

Annual Governance Statement – Financial Year 2015/16

1. The Council's responsibilities

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.

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.

In 2015 the Council adopted a new code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' and set out a number of actions against that Code for 2015/16. It was also agreed that the Code would, going forward, be reviewed on an annual basis.

2. The purpose of the Governance Framework

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.

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.

3. Governance issues in 2014/15

In the light of the exceptional circumstances that had been reported over the previous two years, the Internal Audit Service had been unable to complete a risk-based programme of work sufficient to support an overall opinion on the Council's overall governance framework.

The Annual Report concluded that the level of assurance previously provided had gradually deteriorated and therefore only limited or no assurance had been provided over the majority of control systems audited during 2013/14. At Management Team's

request internal audit work during 2014/15 was therefore directed towards reassessing key areas of control weaknesses and follow up actions agreed by management to improve controls across a number of systems and services identified in previous years' reviews.

As a result of that work it was concluded that substantial assurance could be provided over the areas of high and medium risk. Substantial assurance was also provided over the Council's key financial systems and it was reported that there had been a robust improvement over areas such as information governance.

The External Auditor's Value for Money (VFM) conclusion contained in the Audit Findings Report for 2014/15 also identified a number of areas of concern which had resulted in a qualified opinion as follows:

- The Head of Internal Audit's inability to provide an overall opinion on the system of internal control for 2014/15;
- Procurement risks following the return of the Procurement Service from One Connect Limited, in particular the need to waive procurement rules to extend a number of existing contracts;
- The financial pressures facing the Council, in particular the risks around the delivery of savings necessary to meet a spending gap from 2016/17 to 2020/21

At their meeting held on 25 January the Committee received a report providing an update on the performance of the Procurement Service following its transfer back from One Connect Limited. The report set the progress made in implementing the procurement Service Improvement Plan and the Service's current performance against the key performance indicators aligned to the Procurement Strategy and was commended by the Committee.

In relation to both the financial pressures facing the Council and the absence of an overall Audit Opinion for 2015/16, both issues remain concerns and are commented on later in this report.

4. The Head of Internal Audit's report 2015/16

As the Internal Audit Report included on the agenda observes, in June 2015 the Audit and Governance Committee noted the Annual Report for the year ended 31 March 2015 which stated that during 2015/16 the Internal Audit Service would work to support management and in particular a number of members of the team will be seconded into the Finance service to provide extra, necessary capacity on key projects, therefore it would not undertake work that would support an overall opinion in 2015/16 but would, so far as resources allowed, provide consultancy support to services.

Subsequently, in January 2016, the Committee approved the Internal Audit Service Strategic Internal audit Plan 2015/16, 2016/17 and beyond, the report noting that the Service would not be in a position to complete a risk-based programme of work to support an overall opinion on the Council's framework of governance, risk management and control for 2015/16 but would focus its assurance work solely on the Council's centrally managed key financial systems.

The key financial systems are as follows:

- The general financial ledger;
- Cash and banking;

- Accounts payable system;
- Accounts receivable and debt management system;
- Payroll;
- Treasury management; and
- VAT

Work on the general financial ledger, accounts payable central system, payroll and VAT is complete with the remaining work scheduled to be undertaken after the end of the financial year.

All of the areas audited to date have been assessed as providing substantial assurance. The Report also identifies areas identified by Management Team where control improvements are intended to be made during 2016 and 2017.

5. Emerging governance issues in 2015/16

A number of risk areas emerged or came to prominence during 2015/16 including:

- The challenges associated with fully implementing the Councils medium term financial strategy and the longer term financial viability of the Council;
- Continuing to deliver organisational transformation. Phase 2 of the original transformation process has been stopped and an alternative base budget review process adopted;
- The delivery of a joint service between the Lancashire Pensions Fund and the London Pension Fund Authority.
- The Ofsted inspection judgement of "inadequate" in relation to Children's Services;
- The delivery of new waste management arrangements to achieve significant budget savings by introducing changes in operations and processes at the two recovery parks;
- Health and social care integration and the requirement to produce Sustainability and Transformation Plans by June 2016, to be fully implemented by 2018;
- Developing new model for public service delivery through the establishment of a combined authority for Lancashire and securing a devolution deal with central government and securing economic growth, of which public sector reform is one strand.
- The implementation of the Council's Property Strategy. Cabinet's proposals are currently the subject of a 12 week consultation which include the closure of a number of libraries and Children's Centres. Final decisions will be made by Cabinet in September

All of these risk areas have been the subject of detailed reports to Cabinet and/or other committees/Full Council.

The following sections comment in more detail on the issues identified above:

6. The Financial Viability of the Council

The Council's Risk and Opportunity Register identifies the risk to the ongoing longer-term financial viability of the County Council as one of its highest level risks. The Medium Term Financial Strategy (MTFS) presented to Cabinet on 21st January 2016 noted that there is a strong likelihood that the Council will, during the course of this financial strategy period (up to 2020/21) be in the position of being unable to set a budget to meet the cost of statutory services as they are currently delivered. The assessment of statutory services followed a detailed base budget review undertaken earlier in the year.

The budget approved at Full Council was based upon £129m of savings being delivered in 2016/17 and 2017/18 and the use of c£117m of reserves to support the revenue budgets in these years. Despite this, there remains a funding gap of c£200m by 2020/21 reflecting reducing resources and increasing demand for services, particularly social care as a result of demographic changes including an increasingly ageing population and also the increased cost of commissioning and delivering those services, a financial pressure further impacted by the introduction of the National Living Wage from 1st April 2016 at £7.20 per hour and which will rise to at least £9 per hour in 2020. The additional financial pressures on Adult Social Care budgets are only partially mitigated by the ability to raise the 2% Adult Social Care Precept.

Budget reports to Cabinet during the year identified several strands to seeking to address the future financial challenge facing the County Council. This includes a continuous review of efficiency, with a Zero Based Budget Review being undertaken in 2016/17 of every service within the Council's current operating model to identify the potential for removing any non-essential expenditure. These reviews have reference to benchmark unit costs with the intention of moving towards the lowest quartile of the most appropriate comparator group.

The outcome of these reviews is unlikely to deliver a sustainable financial position in the medium term and therefore the November budget report identified the need for a review of the Council's operating and business model and proposed that external consultants be appointed to assist the Council in scoping and undertaking the review of its operating model. It is anticipated that this review will be undertaken during 2016/17 with the key aspect being to enable the Council to be sustainable, within its forecast financial resource envelope, by 2020/21. This review is likely to involve looking at opportunities across all public services in Lancashire as the County Council is not alone in this financial challenge, with Health and Adult Social Care Services across Lancashire forecast to have a budget shortfall of over £800m by 2020/21.

Whilst the scale of the financial challenge is a hugely significant one, the Council has delivered a small underspend in 2015/16 through strong financial arrangements and actions taken to address a significant overspend forecast earlier in the year. The Director of Financial Resources provides regular reports on budget and performance to Management Team and Cabinet and fundamental to this will be the delivery of approved savings plans which are subject to ongoing detailed scrutiny and monitoring.

7. Organisational Transformation

With effect from 1 April 2015 the transformation of the Council's senior management structure at grade 11 and above (Phase 1) is complete. Phase 2 of the transformation (all other grades of staff) was put on hold shortly after the completion of Phase 1 due to the increasing certainty of an even more severe financial position for the Council than had been previously forecast.

A revised transformation approach was established which incorporates a fundamental review of all Council services to determine which services will be provided in the future. Posts at all grades (including posts established as part of Phase 1) are being reviewed, and revised structures, on a service by service basis, are being developed, consulted on and implemented. This process commenced in 2015/16 and will continue in 2016/17, with a view to establishing a new operating model for the Council by April 2018.

The review of services referenced above commenced in the summer of 2015 with a base budget review of all County Council services. The review established which services the Council has to provide as a statutory minimum. A "legal challenge" test was applied to all services. The outcome of the review demonstrated at that point that by the end of the financial year 2017/18 the Council would not have sufficient funding to provide a minimum level of statutory service provision.

The next stage of the transformation approach is a zero based budget review exercise, which commenced in January 2016. This review will determine, for the services that the Council is still providing, the lowest achievable cost model, for a minimum level of service provision. The exercise will incorporate a benchmarking exercise and consideration of alternative service delivery models. The exercise will also determine minimum staffing level requirements and inform staffing structures, on a service by service basis. This will incorporate new management arrangements for each service.

This approach will ultimately result in the Council being significantly smaller and providing services in a very different way. The Council has recognised that it needs the support of external consultants to assist and advise on the reconfiguration of its major services and the establishment of its new operating model. External consultants were procured during 2015/16 to support the reconfiguration of adults' services and to undertake a diagnostic for children's services.

A separate procurement exercise has also been undertaken to establish a wider consultancy framework to allow the Council to call off external consultancy services as required during the zero base budget review exercise and wider transformation process.

Price Waterhouse Cooper have been appointed to this framework and Cabinet has agreed an initial brief for the review of the Council's business and operating model as well as agreeing to extend the remit of the Political Governance Working Group to include this review and to make recommendations to Full Council.

8. Establishment of Local Pensions Partnership Limited (LPPL)

At its meeting held on 24 March 2016, the Full Council approved recommendations (subject to a number of conditions precedent) from the Pension Fund Committee in relation to the creation of a partnership between the Lancashire Pension Fund (LPF) and the London Pension Fund Authority.

PricewaterhouseCoopers had advised on the viability of the financial model to be used by LPPL and confirmed the benefits likely to accrue to LPF in agreeing to enter into the joint venture. Uncertainties however remain in relation to the Government's wish to establish "Wealth Funds" which will require the pooling of existing pension funds with a value of not less than £25 billion.

At the time of writing the LPPL fund falls well short of this and the Government have indicated that they are not prepared in this case to make an exception for a smaller fund, therefore the final position for LPPL is unclear.

9. Ofsted Inspection of Children's Services

Ofsted carried out an unannounced inspection of Children's Services which commenced on 14 September 2015 which lasted for four weeks.

The inspection focused on the experiences and progress of children in need of help and protection, children looked after and care leavers. It also included looking at the effectiveness of the Council's services and arrangements to help these children, including adoption and fostering. Ofsted also carried out a review of the effectiveness of the Lancashire Safeguarding Children Board (LCSB) at the same time.

Ofsted published its report on Friday 27 November 2015 rating the overall effectiveness of the Children's Services as "inadequate". The judgement for the LCSB was "good".

Actions taken – March 2016

A number of actions have been put in place and developed since the outcome of the Ofsted inspection so that we can quickly improve services for children and young people and ensure that they are safe and protected. These include:

Director of Children's Services - Agreement has been reached between Lancashire County Council and Blackburn with Darwen Borough Council for BwD's Director of Children's Services to fulfil that role for both authorities, the arrangement being for an initial 6 month period. This arrangement began in February 2016 and ensures additional leadership capacity and extensive expertise around children's social care and the improvement agenda.

Child in Need Reviews - A concern raised by Ofsted was whether there was sufficient social work oversight over Child in Need cases and therefore a clear understanding of the levels of risk to children. In response, 2345 Child in Need cases have been being reviewed and, where necessary, appropriate levels of intervention are being put in place to ensure children are safe. Work is also underway to ensure that in future, there is an effective social care model that provides sufficient oversight to manage risk in child in need cases. Plans to revise the approach and structure of the Early Help and Wellbeing Service will also strengthen and support this new model for Children in Need.

Improvement Seminar - Ofsted facilitated an improvement seminar on the 13 January which was attended by senior colleagues from the County Council, representatives from partner organisations and also social care managers and frontline social workers.

The purpose of the seminar was to provide a comprehensive understanding of the inspection judgements and this is being used to help shape and inform the improvement plan. Whilst the focus of the seminar was the areas of improvement that need to be made a key message from the inspectors was that 'it is not all broken'. The new Children Services Scrutiny Committee (see below) will have a role in ensuring that these other areas of children's services do not "drift" or deteriorate particularly given that inspections of Youth Offending and Special Educational Needs and Disabilities services are expected in the near future.

Lancashire Children's Services Improvement Board - The Improvement Board has been established, which is usual practice following an 'inadequate' inspection judgement. The Board will be responsible for closely monitoring the development and delivery of an improvement plan which will be critical to achieving a much improved outcome when Ofsted carries out a further inspection in due course.

The independent chair of the Improvement Board has been appointed, being a specialist children's services improvement advisor for the Department for Education (DfE). He was previously the Director of Children's Services at Cheshire East Council and has more recently been working with Leicester City Council through their improvement journey as chair of their Improvement Board. As Chair he is responsible for reporting improvement progress to the Secretary of State.

Improvement Notice – The Independent Chair has undertaken a diagnostic aimed at establishing a detailed understanding of the capacity and capability of the Council's ability to improve children's services. The diagnostic was informed through interviews with managers and partners, focus groups with staff and analysis of performance information and existing policy, plans and strategy.

The diagnostic was reported in March directly to the Minister of State for Children and Families to inform the approach taken by the DfE and has resulted in the lowest level of intervention in the form of an improvement notice to the Council specifying the areas of concern, the level of improvement required and how progress will be assessed and reported.

Improvement Plan - An Improvement Plan has been developed, agreed by the Improvement Board and was submitted to the DfE on 4 March 2015. This Plan outlines in detail the activity and action that will be developed to make the improvements to children's services that are needed at the scale and pace that is required. The Improvement Plan responds to all the concerns that have been raised by Ofsted in their inspection report. The Improvement Board is responsible for the development of this Plan and for overseeing its implementation and impact.

Ofsted Improvement Offer - Ofsted have agreed that their follow up work will entail a quarterly, two day monitoring inspection for two inspectors commencing in September 2016, the outcomes of which will be fed back to the Council.

Children's Services Pathway Review - A team from Newton have completed work in developing an understanding of the effectiveness of the process, systems, structure and approach within children's services. Although the Newton work is not as a result of the Ofsted inspection, it will complement and inform the post inspection improvement plan and help to define and deliver changes over the coming months.

The initial findings of the review indicate that there are opportunities to improve the effectiveness of social care practice and increase the amount of time that Social Workers spend in direct contact with families.

Children's Services Scrutiny Committee – A new Children's Services Scrutiny Committee has been established which will operate in addition to existing committees and its remit will cover all issues relating to children and young people's services. Education matters will still be reserved for the Education Scrutiny Committee. Representatives, including five lay members, one from each of the local Children's Partnership Boards, have now been agreed and the Committee has had a briefing session so that members can better understand the key issues across children's services. The Committee has now agreed its work plan for the first six months, focussing on youth offending and Special Educational Needs and Disability (SEND) in view of forthcoming inspections.

Increasing Capacity – Additional management capacity has been redirected from existing resources into the districts to allow increased oversight of social work practice. There are two additional senior managers in North, East and Central Lancashire working with social care district managers.

Recruitment to posts in social services have ensured that structures are now at establishment levels and plans are being developed to further increase capacity both at practitioners and management levels.

External support has also been engaged for help in reviewing the child and family assessments of 720 child in need cases, an area of work specifically identified by Ofsted. Going forward a framework arrangement has been put in place to provide further external support.

There is weekly reporting and monitoring of children's social care vacancies and recruitment. A refresh of the recruitment and retention strategy is also being developed to enable a renewed and sustainable approach to ensuring appropriate staffing of children's social care both in terms of numbers but also in terms of experience and skills. This is in the context of a national shortage of trained social work staff which is reflected at a regional level.

Communication and engagement – Staff awareness and engagement in developing and delivering improvement activity will be key in ensuring progress is effective and sustainable. Regular communication and briefings are already in place and communications strategy and action plan have been developed to support the improvement process and activity.

Care Leavers – There is a need to improve the support to care leavers so that they are able to make the right choices and can access that support that they are entitled to. Guidance has been issued to all workers to raise awareness and understanding of the Leaving Care Regulations. Care Leavers have also received an information pack which details and explains their full entitlements. In addition, proposals are being developed to that will provide additional capacity so that care leavers can access the support they need. A mentoring Service for care leavers has also been launched.

Performance Management - Weekly reporting arrangements have been established and continue to focus on children's services staffing vacancies, the audits of all Child in Need, the timelessness and multi-agency engagement in section 47 strategy discussions and social worker caseload levels. Work is also underway to streamline the performance reporting approach and ensure that key measures have clear and robust targets set against them. This will include the development of a performance dashboard that will be used by the Improvement Board to monitor and challenge the progress being made in delivering help and protection to children and young people.

External expertise is also currently being agreed through the region and Ofsted to support the development of improvement performance reporting.

LiquidLogic Children's System (LCS) - A key area of concern raised by Ofsted was the ability to access timely and accurate information and data from LCS. Newton have been commissioned to lead a project to enhance the accuracy of the information held on LCS and provide confidence in this as the key system for providing performance information. This will be supported and informed by a completed health check where colleagues from LiquidLogic worked with practitioners and have produced a report that outlines amendments to the system that will streamline processes. Support is also being drawn from neighbouring authorities, learning from how they have implemented and use the LiquidLogic system.

Peer Challenge - A peer review has now been planned to take place during Autumn 2016 and an LGA peer review will be arranged in the coming months. This external scrutiny will be provide a level of assurance that improvement progress is being made.

10. Waste Management - GRLOL

In July 2014 the Cabinet authorised the termination of its waste PFI Contract. Under the termination arrangements the existing waste operating company, Global Renewables Lancashire Operations Limited (GRLOL), transferred to the ownership of the County Council in order to facilitate the necessary and continued provision of waste services.

The Company transfer took place on 31 July 2014 and since this date a new Board of Directors, consisting of elected Members, was appointed and revised Articles of Association for the Company adopted.

The County Council's budget decisions relating to GRLOL taken in November 2015 and subsequent requirements relating to residual waste processing significantly change the service which the Council requires the Company to provide.

On 11th April 2016 the GRLOL Board considered a report setting out proposals for a new company structure based on the revised service requirements and these proposals were subsequently approved by the Employment Committee on 18 April. In addition to the new permanent structure, a temporary structure necessary in the short term to protect and preserve the Company's physical assets has also been agreed to support the Company's transition.

The new structure agreed reduces the Company's staffing from 352 posts at a cost of £11,651,500 at the outset of 2015/16 to 62 posts with a forecast, full-year labour cost of £2,007,700.

11. Health and Social Care Integration

Since April 2015 the Council has been a partner organisation in the Better Care Fund planning and pooled budget arrangements with Clinical Commissioning Groups (CCG's). This involves a pooled budget of c£90m, hosted by the County Council, with the purpose of commissioning services more effectively for citizens and patients through better integrated health and social care systems to reduce demand on acute hospital and care home services particularly.

Building on this, every part of the NHS is required to have a locally led Sustainability and Transformation Plan (STP) in place by 2017 which should be implemented by 2020. This needs to be seen in the context of the substantial financial challenges for the health and social care system in Lancashire (including a forecast budget shortfall of at least £805m by 2020/21).

The plan is therefore required to cover better integration with Council services and reflect Health and Wellbeing strategies. The approach is backed by a dedicated Sustainability and Transformation Fund worth £2.1 billion nationally in 2016/17 and rising to £3.4 billion in 2020/21. The level of funding received will be dependent on the quality of the STP with the nature of local authority engagement seen as an indicator of quality.

The development of the STP, together with the ongoing considerations of options for integration and joint working (including potential for more extended pooled budget arrangements), will involve the development of new delivery models and ways of working to minimise the impact of funding reductions and provide a better offer for service users.

Cabinet has now agreed Operating Principles, which have been shared with partners, to enable the Council to participate effectively in the shaping of the STP process. The principles agreed cover the following areas:

- Governance – supporting a single pan-Lancashire Health and Wellbeing Board with the development of local Health and Wellbeing Partnerships covering the five local health economy footprints;
- Citizen-focused Integration – to provide joined-up and seamless services to citizens as the primary focus of health and social care integration;
- Local Health Economies – to support integration on the basis of the five local health economy footprints subject to a commitment to avoid duplication and to plan services on a pan-Lancashire footprint where this is the best fit model;
- Joint Strategic Needs Assessment (JSNA) – to support the development of the JSNA at a pan-Lancashire level, to support activities of the Health and

Wellbeing Board, and at a community level to support the commissioning of local services;

- Pooled Budgets – to ensure that the financial resources available for the provision of services are most effectively utilised;
- Single Commissioning arrangements – for those services covered by the pooled budget to drive the most cost-effective outcomes.

12.A Combined Authority for Lancashire

Local Authorities in Lancashire have continued to work together to develop proposals for a Combined Authority (CA). Fourteen authorities in Lancashire, including Lancashire County Council, made a decision at their full council meetings in November/December 2015, based on a full governance review and outline proposals on future governance, to progress with discussions on arrangements for a potential CA.

Significant work has gone into developing the governance structure, and a cross-authority working group was formed in February 2016 to develop a new constitution for the CA. Agreement has already been gained from all participating authorities on Overview and Scrutiny arrangements, and the outline arrangements, including structure and voting rights. This includes provisions for unanimous voting on key elements, such as finance.

At meetings held in March/April 2016 all fourteen councils agreed to become constituent Members of a Lancashire CA and to submit proposals to do so to the Secretary of State, with the CA commencing in shadow form with effect from 11 July 2016.

Future proposals for a devolution deal with Government will be considered by all Constituent Members of the CA in due course.

13. Implementation of the Council's Property Strategy

A key element in the delivery of continuing Council services is the property portfolio from which services can be directly accessed by citizens or from which the Council's employees can deliver outreach services into the community.

The Council's property portfolio (excluding schools) comprises in the order of 500 operational sites. As part of the approved Property Strategy a total of 222 premises have been identified as part of the review, excluding those which are clearly unsuitable for front facing service delivery.

The proposals have been developed around the Neighbourhood Centre model approved in November 2015 and are designed to ensure that all Lancashire's residents can continue to be provided with high quality services from a reduced number of properties.

The proposals are designed to provide a flexible response to future patterns of service delivery and take account of:

- Data analysis based on a weighting and scoring methodology previously agreed by Cabinet;
- Dialogue with elected members and partners;

- Consideration of how the proposals align with service delivery strategies and the delivery of approved budget options

Cabinet has now approved the proposals for the purposes of a 12 week public consultation, the outcomes to be considered by Cabinet in September when final decisions will be made.

14. Other Sources of Assurance

Understanding the nature and scale of the risks facing **adult social care** in Lancashire is important for the Council and all its public sector partners and citizens. To help frame a systematic and comprehensive understanding of these risks a framework has been developed under the auspices of the Local Government Association (LGA) and the Association of Directors of Adult Social Services (ADASS) which Directors of Adult Social Care have been encouraged to use.

This risk assessment tool has been completed for Lancashire in November 2015 using the data available at the time. The top five risks (as well as the full completed risk awareness tool) were reported to CCPI at its meeting held on 8 June 2016. The report to CCPI highlighted the top five risks and sought endorsement of the high level plans proposed to mitigate the risks.

The top five risks identified and some of the key mitigations are as follows:

- Finance/Budget Savings – there is a challenging target of £37M to save over the financial years 2016/17 and 2017/18 with potentially further savings to be made in subsequent years.

Mitigations include the commissioning of Newton Europe to support savings plans; to increase income via the Better Care Fund and/or social care precept; lobbying of Government about funding levels in association with partners such as LGA, ADASS and CNN.

- Market Sustainability/Quality – only 68% of registered services are judged as Good or Outstanding. Good quality services are becoming increasingly unaffordable. Recruitment and retention is becoming an issue for providers and compliance with employment legislation increasing staffing costs.

Mitigations include fresh consideration of commissioning options around home care, reablement, learning disability and mental health. Significant fee uplifts have been agreed for residential and nursing home care for older people to reflect sector pressures along with an increase in rates to address the pressures resulting from employment legislation

- Transforming Care – this national programme to end the use of inpatient beds for adults with learning disabilities poses particular challenges for Lancashire given the planned closure of Calderstones.

Funding for individuals who move into the community during 2016/17 will come from the NHS from transitional funding. Both the Department of Health and NHS England are being lobbied to ensure that they understand the particular pressures facing Lancashire.

- Performance/Systems Development – whilst there is a general picture of improvement, concerns remain around the inability to report accurately on the number of people awaiting assessment, and the focus on retrospective analysis does not provide the information to enable staff to work proactively and manage their work.

Improvement plans for Liquid Logic are underway along with a review of metrics. This work will be supported by Newton Europe, including the use of local performance dashboards.

- Waiting Times for Assessments and Reviews – These are significant in some areas including occupational therapy, safeguarding and social care reviews, leading to increased risk to individuals and increased cost to the Council.

Additional capacity is being secured in key areas of social work with clear triaging/prioritisation schemes in customer access. Providers are undertaking safeguarding work in residential and supported living schemes and work with Newton Europe is underway to improve productivity.

In relation to **Special Educational Needs and Disability (SEND)**, Ofsted and the Care Quality Commission will begin to inspect local areas on the implementation of the SEND reforms from May 2016.

The Council therefore needs to have a clear view of areas of strength and for development and therefore a self-evaluation framework has been completed. The risks identified through the self-assessment are as follows:

- Whilst SEND data is largely accurate, the lack of an appropriate secure IT platform is a risk although this can be achieved through the implementation of the Liquid Logic early help module;
- The recruitment and retention of education psychologists and workloads for SENDOs remain a concern although Management Team have now approved the recruitment of additional SENDOs and an approach has been made to the Association of Educational Psychologists to resolve existing difficulties;
- Commissioned arrangements with Health are inconsistent across the six CCGs in relation to designated medical officers and the current arrangements are therefore being reviewed;
- The current position on the transfer of statements of special educational needs to Education Health and Care Plans is continuing and, whilst the volume of statements transferred out of a total of c.6,500 are positive, there may be issues around the quality of plans.

In addition to specific mitigations, alongside the introduction of the self-assessment framework arrangements have been put in place for peer support via a regional arrangement in the North West. Dip-sampling of case files is also in place with a neighbouring local authority.

The Council's Finance Service has recently been through an LGA Peer Review process, the outcomes of which are in the process of being finalised.

15. The Council's Governance Framework

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

Work to develop the corporate strategy has been on-going, with a stakeholder consultation during August and September 2015, culminating in Full Council considering the core of the new Strategy on 17th December 2015.

The draft strategy sets out the proposed future direction for the Council and framework including:

- our vision, values, high level priorities and overall approach
- our evidence base
- thematic strategies, such as our financial strategy
- our risk, quality and performance framework
- service delivery plans
- annual budgets.

The core strategy document provides the starting point for that framework, setting out the core purpose, vision, values, approach and evidence base which we will be used to inform and guide what we do and as a reference point for the further prioritisation of our financial resources.

The updated corporate strategy was approved subject to the section 'Our approach to service delivery' being referred back to Cabinet for further consideration

Importantly, the Council's core purpose has now been agreed; to work for the people of Lancashire to enable them to:

- live a healthy life;
- live in decent home in a good environment; and
- have employment that provides an income that allows full participation in society.

Reviewing the council's vision and its implications for the Council's governance arrangements

To measure the effectiveness and delivery of the Council's ambitions, the Council's Cabinet Committee on Performance Improvement (CCPI) regularly receives Quality of Service reports which review the performance of services against local and national indicators and are considered at meetings of Cabinet, by the Chief Executive and directors.

Through the development of the corporate strategy framework and continued development of the approach to service delivery in communities, performance

measures are being updated where appropriate, to ensure that the Council manages performance in the context of reduced resources and refreshed priorities.

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

In December 2015 Full Council agreed the core vision, values, strategic outcomes and priorities within the draft corporate strategy, set out in the following Table:

<p style="text-align: center;">Our core purpose</p> <p style="text-align: center;">Is to work for the people of Lancashire to enable them to:</p> <ul style="list-style-type: none">• live a healthy life• live in a decent home in a good environment• have employment that provides an income that allows full participation in society. <p style="text-align: center;">Our vision</p> <p style="text-align: center;">Is that every child born today in Lancashire, and every citizen will grow up and live in a community and an environment that enables them to live healthier for longer, have a job when they leave education and achieve their full potential throughout life.</p> <p style="text-align: center;">Our values</p> <p style="text-align: center;">To be Fair, Trustworthy, Ambitious and to have Belief in People.</p> <p style="text-align: center;">Our approach</p> <p style="text-align: center;">Achieving this vision will be the lifelong journey, which we describe in terms of Starting Well, Living Well and Ageing Well.</p> <p style="text-align: center;">A child born in Lancashire today has the potential to live for over 100 years. Whilst our strategy looks up to twenty years ahead, every year we will have citizens aged from 0 to over 100. We will work for all of them to do all we can within our resources to achieve our vision.</p> <p style="text-align: center;">Our evidence base</p> <p style="text-align: center;">We will provide services based upon sound evidence of need and in a way that is proportionate to the needs of our communities.</p>

Strategic outcome	Strategic outcome	Strategic outcome
<p><i>To live a healthy life</i></p> <p>Increase the time that people in Lancashire can expect to live in good health</p> <p>Narrow the gap in people's health and wellbeing between different parts of the county</p> <p>Enable people to make healthy lifestyle choices</p>	<p><i>To live in a decent home in a good environment</i></p> <p>An adequate supply of affordable quality housing to rent or buy that meets the needs of all our citizens</p> <p>Good quality local neighbourhoods with adequate parks, open spaces, social, cultural and sporting opportunities</p> <p>Communities where families and individuals feel safe</p> <p>A high quality natural environment</p>	<p><i>To have employment that provides an income that allows full participation in society</i></p> <p>Rebalance Lancashire's economy to reduce its over-reliance on low paid employment.</p> <p>Increase the employability of Lancashire's citizens</p> <p>Focus on communities where there are high concentrations of unemployment and low paid employment</p>

Alongside this, the Council agreed 28 overarching priorities, to provide a focus for service delivery, either by the Council directly or through our influence with communities and our partners.

The strategy, supporting evidence base and changes agreed by Council in December have been published on the Council's website, are being used to inform the development of our approach to service delivery and to ensure that we provide services based upon sound evidence of need and in a way that is proportionate to the needs of our communities.

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

- 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;
- Consulting on changes we are planning to make, for example in relation to the implementation of the Council's Property Strategy;
- Quality of Service Reports presented to CCPI

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

The Council operates a leader and cabinet model of executive government with a Cabinet of seven members including the Leader and Deputy Leader of the Council. A cross party "political governance working group" continues to meet to oversee governance and constitutional issues, such as developments relating to the Combined Authority proposals.

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 was 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.

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

The Council created an additional scrutiny committee in 2015/16, taking the total number to five:

- 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.
- A Children's Services Scrutiny Committee was created in December 2015 to oversee services for children, in response to the Ofsted inspection outcomes.

Partnership arrangements

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.

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.

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

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.

Following that review complaints under the Code are now initially considered under delegated powers and, where necessary, referred to a Conduct Committee.

The Council has a Code of Conduct for employees and a system for recording officer gifts, hospitality and interests, which has recently been reviewed and updated. Councillors and staff are reminded of their requirements on a regular basis. The Council also has a protocol for councillor/officer relations.

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

The Council has embedded a revised scheme of delegation, commenced in April 2015, and has created a new scrutiny committee to respond to issues identified within children's services following an Ofsted inspection. The Council is a member of a cross-authority working group looking at the development of a new constitution for a proposed Combined Authority. The Political Governance Working Group continues to meet as required.

In 2015/16 County Council officer support for Lancashire Health and Wellbeing Board, Lancashire Community Safety Strategy Group, Children's Trust Board and the Lancashire Partnership for Road Safety, was brought together under the Health Equity and Partnerships team. This has enabled the links between partnerships to be further strengthened and strategic priorities to be aligned. The Children's Trust Board continue to lead on the Start Well strand of the Health and Wellbeing Board Strategy.

Changes have been made to the membership of the Health and Wellbeing Board, to strengthen links with area Health and Wellbeing Partnerships. The Board has reviewed its actions with partners to support changes to the health and social care plans. The Lancashire Community Safety Group is reviewing the Lancashire Community Safety Agreement to set out how we will work together with partners to address community safety priorities for Lancashire in 2016/17. The Children's Trust Board is working through the streamlined partnership arrangements put into place in the 2013/14 partnership review, to join up work that brings together initiatives that support better outcomes for young people and families.

The above Partnerships will continue to review their structures to ensure a model that is fit for purpose, sustainable and allows multi agency decision making that improves outcomes for people.

The Council continues to work with partner agencies to make a real impact for local communities. This includes delivering specific projects/services with the other local authorities in Lancashire and other public, private and voluntary sector partners.

The robustness of data quality

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 Commissioner's 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 Council's Information Governance annual eLearning course and there are specific bite sized briefings available for all data users regarding data quality. A member of staff within every Council service is nominated as an information governance champion and they sign an annual commitment on behalf of their service to ensure the robustness of data quality within their service.

However, it is clear from the recent Ofsted Report in relation to Children's Services that data quality is often not fit for purpose, or there is a lack of confidence in it which brings into question its use for decision-making.

To address these issues Management Team have put in place "Project Accuracy" with the objective of improving the quality of data in LCS in order to increase the efficiency of the system and enable social workers to spend more time with children and families. Seven priority areas have been identified for Wave 1 of the project:

- Team structures
- Caseloads
- S47s and strategy discussions
- Referrals per week
- C&Fs due and overdue
- Visits due and overdue
- Reviews due and overdue

Project Accuracy was launched on 4th April with briefings in Lancaster, Fleetwood, Burnley and Preston to all children's social care practitioners and managers. The initial phase of ensuring that team hierarchies are all up to date and accurate is well underway.

This project includes a tightly managed programme of work involving the generation of weekly reports, short weekly improvement meetings held by the area teams, and a senior management led weekly steering group. Newton Europe have facilitated the project. By 20th May, 82% of team structures were correct which is a huge improvement on the initial 33%. This provides a key fundamental building block to enable all the priority reports to be assessed for accuracy and swift progress is anticipated in resolving issues relating to the other priority areas. Importantly, robust processes are now in place to sustain the accurate recording of team hierarchies.

The lessons learnt from the improvement of LCS will then also be applied to data quality in relation to adult social care and other services.

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

A Risk and Opportunity Register has been developed by Management Team and relevant directors/heads of service, providing a brief, high level description of risks and opportunities along with the current controls and further proposed mitigating actions. The Register also includes "risk scores" for both before and after the application of mitigating actions based on a scoring matrix.

A corporate approach to reporting on risk and opportunity has been agreed. Risk and Opportunity reports will be provided to Management Team on a quarterly basis, following which the reports would then go to the Cabinet Committee for Performance Improvement and then to the Audit and Governance. The first quarterly reports have been presented to both committees and an indicative timetable for the next twelve months has been agreed.

At its meeting on the 25th January 2016, members of the Audit and Governance Committee received training on risk management and a programme of training is being delivered for Risk Champions within service areas.

A Risk Management intranet site has been developed and a handbook for staff and councillors has been produced setting out the adopted approach.

Risks and opportunities will also be incorporated into Quality of Service and Highlight reports.

At its meeting on the 25th January 2016, the Audit and Governance Committee, approved an Internal Audit Plan for 2016/17. The report noted that the processes supporting the Risk and Opportunity Register are still being developed to ensure that the register is robust and sustainable and to ensure that the register is an adequate reflection of the Council's most significant risks being addressed at a given point in time.

In due course this will serve as an active log of the most significant matters requiring management attention because the risks recorded are deemed not to be sufficiently mitigated and therefore not yet under effective control. The Internal Audit Plan itself includes the preparation and use of the Risk and Opportunity Register as a key component of an overall assurance opinion.

The report also noted that the Risk and Opportunity Register is relevant to the draft Audit Plan in recording areas where the Internal Audit Service should assess the adequacy and effectiveness of the actions proposed to mitigate the Council's most significant risks and the progress being made in their implementation. Where risks have been mitigated, or are believed to have been so, they may not then be recorded in the Risk and Opportunity Register and must then be identified through other means.

Where management understands controls to be in place around significant risks, particularly those over the greatest risks or operating in a large number of individual instances, the Internal Audit Service should provide assurance that these controls are adequately designed and operating effectively

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

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.

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.

The Council's existing counter fraud strategy which has been in place for a number of years has recently been reviewed and an amended strategy and policy were approved by the Employment Committee on 16 May 2016. A Pension Forfeiture Strategy has also been approved which enable the Council to recover money owing as a result of misconduct, or criminal, negligent or fraudulent acts or omissions, from pension benefits.

Ensuring effective management of change and transformation

As part of its Transformation Programme, the Council has strengthened its arrangements for managing change and transformation. This includes creating a new Programme Office to provide project and programme management capacity and capability for the organisation, and a new Business Change & Transformation Team to provide change management support to services in delivering business change. Recognising change activity, and providing resources to deliver that activity separately to business-as-usual activity, has improved the management of change.

The Programme Office is now co-ordinating the delivery of all the change activity required to deliver the Council's current budget savings, and preparing regular reports to the Council's Management Team, who are providing clear leadership and governance of the changes. This ensures that change activity is aligned to the corporate strategy and financial plan. Management Team also continue to act as the Programme Board for the Council's Transformation Programme.

Change activity is now organised as projects and programmes within clusters, or portfolios, of change, and governance arrangements are in place that involve key stakeholders and decision-makers effectively. This has also improved the way that risks and issues are identified and managed, with significant risks linking through to the corporate risk and opportunity register.

These arrangements should be further strengthened through the introduction of a corporate project and programme management ICT system during 2016/17, which will help support the further standardisation of the Council's approach to managing change and improve the quality of reporting on change activity.

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)

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). An Interim Director of Financial Resources was in post for much of 2015/16 with a permanent appointment being made in February 2016.

The 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 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)

The Council's Internal Audit Service operates in accordance with professional standards. Management Team have identified that the current Internal Audit Service lacks sufficient capacity for an organisation of the Council's size and has therefore agreed a revised staffing structure which increases the Service's capacity which will deliver a sufficient breadth of audit work for 2016/17 for there to be an overall opinion.

Ensuring effective arrangements are in place for the discharge of the monitoring officer function

The Council's monitoring officer is the Director of Governance, Finance and Public Services. He has 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

The Council has appointed the Chief Executive as head of the paid service.

Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities

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.

The Audit and Governance Committee in approving an Internal Audit Plan for 2016/17 and beyond agreed to an assessment of the constitution and operation of the Committee against professional practice and current best practice. The assessment will therefore form part of the Head of Internal Audit's overall opinion for 2016/17 which will be reported to Committee in 2017.

However, as it is intended to complete this part of the audit plan as a priority it is intended to bring an update report to the Committee as soon as the work is complete.

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

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

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.

Receiving and investigating complaints from the public

The Council has robust arrangements for processing all complaints. These arrangements were revised during 15/16 bringing together all the complaints functions under the management of one team. The Complaints Team now manages statutory procedures for adults' and children's social care complaints as well as the non-statutory corporate complaints process to facilitate a strategic overview of complaints within Legal and Democratic Services.

Complaints are now reported upon every quarter and the Council produces a public statutory annual report for complaints and customer feedback and learning from complaints, which is reported to CCPI. The team also produces quarterly complaint reports which are shared with Heads of Service who act as Designed Complaints officers for their area of service. This information is reported on and taken to the senior management team in the form of Quality of Service Reports.

During 2015/16, a total of 1542 complaints were made about Council services. There has been a significant increase in the number of corporate complaints which are primarily about highway related issues although the increase reflects, at least in part, to more robust reporting processes including improvements in the Council's website.

The number of statutory complaints in relation to both adult and children's services have also increased. Adults' complaints have related primarily to assessments, financial issues (and charging) and domiciliary/home care provision. Children's complaints have related mainly to assessments, safeguarding/child protection processes and financial issues.

The Annual Report in relation to complaints and customer feedback is currently being prepared and will be reported to CCPI in September/October 2016 which will include improvements that have been made as a result of complaints.

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

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. An Induction working Group has been established in February 2016 to consider the needs of county councillors in the run up to and following the next County Council elections in 2017.

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.

All senior officers appointed to the new organisation structure are participating 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

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

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

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

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 look at planning functions and joint working between the Council and its district partners, as well as undertaking significant work with utility providers and those organisations involved in flood risk management. The Council also currently hosts the statutory "Healthwatch" organisation.

The Council has strong relationships with district and parish councils, and works collaboratively with them. The work with other authorities on Combined Authority proposals has emphasised the importance of accountability and effective governance.

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

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.

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

Internal control

The External Auditor's VFM conclusion for 2014/15 identified the lack of an overall opinion on the system of internal control as one of the areas of concern that resulted in a qualified opinion. Similarly, as it is not intended that there will be an overall opinion for 2015/16, it must be expected that the VFM conclusion for 2015/16 will again be qualified.

However, going forward the External Auditor has noted that there is now an Audit Plan in place for 2016/17 which identifies key areas of audit coverage, and that if this plan is refined and delivered as expected, then it is likely that the Head of Internal Audit will be able to reach a conclusion on the Council's system of internal control.

Management Team have given an unequivocal assurance that sufficient audit work will be undertaken during 2016/17 to ensure that this is the case and have approved a new staffing structure for Internal Audit which increases the current capacity of the service. They have also agreed to bring in additional, external resources on a temporary basis to undertake work which forms part of the Audit Plan if this is necessary in the short term, pending appointments being made to the permanent staffing structure.

Key issues for 2016/17

Financial Viability

As noted in section 6 above, the MTFs presented to Cabinet in January 2016 noted the strong likelihood that the Council will, during the period up to 2020/21 be in the position of being unable to set a budget to meet the cost of statutory services as they are currently delivered.

The review of the Council's operating and business model being undertaken in conjunction with PwC and the Political Governance Working Group is therefore key to address the funding gap currently estimated to be £196.6 million by 2020/21. Any under-delivery of the savings currently built into the Council's budget will increase this gap still further.

Similar challenges also face other parts of the public sector within Lancashire which give rise to fundamental questions as to the nature, scale and sustainability of public services, in particular Health Service organisations, circumstances which form the backdrop to health and social care integration. What is clear is that in this context the Council cannot plan its future in isolation and must develop a public service model for Lancashire in conjunction with its partners.

It is particularly important that the Council positions itself well to feed into the Government review of its plans to end the rate support grant and allow 100% retention of business rates. To that end part of PwC's brief as approved by Cabinet is to prepare a report for submission to the Secretary of State for Communities and Local Government and the Treasury on the Council's funding base in relation to its statutory obligations and the resources needed to sustain a minimum level of statutory public services in the County.

Children's Services – delivering the Improvement Plan

The delivery of the Council's Improvement Plan prepared in response to the Ofsted judgement in relation to Children's Services as "inadequate" will also continue to be a focus and a key priority for resources to ensure that the Improvement Plan is delivered and that children are not put at risk of harm.

ICT Strategy and systems development

The Council is at various stages in the implementation of 4 key systems that will be implemented during 2016/17. Once fully implemented these will complete the Council's core systems transformation programme and will ensure that small, standalone systems are reduced significantly and that the Council can further develop its ambitions, i.e. for having integrated systems that allow one source of data to be used by different systems and for fully integrated and efficient end to end processes that reduce cost.

The key systems that will be implemented during 2016/17 are the Property Asset Management System and the Project Management System, both of which will go live in June 2016. The Highways Asset Management System is scheduled to go live later in the year, after which the decommissioning strategy for over 20 legacy systems will be implemented. The Customer Access Service replacement platform is due to be fully implemented in July 2016 and will replace the existing platform which, due to its age and other factors, has been a risk to the Council.

Roadmaps for all other systems are currently being developed together with resource, funding and implementation plans which will help ensure that the needs of services are identified, planned and co-ordinated so that they can be implemented in a safe way across the council. As part of this work, a roadmap for systems that supports the wider health integration agenda, as well as that with other partners, is also being developed. It should be noted that this work incorporates Project Accuracy and other workstreams that have been set up in response to recent inspections. Additional capacity to support our systems is also being built in to the corporate structure.

The Council's 'Digital By Default' strategy will be produced and finalised in the Autumn and will focus on key digital ambitions that will streamline process, improve the customer journey, reduce cost and duplication and provide access to services to citizens in a way that meets their needs. This strategy will also focus on how the

Council can maximise the benefits and cost reduction following the implementation of its core systems. Some of this work has already commenced and has been tested successfully on a pilot basis with a number of social work teams. A more extensive roll out plan will be implemented during 2016/17.

Sustainability and Transformation Plan

The structural complexity of the pan-Lancashire health and social care economy – CCGs, acute trusts and upper tier local authorities – create inevitable tensions and difficulties in designing and agreeing an integrated system.

The importance of this work, supported by Healthier Lancashire, cannot however be over-stated, with a clear government requirement to agree and submit an STP which, if approved, will initially draw down significant transformation funding, setting the blueprint for integration.