying strategic risks and opportunities, Management Team engaged Grant Thornton to facilitate a workshop for the purposes of identifying strengths and weaknesses in current practice; consider the trend and current pitfalls across the sector; identify the key strategic risks facing the Council and consider the mitigation measures already in place or which should be introduced; and consider the practical next steps to formalise arrangements.
- 4.5 The workshop identified that whilst risk management happens "in practice" and that all major decisions are based on an appropriate analysis of risks and opportunities, effectively protecting the public, the lack of a clear and systematic corporate approach is a weakness. It also identified that Elected Members do not receive appropriate risk management information and training, that risks relating to key partnerships are not fully understood or managed, and that a risk register should be regularly reviewed and communicated to all relevant parties.

4.6 A Risk and Opportunity map is now in draft and work is in hand to set the right governance structures, assign clear responsibilities and roles, agree the corporate approach and provide appropriate training. It is proposed to classify risks and opportunities on a "PESTLEDO" basis:

- **Political** – government or local policy commitments
- **Economic** – meeting financial commitments, budgetary pressures etc
- **Social** – Changes in socio-economic trends
- **Technological** – the capacity to deal with the pace of technological change, the use of technology to manage demand
- **Legislative** – changes in the law
- **Environmental** – Environmental consequences of progressing the Council's objectives
- **Demographic** – demographic changes in the locality
- **Organisational** – internal risks not imposed by the external environment

Once a proposal for a corporate approach is finalised a report will be brought to the Audit and Governance Committee for consultation purposes after training for Committee Members has been delivered.

### **The Council's Transformation Programme**

4.7 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.

4.8 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.

4.9 There will be a far smaller proportionate 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.

4.10 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 and regular risk review reports are provided to Management Team which

assess the risks associated with the achievement of service offer savings.

### **Financial Management**

- 4.11 The financial challenge facing the County Council is unprecedented. Central Government funding is forecast to fall 24.7% over the period 2015/16 to 2017/18. The 2015/16 budget has been set within a framework that will deliver a financial strategy for 2015/16 to 2017/18. A balanced budget has been set for 2015/16 and indicative budgets set for 2016/17 and 2017/18 as part of the financial plan that will deliver the reshaping of the Council and its operations. The service offers and resources approved will continue to be reviewed this year and the financial planning horizon widened to take into account the period up to 2020/2021.
- 4.12 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.
- 4.13 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.
- 4.14 However, the Council continues to face significant financial challenges in the period 2015/16 to 2017/18 and beyond. The Council has delivered the 2014/15 Financial Plan through strong financial governance arrangements but 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 provides 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**

- 4.15 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.

- 4.16 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.

### **Peer Review**

- 4.17 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".

- 4.18 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

- 4.19 These areas for improvement highlighted in the report have been included within the Council's improvement plan for the new corporate strategy.

### **Procurement**

- 4.20 The return of the Procurement Service to the Council provided an opportunity for a high level review of contracts which initially identified that a significant number of contracts had either expired or were due to expire without any tendering process in place to award new contracts.

- 4.21 It was recognised that this placed the Council at risk, both in terms of service delivery and the potential for legal challenge, and it was therefore agreed to waive Procurement Rules to extend existing contracts to allow time for full tendering processes to be carried out to put new contractual arrangements in place.
- 4.22 At the same time a Procurement Strategy was developed and, following a consultation exercise, approved by Cabinet in October 2014, recognising the need for effective and efficient procurement practices to operate at all levels within the Council underpinned by an overarching Procurement Strategy. The Strategy was supported by a draft Procurement Improvement Action Plan which set out a number of specific changes that needed to be made in order for the Council's procurement function to effectively deliver the strategy.

### **Proposals for a Combined Authority for Lancashire**

- 4.23 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.
- 4.24 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 governance review of all possible options.

### **Implementation of Liquidlogic**

- 4.25 Liquidlogic has been implemented within both Adult's (LAS) and Children's (LCS) services. These projects have been a significant undertaking and have introduced significant changes to processes both for the frontline service but also throughout Finance and Procurement.
- 4.26 The systems have been generally well received within the frontline services but have been less successful within the back office services where the newly designed processes have not been as effective as anticipated. A post implementation review was therefore undertaken with BTLIS assistance to establish what the processes should look like and to make best use of the core system modules.
- 4.27 As regards LCS, whilst information had been migrated into LCS from ISSIS, problems existed in relation to information flow through the system as effectively as it should. Problems also arose as a result of a decision to transfer care plans for historical cases across to LCS. This decision caused a backlog of work for staff and with hindsight it would

have been better for LCS to have simply referred to these care plans being held on ISSIS as reviewed care plans were required within a six month period.

- 4.28 A risk log has been established to catalogue ongoing issues with LCS and resources set aside to address them with the intention of a new version of Liquidlogic being implemented in September 2015 that will improve functionality.
- 4.29 In relation to LAS, this went live in July 2014, introducing better financial governance between commissioned services and invoices. However, these changes resulted in significant issues with some payments to providers. This issue has now been addressed and an annual workplan has been agreed prioritising matters for business delivery in 2015/16 including a review of safeguarding processes and a post-implementation review for Adult Mental Health Services as well as introducing processes required by the Care Act.

## **5. Other Sources of Assurance**

- 5.1 In addition to the opinion provided through the work of the Internal Audit Service, the Council can also draw upon external sources of assurance such as the outcomes of the LGA Peer Review Challenge and assessments provided by organisations such as Ofsted and the Care Quality Commission.
- 5.2 In preparation for a forthcoming Ofsted inspection a rigorous self-assessment has been undertaken benchmarked against the Ofsted Inspection Framework and there have been detailed inspections of children's social care in the two busiest offices, Preston and Burnley. Children's Centre performance is judged independently by Ofsted with currently 92% rated as good or outstanding and none judged as inadequate and 89% of children's homes judged as good or outstanding. Data published by Ofsted in April 2015 relating to school inspections show 87% of primary schools being rated as good or outstanding with only 2% judged as inadequate and 77% of secondary schools judged as good or outstanding and 10% judged as inadequate.
- 5.3 The Lancashire Safeguarding Children Board (LSCB) also plays a critical role in ensuring that vulnerable children are protected and as well as routinely monitoring performance data it participates in multi-agency safeguarding practice inspections and peer reviews. Multi-agency audits of early help services have been undertaken which included LCC Children's Centres and the LSCB has been supported in relation to their diagnostic regarding child sexual exploitation.
- 5.4 As an independent regulator the Care Quality Commission (CQC) visit hospitals, care home and home care services at least once a year as part of their programme to inspect health and social care systems in England and performance against national standards with a new CQC

inspection regime coming into force from October 2014. Since the introduction new regime two short breaks services and two domiciliary services have been inspected and rated as "good". The picture is however more mixed in relation to residential care homes for older people, with four of the seven homes inspected being rated overall as "good" but three rated as "requiring improvement".

- 5.5 In relation to other internal sources of assurance, strategic performance is monitored and reported to Management Team and the Cabinet Committee on Performance Improvement (CCPI). Quarterly reports are produced for each service and form the basis on which corporate performance is reported, first by Management Team and then CCPI. Directors and cabinet members are held to account regarding performance against the quality of service reports with the Leader, Deputy Leader and Chief Executive.
- 5.6 A quarterly performance report is presented to CCPI along with recovery plans for any under-performing measures along with other performance/progress reports relating to particular services or projects. Current performance across quarterly KPIs monitored in the quality of service reports has regularly been over 75% meeting target or improving. Risks and issues are flagged and detailed in the quality of service reports and associated risk management arrangements reviewed and monitored.

## **6. The Council's Governance Framework**

- 6.1 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.**

- 6.2 Following on from the elections in 2013, a minority Labour Administration was formed with support from the Liberal Democrat group through an informal agreement between the two parties. Given that the new Administration was formed part way through a 3-year financial cycle, the Cabinet wanted to take stock and fully understand the challenges they faced. Therefore, rather than develop a new corporate strategy at that time, Cabinet agreed a new strategic document that set out the direction of travel they wanted to take. The document outlined the initial priorities for the coming year with a view to developing a future corporate strategy that articulates a new service offer to be delivered by a new-look organisation.
- 6.3 The direction of travel agreed acknowledged the challenging financial environment in which the Council was operating and highlighted the importance of partnership working to support Lancashire communities, reduce duplication and secure value for money. The Administration

signalled their intent to adopt a can-do approach and the need for doing things differently for less.

6.4 The Council agreed three cross-cutting priorities:

- to prepare for the future;
- to support the most vulnerable; and
- to boost the Lancashire economy, both creating and protecting jobs.

These priorities have now been published on the Council's website. Since then work to develop the corporate strategy has been on-going which will reflect both the changing external environment and the priorities set by the Administration.

6.5 Underpinned by the Marmot principles, the Corporate Strategy will set out:

- the Council's core purpose and vision;
- the political priorities of the Administration;
- the Council's strategic priorities and the allocation of resources to them;
- services that the Council is committed to and service standards
- the plans for how services will be delivered
- how the strategy will be financed

Responsibility for developing the new Corporate Strategy sits with the Director of Commissioning and a revised timetable has been agreed that will see the new Corporate Strategy agreed in October.

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

6.6 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.

6.7 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**

- 6.8 As part of developing the new Corporate Strategy the 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.
- 6.9 During 2014/15 the Council's current priorities have been published on the Council's website pending the development of a new Corporate Strategy. To that end Management Team has been working throughout the latter part of 2014/15 to develop the Council's vision and values.

### **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.**

- 6.10
- 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**

- 6.11 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.

- 6.12 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 or committees.
- 6.13 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**

- 6.14 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.
  - 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**

- 6.15 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 effective 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.

- 6.16 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.
- 6.17 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.**

- 6.18 The Code of Conduct for Elected 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.
- 6.19 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.**

- 6.20 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.
- 6.21 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.

- 6.22 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.
- 6.23 The recent Peer Review 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.
- 6.24 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 Information Governance awareness sessions for Heads of Service.

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

- 6.25 As noted at paragraph 4.5, whilst risk management happens "in practice", the need to embed a systematic approach to managing risk and opportunities is clear and that process is in hand. The arrangements will include the creation of an effective risk and opportunity register owned by Management Team with regular updates provided to Members, including the Audit and Governance Committee.

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

- 6.26 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.
- 6.27 The Council has adopted a response appropriate to the fraud and corruption risk it faces in line with the CIPFA Code of Practice – Managing the Risk of Fraud and Corruption.

### **Ensuring effective management of change and transformation.**

- 6.28 High level milestones for the 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.
- 6.29 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)**

- 6.30 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's s.151 Officer (the former County Treasurer) left her employment with the Council towards the end of 2014/15 and Full Council has appointed an interim Section 151 Officer who operates in accordance with the relevant statutory and professional guidance.
- 6.31 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)**

- 6.32 The Council's Internal Audit Service operates in accordance with professional standards and is a key element of the corporate governance framework. However, going forward Management Team have identified

that the current Internal Audit Service lacks sufficient capacity for an organisation of the Council's size and the current arrangements are therefore to be the subject of a fundamental review. See also section 6 below.

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

- 6.33 The Council's former County Secretary & Solicitor, who was also the Council's Monitoring Officer, left his employment with the Council during 2014/15 and his Deputy was redeployed into the post and appointed to the Monitoring Officer role. The Monitoring Officer (the Director of Governance, Finance and Public Services) has in turn appointed a Deputy Monitoring Officer (the Director of Legal and Democratic Services).

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

- 6.34 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.**

- 6.35 The Council has an Audit and Governance Committee which operates in accordance with the CIPFA Statement. The Committee's role is to provide independent oversight of the adequacy of the Council's governance and internal control frameworks, and oversee the financial reporting process, and it will also have a key role in relation to new arrangements for the oversight of risk management.
- 6.36 Whilst training for Committee members has taken place in the past, it has been recognised that this should now be refreshed and arrangements for this are in hand preceded by a self-assessment exercise.

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

- 6.37 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.**

- 6.38 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.
- 6.39 The Council has robust arrangements for processing all complaints, including those made under statutory social care procedures. These arrangements were revised during 2014/15, bringing together the adults' and children's social care complaints systems under a single management structure. A new customer feedback system was implemented in October 2014 being utilised by the former ASHW and CYP directorates as a single repository to facilitate the strategic overview of complaints.
- 6.40 The adequacy and effectiveness of the complaints procedures have recently been the subject of a detailed internal audit review which resulted in substantial assurance being given. Under the Council's new operating structure further consolidation means that all complaints procedures, including corporate complaints, will be under a single management structure within Democratic Services.

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

- 6.41 A cross-party member development working group plans and co-ordinates member development activities to meet individual and group needs. A comprehensive member development programme was undertaken during 2014/15.
- 6.42 A comprehensive range of learning and development opportunities have been provided during including intranet based tools; numerous training courses; and a series of staff briefing sessions to assist and support staff through the Council's Transformation process.
- 6.43 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.**

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

- The website [www.lancashire.gov.uk](http://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.**

6.45 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 statutory "Healthwatch" organisation.

6.46 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 Council's overall governance arrangements.**

6.47 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. A LGA Health and Wellbeing Peer Challenge will take place during 2015 as part of an ongoing Improvement Programme.

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

## **7. Internal Control**

7.1. Having given a strong commitment to ensure that basic controls are maintained, particularly those highlighted by the Chief Internal Auditor's report for 2013/14, it is pleasing that virtually all the outstanding actions which formed part of the Audit Plan for 2014/15 which were areas of high and moderate risk have now

achieved a substantial assurance assessment in the current Chief Internal Auditor's report for the year ending 31 March 2015.

- 7.2 However, it is clear that 2015/16 will be a year of significant challenges for the Council with the need to embed a new operating structure, often with new Heads of Service in post, some of whom may be unfamiliar with either their new role or the "new" service. Clearly the risks around transformation will form part of a new corporate risk and opportunity register and appropriate mitigation measures will be in place.
- 7.3 One of the mitigation measures proposed, which also reflects the fact that the current capacity for Internal Audit is currently limited pending a review of the Internal Audit Service, is to agree that for 2015/16 the focus of Internal Audit will be limited to consideration of the key financial systems and that the focus will be to provide consultancy (without any corresponding audit opinion) to Heads of Service to identify key controls - either those which currently exist or new controls to be proposed – around new services/structures. As a consequence it is not proposed that Internal Audit will provide an overall assurance opinion over internal controls for 2015/16.
- 7.4 Once this piece of work is complete the results will be used to inform an action plan for implementation and, once implemented, the controls can be the subject of internal audit and an assurance opinion.

## **8. Key Issues**

- 8.1 Going forward, along with the Council's main financial controls, the key strategic risks and opportunities will be identified through the process described in paragraph 7.3 above. Even at this stage some of those risks are apparent, including the ongoing Transformation Programme and the embedding of systems around debt management as well as the risk management process itself. The proposed consultancy role for Internal Audit will also assist in that process.

## **9. Review of Effectiveness and a Programme of improvement**

- 9.1 The LGA Peer Review Challenge (paragraphs 4.17 to 4.19) has provided the Council with a useful, independent view on its governance framework, identifying what works well and where there are areas for improvement.
- 9.2 To ensure that continuous improvement takes place Management Team will continue to work with both the Administration and the Committee to ensure that both the governance issues identified and set out above and those which emerge from the process of embedding a risk management culture, supported by a risk and opportunity register, are identified and mitigated.

9.3 The production of a Local Code of Corporate Governance is intended to underpin the Council's vision with mechanisms for control and the management of risk. The Council's new Corporate Strategy is of course central to that and it is intended that this will be in place by October 2015.

**Signed:**

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**Leader of Lancashire County Council**

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**Chief Executive of Lancashire County Council**

Date .....

Date .....

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