

Annual Audit and Inspection Letter

Lancashire County Council

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As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from a wider analysis of the Council's performance and its improvement over the last year, as measured through the Comprehensive Performance Assessment (CPA) framework.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this report are as follows.
 - The Council continues to achieve a four star rating and our direction of travel judgement shows the Council to be improving well. Outcomes are improving in both local and national priority areas. Ofsted and CSCI Inspection Reports show continuing good outcomes for children and young people. Services for vulnerable adults are good and improving.
 - The Council continues to perform consistently well across all five use of resources themes with strong financial management, a sound system of internal control and good value for money being achieved from the provision of its services.
 - The Council's corporate management arrangements for data quality are good and above the minimum requirements expected.
 - The Customer Service Centre is developing but is not fully integrated across all council services and there has been slow progress in restructuring back office processes. The Council is seeking to bring the programme back on line in 2007/08.
 - The Introduction of 'Lancashire Locals' to enhance the role of local councillors and give greater autonomy to local communities is showing early evidence of increasing local support.
 - The Lancashire Efficiency Initiative is developing with targets agreed as part of the current budget proposals and some detailed delivery plans in place.
 - Partnership Working continues to strengthen although there is a need to better integrate the approach to the Local Area Agreement and the county and district Local Strategic Partnerships.
 - To achieve the timescales for the implementation of children's trust arrangements, and the required transformation in outcomes for children and young people, significant progress still needs to be made.

- The role that district councils can play in the children and young people agenda is not universally understood by all district councils and, as a consequence, progress in developing a joint approach has been slow in some areas of the county.
- The Council has contracted for its Waste PFI scheme but there is an 'affordability' gap that the Council is aware of and has identified as a key risk for future financial planning.

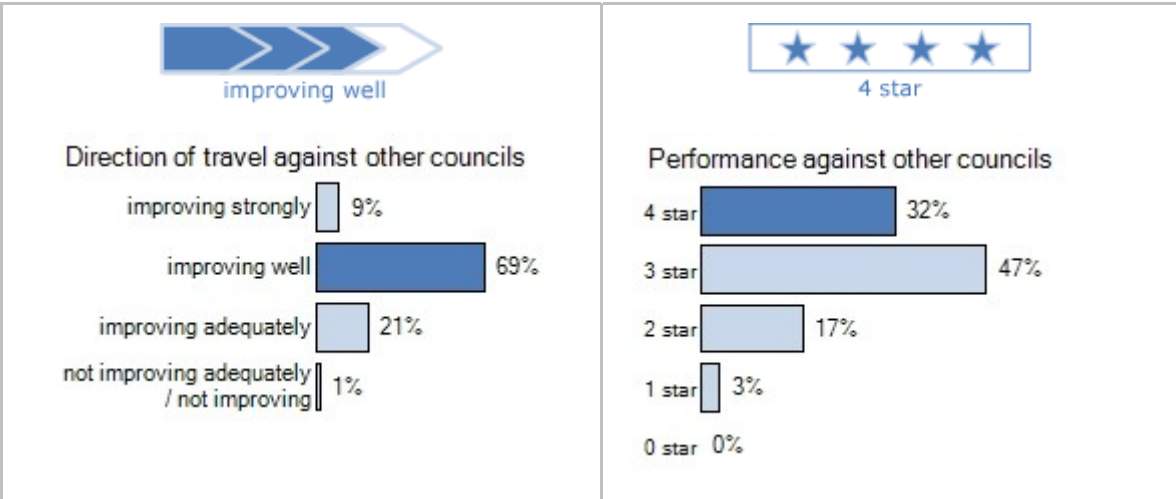
Action needed by the Council

- 4 The Council is urged to take the following action.
 - Monitor the remedial action and ensure the agreed timetable is adhered to in order to bring the Customer Service Centre programme back on line in 2007/08.
 - Pursue options to bridge the future affordability gap on the Waste PFI project.
 - Continue to adopt a prudent approach to financial management to ensure overall financial health remains sound.
 - Ensure, in the few areas where the Council is not performing well, that progress is closely monitored in improvement plans.
 - Strengthen project management around the LEI programme and link it to wider Council processes such as risk management.
 - Critically evaluate the Lancashire Locals Project as a means to achieving the locality agenda.

How is Lancashire County Council performing?

- 5 The Audit Commission’s overall judgement is that the Council is improving well and we have classified the Council as four star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Table 1



Source: Audit Commission

- 6 The detailed assessment for Lancashire County Council is as follows.

Our overall assessment - the CPA scorecard

Table 2 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	Four stars
Current performance	
Children and young people	3 out of 4
Social care (adults)	3 out of 4
Use of resources	3 out of 4
Environment	3 out of 4
Culture	4 out of 4
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2006	3 out of 4

(Note: 1 = lowest, 4 = highest)

The improvement since last year - our Direction of Travel report

- 7 Outcomes are improving in local and national priority areas and in 2005/06, 57 per cent of national indicators improved, with 35 per cent in the top quartile compared to 27 per cent in 2004/05, and 79 per cent of local indicators improved. High performance has been sustained. Recycling rates are high and improving. Highways continue to be well maintained. The Council exceeded its targets for re-use of neglected and derelict land. It is strengthening community development through its libraries and the extended schools programme. The economic development company supports new businesses. Support for local initiatives is increasing the use of community transport.
- 8 The Annual Performance Assessment by Ofsted and CSCI shows continuing good outcomes for children and young people. The Council consistently delivers above minimum requirements and its capacity to improve is good. In a number of areas where the Council excels it is maintaining and managing to improve further levels of performance that are well above average. Provision for looked-after children is improving and performance measures are very good and above those for similar councils; educational attainment is high and still improving. Areas that are not improving include the percentage of economically active young people aged 16 and above in employment. This is below average and decreasing.
- 9 Services for vulnerable adults are good and improving. The CSCI annual performance review found that the Council serves most people well and its capacity to improve is excellent giving an overall assessment of 'three star' performance. In line with its priorities the Council is increasing community provision to support greater independence. There is speedy provision of care packages and the number of delayed discharges from hospital remains one of the lowest nationally. The Council is improving access to benefits. CSCI found there is room for improvement in the accessibility of services for black and minority ethnic people and in providing consistent procedures and systems for safeguarding adults across the county.
- 10 Working with its partners the Council is improving road safety and beginning to tackle health inequalities. Crime levels, as measured against the Home Office CDRP Family Group, are comparatively high but are improving in all major categories. Offending and re-offending by young people is reducing.

- 11 The Council has clear priorities to improve access to services and information. It has a good understanding of its communities. The website is improving for example there are live web casts of all public meetings. In the past year the Council has finalised its customer access strategy. This includes plans to use the library network to develop multi access points across the county. The Customer Service Centre is developing but it is not yet fully integrated across all Council services. The change programme has suffered from weaknesses in project management and failures in delivery by the supplier. There has been slow progress in restructuring back office processes and in developing a Council wide customer culture. The Council is engaged in a course of remedial action to bring the programme back on line in 2007/08 and this is showing positive signs, most notably the recent renegotiation of the contract with the software supplier and the review and realignment of the partnership's objectives which have been endorsed by the Joint Committee.
- 12 The Council is extending its approaches to reaching out to the more dispersed and isolated community groups. It is maintaining good engagement with young people with many examples where they influence service design and delivery. It is improving the accessibility of services to black and minority ethnic communities. The Council recognises that there is more work to be done in this area.
- 13 Lancashire Locals have been introduced across the county giving greater autonomy to local communities and enhancing the role of local councillors. It is early days but there is evidence of increasing local support.
- 14 Alongside improving performance the Council is achieving value for money. It exceeded its annual efficiency target of £15m by around £4.5m. The approach to procurement is based on best practice and there are examples where it has driven improved quality at reduced cost. Areas of higher spending are in line with priorities and new investment has resulted in improved services and lower cost. Overspending is tackled. The Council has set some ambitious overall targets to improve value for money. However, targets are not yet being comprehensively used to maximise impact in all service areas. There is scope to further integrate and refine the approach. The Lancashire Efficiency Initiative is developing with targets agreed as part of the current budget proposals and some detailed delivery plans in place. There is a need to strengthen project management for this initiative covering all aspects of the programme and linking it to wider council processes such as risk management.

How much progress is being made to implement improvement plans to sustain future improvement?

- 15 The Council routinely reviews its approaches and targets improvements. It continues to strengthen and improve its internal systems. This year it has revised its business planning structure. The introduction of the Annual Delivery Plan (ADP) provides a good structure for tracking progress. Currently 74 per cent of ADP milestones are on target. The Council has recently established a corporate research and intelligence team to strengthen the evidence base for policy and decision making.

- 16 The strong and effective approach to performance management continues. Quarterly performance reports provide a clear, up to date picture on which to base decisions. The Council plans to tighten individual and service accountability through linking appraisal for senior managers to stretched directorate targets for example for reducing sickness absence. Overview and scrutiny committees have been restructured and they are using performance information more systematically to drive improvements. For example a review of Special Educational Needs provision led to better outcomes. Risk management is improving with better integration of risk analysis into business planning and performance reporting. Project management and programme management are important areas that need strengthening further.
- 17 The approach to people management is still developing but has moved on significantly since last year. Staff retention and sickness levels are improving. Key policies and procedures have been revised. A more corporate approach is emerging as directorate based teams are integrated. The draft workforce plan incorporates equality and diversity; resource management; job evaluation; and leadership development. It links to corporate objectives addressing new ways of working for initiatives such as customer access. There is a good analysis of the current workforce profile to help target actions to improve diversity. The workforce is not representative of the community but the profile is improving in adult social care and there is more diversity in higher management. The capability of councillors is improving but there is the potential for further development and, recognising this, the Council is introducing individual training plans.
- 18 The Council is committed to improving outcomes through partnership working. In order to better target efforts and resources it has revised its Partnership Protocol and developed a Partnership Evaluation Toolkit. Partnership working with the district councils remains variable but there have been positive steps forward. The Council successfully negotiated the LAA and delivery and performance management arrangements are being established. The LAA addresses 53 per cent of Ambition Lancashire targets. The Council and its partners are working to build a separate delivery framework for the remaining 47 per cent of the strategy's targets. Overall there is a need to better integrate to the LAA and the work of the County LSP. There is also a need to integrate the County and District LSP aims into the targets of the LAA. The Council recognises this.
- 19 The CYSP is well established with clear priorities for improvement. Arrangements for partnership governance and accountability are underdeveloped but are currently subject to review and consultation. The CYPP has built awareness and is starting to drive county wide partnership working. There are good examples of Council services developing joint work with district councils. For example, the youth services and district councils undertake joint engagement activity with young people. Overall, arrangements at local level need to be more effectively co-ordinated. The Council is working with its key partners across the county to develop joint planning and delivery. However, to achieve the timescales for the implementation of children's trust arrangements, and the required transformation in outcomes for children and young people, significant progress needs to be made.

- 20** The Council is aware of its strengths and the areas that it needs to improve. It is prepared to take tough decisions. Improvements in prioritisation and the sustained focus on performance management create confidence that Council will, from a high base, continue to deliver improved outcomes.

Service inspections

- 21** There have been no service inspections during the last year. However an important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on the council's performance. Relationship Managers share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received a children and young persons service assessment from Ofsted and a scored assessment for social care (adults) from CSCI. The work of Ofsted and CSCI has been reported separately and is not repeated within this report.

Financial management and value for money

- 22** As your appointed auditor I have reported separately to the Audit Committee on the issues arising from our 2005/06 audit and have provided:
- an unqualified opinion on your accounts;
 - a conclusion on your vfm arrangements to say that these arrangements are adequate; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 23** The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 24** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 3

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	4 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	3 out of 4

(Note: 1 = lowest, 4 = highest)

- 25 The Council continues to perform well across all five use of resources themes. The key findings from the audit, as reflected in the above judgements where appropriate, are set out below.

Financial reporting

- The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers and promotes external accountability.

Financial management

- The medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.
- The Council's procedures for option appraisal and long-term costing prior to investment and disposal decisions need to be consistently applied to ensure they fit with the Council's wider asset management plans.

Financial standing

- The Council has a good track record of managing its spending within the available resources.

Internal control

- The Council has arrangements in place to maintain a sound system of internal control that are designed to promote and ensure probity and propriety in the conduct of its business.
- The Council can demonstrate that risk management is embedded in many of its corporate processes but risk management in relation to partnerships is still developing and is not yet fully embedded.

Value for money

- The Council achieves good value for money.
- The Council has demonstrated service improvements over the last few years and high performance is achieved across a range of priority services. Costs demonstrate best value compared to other councils.
- The Council can demonstrate a good track record of addressing areas of unintended high spending as well as emerging budget pressures.
- The Council has a track record of delivering on its efficiency plans.
- There is scope for greater integration between key corporate strategies such as the Customer Access and Accommodation Strategies, LEI and directorate business plans.

Data Quality

- 26** Good quality data is the essential ingredient for reliable performance and financial information to support decision making. The Audit Commission has developed a three-stage approach to the review of data quality comprising:
- a review of management arrangements to determine whether proper corporate management arrangements for data quality are in place, and whether these are being applied in practice;
 - an arithmetic check of calculations; and
 - in-depth review of a sample of Performance Indicators to determine whether they are delivering accurate, timely and accessible information.
- 27** Overall, we found the Council's corporate management arrangements for data quality to be sound and above the minimum requirements expected.
- 28** The Council has put in place arrangements for the governance, monitoring and review of data quality and, although these are not formalised in an overarching data quality strategy, they are clear within relevant supporting documents. Responsibility for data quality is clearly defined at different levels of the organisation. Data quality objectives are contained within the Council's performance system.
- 29** The Council's data quality systems and processes meet minimum standards but are not always being applied consistently across all areas. Our detailed audit work on eight Performance Indicators revealed some errors and instances of inadequate audit trails being maintained. We have agreed with officers, as part of our action plan, that they will seek to ensure the consistent application of data quality processes across departments for all performance indicators.

Customer Access Contact Centre

- 30 The Council's approach to customer access is grounded in clear aims to improve the quality of information provided to citizens and the quality of experience enjoyed by its customers.
- 31 In recent years the Council has struggled to maintain momentum around its aims for customer access and it has not yet achieved the cultural change necessary to make its vision a reality. Expectations were raised at an early stage without a clear analysis of the scale and demands of the programme of change that the Council needed to undergo.
- 32 There have been significant problems with the delivery of the Lancashire Shared Contact Centre (SCC). The implementation of the SCC has been characterised by delays and failures to meet expectations. Technical and contractual problems have led to a strong internal focus on trying to get systems operational.
- 33 Partners have been distracted from delivery of the initial vision for the Lancashire Shared Contact Centre partnership. The differential implementation of systems at each partnership site has compromised the aim for a joint solution.
- 34 The Council is tackling these difficulties and focussing plans and remedial actions to address them. It is committed to re-energising the partnership around the original vision. It is working hard to ensure that CSC ultimately delivers an effective service and a good return on its considerable investment. Progress against the action plan has been considerable since July 2006, but much remains to be done over the next few years to fully realise the benefits and efficiencies from this investment.

Lancashire Children and Young People Partnership

- 35 Every Child Matters: Change for Children is a new approach to securing the wellbeing of children and young people up to the age of 19 years, underpinned by the Children Act 2004.
- 36 During the past year we conducted a major review in order to evaluate the progress being made by key stakeholders - principally Lancashire County Council and the 12 district councils in Lancashire - in developing a partnership approach to improve outcomes for children and young people (CYP). The review included an appraisal of key plans and strategies developed at district and county level. We also evaluated the effectiveness of partnership working, specifically for the CYP agenda.
- 37 The review found that whilst there is a clear set of aims driving the CYP agenda nationally, local implementation within Lancashire needs greater clarity and ownership. Arrangements for partnership governance and accountability are underdeveloped and the level of engagement of all key partners responsible for this agenda is variable. The role that district councils can play in this agenda is not universally understood by all district councils, and as a consequence progress in developing a joint approach has been slow in some areas.
- 38 District councils and the County Council are developing awareness and capacity to ensure that the arrangements for joint working for children and young people are more effectively co-ordinated. A series of locality days have been hosted by the County Council. The County Council has also produced a consultation document that puts forward proposals for children's trust arrangements. However, to achieve the timescales set by Government for the implementation of children's trust arrangements, significant progress needs to be made in ensuring that all partners are fully contributing to this agenda.

Bichard

- 39** We reviewed the arrangements the Council has put in place in response to the Bichard report recommendations. We found that the Council has made good progress in developing its policies and procedures in a number of areas including:
- a Local Safeguarding Children Board is in place, a protocol for working with sexually active under 18s agreed and policy on notifying the Police incorporated in procedures;
 - an approach to recording and checking of decisions not to refer to the Police has been developed; and
 - for the Council's own directly employed staff, risks have been mitigated by agreeing rechecking arrangements for relevant staff ranging from every three years in Social Services to every five years in cleaning and catering services.
- 40** There are some areas where the Council can build on the progress it has already made in addressing the Bichard Report recommendations and should consider further actions to mitigate risk. In particular the Council should finalise its policy on advising schools on rechecking arrangements for school employed staff subject to CRB clearance and by promoting the take up of relevant training by schools. The current DfES guidance does not require the pre 2002 school workforce to be CRB checked.

Private Finance Initiative

- 41 The Council has been in negotiation over two major schemes under the private finance initiative (PFI). The schemes relate to the Lancashire Waste project, a proposed network of waste management facilities covering Lancashire which includes Blackpool. The second scheme relates to the first stage of the Government's Building Schools for the Future (BSF) initiative which is planned for East Lancashire. We have continued to work closely with officers and monitoring progress on both of these schemes over the last year. We have given the Council our final accounting view on the proposed accounting treatment on both of the schemes, based on the outline business case documentation, and concluded that there were no issues we needed to challenge, at that stage. The Council has since signed contracts for both the BSF scheme and the Waste scheme.
- 42 There is still an 'affordability' gap of around £52 million on the Waste scheme when compared to the costs of waste disposal in the medium term. The Council continues to pursue options to meet the additional costs including the provision of additional funding to meet these additional costs.

Conclusion

- 43 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Cabinet on 10 May 2007 and the Audit Committee on 25 June 2007.
- 44 The Council has taken a positive and constructive approach to our audit and inspection. I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

Availability of this letter

- 45 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Michael Thomas
Relationship Manager & District Auditor