Appendix 1

Annual Governance Statement (AGS): Progress on Addressing 2021/22 AGS Significant Issues Identified

Issue	2021/22 Issue/Actions to be taken	Responsible officer(s)	2022/23 Progress Update – August 2022
1. Children's Services Financial Position	We are currently working through the year end closure of accounts and as such the final outturn is not yet known, however the portfolio is expected to return an overspend in the region of £2,000,000. This would be an increase on the position reported at quarter 2. The demand pressures that existed in 2020/21 continued into 2021/22 with the largest overspends being seen within Placement Services, specifically Special Guardianship Orders, Commissioned Placements and Foster Care. Additional pressures have been seen against our Home to School and SEN Transport budgets. There is an issue with placement sufficiency and cost pressures on external placements. These placements are closely monitored. There is a national crisis in the availability of placements for cared for children who have social, emotional and mental health issues who have sexually harmful and other risk taking behaviours and the impact of the added requirement for post-16 regulation of suitable accommodation. The implications of the Integrated Care System the pan Lancashire and South Cumbria approach to joint funding of children with complex needs and the implementation of the Individual Patient Allowance needs to be assessed. Consideration is being given to sub regional commissioning, along with a review of the	Strategic Director Children's Services & Education	The Children's Services budget continues to experience significant pressures in 2022/23. Those pressures are again predominantly centred on Commissioned Placements and Foster Care, as well as both Home to School and SEN Transport. The portfolio has introduced a series of weekly meetings to focus on individual commissioned placements. The goal is to ensure that placements are routinely challenged and progress kept on track, with the intention that costs are incurred for no longer than absolutely necessary. Recruitment and retention of in-house foster carers remains a priority and to that end it is the intention to review the current financial package offered to our foster carers to ensure that we remain competitive within the market. Any increase in the number of in-house carers would result in a reduction in the reliance on costly external placements. The pressures on the school transport budgets are expected to increase over the course of the year as the current rates of inflation being experienced on fuel prices will trigger uplifts to the agreed costs of contracts with transport providers. The implications of the Integrated Care System and the pan Lancashire and South

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	internal provision. The independent review into children's social care will a view on this. The budget pressures associated with Special Guardianship Orders have been addressed as part of the Medium Term Financial Plan, with additional funding of £1,000,000 allocated against this budget in 2022/23.		Cumbria approach to joint funding of children with complex needs is still being assessed. Since July the joint commissioning panel has been operating using a different model and all currently approved cases now need to be taken back to panel for a funding review. In view of this the level of financial contribution that we can expect to receive from Health remains uncertain and will only become clear as and when the previously agreed cases are reviewed. It is too early to say if the measures will have an impact on the forecasted overspend. The weekly review meetings are a new initiative. There have only been 3 meetings held to date so no changes have been seen to placements as yet. Likewise, the review of foster care payments has commenced but it is still in the information gathering stage and no proposals have yet been made. In the short term any revision of the rates is only going to increase expenditure for our existing carers without any increase in the number of new carers being approved as there will understandably be a time lag before the benefits are seen. The latest SPT report at period 4 is forecasting a £3m overspend at year end, which is an increase compared to the 2021/22 year end position. A business case is being presented to increase the Foster care rates which it is

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			hoped would be classed as an invest to save initiative and could be considered for additional funding from the invest to save reserve. If successful then it would not result in an increased overspend on the Foster Care element as the budget would be increased accordingly.
***2.* Adult Social Care Commissioning**	The Department is beginning to see escalating costs in the commissioning budget as a result of increased numbers of domiciliary care packages and increased acuity of need. However the commissioning budget is forecasting an underspend due to one off income in year. Our ongoing engagement with care providers continues to highlight the significant challenges they face following the pandemic (including low occupancy, insurance cost, Infection control, staffing and now escalating fuel and energy costs). These issues are highlighted across the sector at a national level. We have now consulted with providers and finalised our agreed provider fee increases for 2022/23, which allow for the increase in National Living Wage, Employer NI contributions and other inflation. However, the increases are unlikely to fully address the issues faced by providers as our agreed increases are obviously balanced against affordability within the Council's Medium Term Financial Plan. The Government have announced a Market Sustainability and Fair Price for Care Grant for 2022/23, which requires local authorities to	Strategic Director for Adults and Health	The final outturn for the financial year 21/22 was £2.4m underspent. During the course of last financial year pressures continued within the commissioning budget due to the additional demand and cost of care, however the majority of the underspend was as a result of one-off income relating to Covid-19 health funds for Discharge to Assess, additional one-off unplanned receipts and associated budget adjustments for Continuing Health Care contributions, ordinary residence disputes which have been resolved and reclaims of individual direct payment budgets (some of which could not be utilised during the pandemic). As such an underspend position into 22/23 is unlikely to be sustained. The increased demand pressures in extra care and domiciliary care experienced during 21/22 as well as the cost of individual care packages due to acuity of needs continues into 2022/23. The portfolio are therefore anticipating a budget overspend in year. This forecast also includes an estimated increase for winter demand pressures

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	undertake a cost of care exercise and publish market sustainability plans. This exercise will be undertaken early in the new financial year and it is anticipated there may be further budget pressures in commissioning which arise from the review in terms of managing the market and the risks associated with provider failure and our ability to deliver statutory care services. The Government have announced Social Care reforms, which will have a very significant impact on numerous aspects of our service including how we assess and commission care, client contributions and our existing systems and processes. At this stage it is difficult to quantify the impact on the commissioning budget. However, it is essential to highlight that the scale of reform changes and pace at which these have to be introduced will have a significant impact on the department at the same time as our preparations for full CQC inspection. The Government have stated that Social Care Reforms should result in additional funding for Social Care but the details are yet to be confirmed.		which are expected to be much higher in 22/23 due to the impact of the pandemic and cost of living crisis. We anticipate an increase in individuals needing statutory care and a requirement to enhance our commissions to support providers to meet demand, workforce pressures and the escalating costs of delivering care in the current climate. In addition there are a number of transitions from Children's anticipated in year. The Fair Cost of Care (FCoC) exercise is well underway with our providers of care and our engagement with the sector has provided a response rate of over 40% for both Domiciliary and Residential/Nursing care. This is comparable with other LA's in the region. Early indications suggest a significant difference between our existing rates for providers and the FCoC rates. The department is developing our Market Position statement and our Market Sustainability plan which will outline how we intend to move towards the FCoC and manage sustainability of the care market, including increased National Living Wage/Real Living Wage and inflationary costs. The outcome of the FCoC and Market Sustainability plans will need to be quantified and the affordability of plans factored into the Medium Term Financial Plan and commissioning budgets in future

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			years. Further work is also underway to develop our plans for the Charging Reform elements of Social Care Reform. This includes the care cap and more generous means test for financial assessment of ASC service users. Both of these will have a very significant impact on the Adults Commissioning budget in terms of cost of care and client contributions as the cost of care will shift from the individual to the LA. This has been the subject of reports to Executive Board and updates will be provided as the new legislation is introduced. The Government have stated that Social Care Reforms should result in additional funding for Social Care but the details are yet to be confirmed. Finally it is important to note that the Social Care Reforms are to be implemented at the same time as other significant legislative change for Adults, including Liberty Protections Safeguards and CQC Assurance. All these areas impact directly on the Commissioning budget and our systems, processes and workforce.
3. **Long term financial sustainability of the Council**	Underpinning the development of the 2022/23 budget (and the Financial Strategy and 2022/25 Medium Term Financial Plan) is the continuing impact of austerity. Although the Council's Core Spending Power for 2022/23 has increased, that increase is neither sufficient to make up for the funding reductions the Council has	Chief Executive and Directors	As part of the process of setting the Council's budget for 2022/23, Councillors agreed a Financial Strategy for the period to 2025/26. The strategy is based around the themes of 'Grow, Charge, Save and Stop' and is aimed at delivering a

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	experienced since 2010 nor reflective of the significant changes in demand for services. Consequently, the Council's Medium Term Financial Plan still shows a forecast funding deficit for which action will need to be taken to ensure the Council remains financially sustainable. The generally accepted view is that the increase in Core Spending Power set out in CSR21 is unlikely to be enough to keep pace with rising demand for Adult Social Care, meaning further pressure on other services that have already borne the brunt of a decade of austerity. In addition there are ongoing income losses from the COVID pandemic as footfall and demand have not risen back to pre-pandemic levels. Further uncertainty has been created by rising inflation and the cost of living crisis and the projected increases in the national living wage will put further pressure in the Council's salary budgets. The February Finance Council meeting approved a Finance Strategy the aim of which is to provide a 'route map' for a balanced sustainable budget over the medium term planning period whilst ensuring that resources are applied in the most effective, efficient and economical way ensuring that the Council's Strategic Plan is achieved. There are four key themes to the Strategy; Grow (the Council's tax bases), Charge (for services where possible), Save (costs through		sustainable budget over the medium term. The 'Grow' theme is predicated on the Council's ambitious economic and housing growth programme. Examples of this include the Darwen Town Deal and the emerging Levelling Up Fund Projects for Blackburn. The 'Charge' theme includes reviewing all fees and charges to ensure the Council is maximising its income and is supported by a Fees and Charges Policy. For the 'Save' and 'Stop' themes, the Council is working on a programme of 8 workstreams, being: • Organisational review; • Asset Review (Phase 1 being Accommodation Assets and Phase 2 being Operational Assets); • Alternative Delivery Models; • Children's and Education Services; • Adult Social Care Services; • Income and Commercial (to tie in with the 'Charge' theme); • Back-Office Efficiency; and • Procurement. Underpinning these workstreams are enabling functions such as Finance, digitial (transformation) and Human Resources. The success or otherwise of these workstreams will depend largely on the identification of budget reduction options for

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	transformation) and Stop (providing services where others are capable of providing them in place of the Council).		Councillors to consider as part of their deliberations on the Council's budget.
4. Children's Services Ofsted Inspection Findings	The Ofsted ILACS inspection in February/March 2022 acknowledged that there were areas of good practice in place but found that improvement was required to be good across the four categories inspected. The inspectors identified that that further work was needed to embed the full Quality Assurance Framework to drive forward practice. The outcome of the inspection, and key priorities, were reported to Executive Board in April. The report noted that additional investment would be required to cover improvement activity. A costed improvement plan has been developed and is due to be submitted to Ofsted by 1st July 2022. The plan will be driven by a multi-agency 'Achieving Excellence' Partnership Board which is being be chaired independently to oversee the delivery of the response and actions identified. The Board has now met and had sight of the plan, which will now be approved by Executive Board prior to submission to Ofsted. It will continue to build on the Council's commitment to supporting the most vulnerable. The plan will address the key concerns around multi-agency strategy discussions, data and assurance, and our services and support for care leavers up to the age of 25.	Strategic Director Children's Services & Education	Two detailed improvement action plans were submitted to Ofsted ahead of the 1st July deadline. The first to address all 10 areas of recommendation and the second to provide a focus on the three priority areas: • The multi-agency response to concerns that a child is suffering or is likely to suffer significant harm, particularly timely strategy discussions. • The effectiveness and impact of internal auditing & monitoring processes. • The quality of support, advice and guidance offered to care leavers. Progress against the 3 priority action areas were shared as part of the submission. Following the submission, positive feedback has been received from the Ofsted Regional Director: "The plans are very detailed and wide-ranging in scope. They appropriately highlight most of the specific areas for improvement at inspection, including the multi-agency response to concerns about potential harm to children, services for care leavers and the effectiveness of internal auditing and quality assurance activity."

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	The Action Plan will be subject to further refinement as the financial year progresses. This acknowledges that the Council's response needs to be both immediate to deal with some of the issues raised in the Inspection and developed to ensure that the improvements in the service are sustained to deliver the best outcomes for Children in a way that remains affordable for the Council.		Further work was asked of the local authority to consider how the quality of planning for children in need of help and protection will be improved. In response, the action plan has been updated to include ensuring that "Children's plans include timescales and details of contingency arrangements – continuous monitoring through quality assurance activity, IRO scrutiny and tracking, including a dip sample audit of Child In Need plans and contingency plans in October 2022". The Achieving Excellence Board continues to meet bi-monthly and focus on the three priority areas to drive improvement and monitor progress activity.
5. Teachers' Pension Agency Year End Certification and audit	There are a number of issues in iTrent when running the Monthly Contributions Reconciliation (MCR) return for teachers' pension contributions which the Council is required to provide the Teachers' Pension Agency (TPA). This is causing additional manual activity for Payroll staff of around 10 days per month that should not be required, is not sustainable and creates the risk of human error. The software provider has been working on identify the cause of the errors and resolving these. This work is currently on-going. The software provider has been put on notice that the Council reserves the right to recovering the additional costs arising from the extra work required as a result of these issues occurring. If the issues are not able to be resolved there is significant reputational risk to the Council. Any	Assistant Director, Chief Executives Department	Work has been ongoing with the supplier and changes have been made in the system. The number of issues identified have reduced during the year. The Council is working actively with the software provider to resolve the outstanding matters. These are expected to be resolved by the end of the year.

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	under payment of teachers' pensions contributions identified will also attract compound interest. At this stage it is not clear when the issues will be resolved. A year end certificate was manually produced by 31 May, as required. This is now required to be audited. The auditor must provide the audited return direct to the TPA by 30th November 2022.		
6. Performance Management System	Corporate performance monitoring arrangements were stepped back during the last two years to allow for the Council to provide an effective response to the pandemic. In light of the new Corporate Plan being developed and implemented, alongside the Organisational Development Framework and new Council Values and Behaviours, the Performance Management Framework and reporting arrangements needs to be reviewed, refreshed and strengthened, linked into business plans, to ensure that the right information is being monitored and reported accurately, in a timely manner. This will ensure that there is a better corporate understanding of service performance. This will enable a better corporate focus on service performance along with co-ordination of cross-cutting matters, better engagement with staff and their development and the development of a culture of improvement.	Corporate Leadership Team	Directors and management teams have been consulted throughout 2022 on an improved approach to business planning and performance monitoring. The Digital Service Lead presented the outline plans to the Corporate Leadership team. Software systems have also been reviewed with a view of further optimising processes. Business plans for 22/23 have since been collated across Resources, Adults, Children, Highways & Transport and Public Health. Remaining plans will be returned in September 2022. Work is ongoing to implement the improved, consistent approach from 2023/24 and the process of engagement with directorates will begin in November 2022.