



Meeting: Corporate Governance Committee

Date/Time: Monday, 2 September 2013 at 10.00 am

Location: Guthlaxton Committee Room, County Hall, Glenfield

Contact: Mrs. J. Twomey (tel: 0116 305 6462)

Email: joanne.twomey@leics.gov.uk

Membership

Mr. E. D. Snartt CC (Chairman)

Mr. G. A. Boulter CC Mrs. J. Richards CC
Mr. G. A. Hart CC Mr. S. D. Sheahan CC
Mr. K. W. P. Lynch CC Mr. R. J. Shepherd CC

AGENDA

<u>Item</u>	<u>Report by</u>	
1. Minutes of the meeting held on 14 June 2013.		(Pages 3 - 8)
2. Question Time.		
3. Questions asked by members under Standing Order 7(3) and 7(5).		
4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.		
5. Declarations of interest in respect of items on the agenda.		
6. Local Government Governance Review.	Director of Corporate Resources	(Pages 9 - 30)

A presentation will be provided as part of this item by Mr Phil Jones of Grant Thornton UK LLP.



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| 7. | Code of Conduct for Co-Opted Members of the Health and Wellbeing Board. | County Solicitor | (Pages 31 - 46) |
| 8. | Annual Report on the Operation of the Members' Code of Conduct 2012/13. | County Solicitor | (Pages 47 - 52) |
| 9. | Ombudsman Annual Review and Corporate Complaint Handling. | Chief Executive and Director of Corporate Resources | (Pages 53 - 62) |
| 10. | Risk Management update. | Director of Corporate Resources | (Pages 63 - 74) |
- A presentation will be provided as part of this item by Coleen Smith, Head of Service (Community Care Finance), on the risks associated with the Welfare Reform Act.
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| 11. | Quarterly Treasury Management Report. | Director of Corporate Resources | (Pages 75 - 78) |
| 12. | Date of next meeting - Monday, 23 September 2013 at 10.00am. | | |
| 13. | Any other items which the Chairman has decided to take as urgent. | | |



Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Friday, 14 June 2013.

PRESENT

Mr. E. D. Snartt CC (in the Chair)

Mr. M. H. Charlesworth CC

Mrs. J. Richards CC

Mr. G. A. Hart CC

Mr. S. D. Sheahan CC

Mr. K. W. P. Lynch CC

Mr. R. J. Shepherd CC

1. Election of Chairman.

That Mr. E. D. Snartt CC be elected Chairman for the period ending with the Annual Meeting of the County Council in May 2014.

Mr. Snartt in the Chair

2. Appointment of Vice-Chairman.

That Mr R J Shepherd CC be appointed Deputy Chairman for the period ending with the date of the Annual Meeting of the County Council in 2014.

3. Minutes.

The minutes of the meetings held on 13 February and 7 March 2013 were taken as read, confirmed and signed.

4. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 35.

5. Questions asked by members under Standing Order 7(3) and 7(5).

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

6. Urgent Items.

There were no urgent items for consideration.

7. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

8. External Review of the Medium Term Financial Strategy 2013/14 - 2016/17.

The Committee considered a report of the Director of Corporate Resources presenting the key findings from a review undertaken by the Council's external auditor, PricewaterhouseCoopers (PwC), on the Medium Term Financial Strategy (MTFS) 2013/14 – 2016/17. A copy of the report is filed with these minutes.

The Chairman welcomed Matthew Elmer, Audit Senior Manager at PwC, to the meeting. It was noted that on p. 32 of the pack (p. 21 of the PwC report) the final sentence of the paragraph beneath the bullet points should read "Our work in this particular area has not identified any issues which would lead to a qualified value for money conclusion".

Arising from discussion, the following points were noted:

- i. The Council found the external challenge of this review valuable; however, the Authority also carried out a proactive process of internal challenge; for example, a review of earmarked funds had recently been carried out; the Lead Member for Resources had begun working with each Cabinet Lead Member on risk assessing savings in their service area; and a Transformation Board had been established to engage all the political groups and ensure a political contribution to this agenda.
- ii. Leicestershire appeared to be in a relatively strong position as it had recognised the existence and the scale of the challenge early and was willing to look at and manage the process over the medium term rather than just focusing on immediate savings.
- iii. Officers were seeking to work with partner agencies in the NHS to deliver savings across the board in social care and health and avoid 'cost shunting' between different parts of the public sector preventing the achievement of an overall reduction in spending. It was also necessary for this work to span the City and the County.

RESOLVED:

That the contents of the report be noted.

9. Risk Management Update.

The Committee considered a report of the Director of Corporate Resources on progress with current risk management initiatives, covering: the refresh of the Corporate Risk Register; feedback from the Member Risk Workshop on 8 April 2013; and the Revised Corporate Risk Register. A copy of the report is filed with these minutes.

RESOLVED:

- a) That the contents of the report be noted;
- b) That officers be requested to provide a presentation to the next meeting of the Committee detailing the risks associated with the Welfare Reform Act area of the Corporate Strategic Risk Register.

10. Annual Governance Statement.

The Committee considered a report of the Director of Corporate Resources outlining the background and approach taken to produce the County Council's 2012/13 Annual Governance Statement (AGS) and presenting the draft AGS for comment prior to sign off by the Chief Executive and Leader of the Council. A copy of the report is filed with these minutes.

RESOLVED:

That the County Council's 2012/13 Annual Governance Statement be approved.

11. Quarterly Treasury Management Report.

The Committee considered a report of the Director of Corporate Resources, which provided an update on the actions taken in respect of treasury management in the quarter ended 31 March 2013. A copy of the report is filed with these minutes.

It was noted that the Local Authority Mortgage Scheme (LAMS) would enable 400 people (or couples) to buy their own home while providing an interest rate in excess of 2% for the Authority.

RESOLVED:

That the contents of the report be noted.

12. Annual Treasury Management Report.

The Committee considered a report of the Director of Corporate Resources on the action taken and performance achieved in respect of the treasury management activities of the Council in 2012/13. A copy of the report is filed with these minutes.

It was noted that debt was reduced through early repayments only where the penalties for so doing were not prohibitive.

RESOLVED:

That the content of the report be noted.

13. Internal Audit Service Annual Members' Report.

The Committee considered a report of the Director of Corporate Resources, which provided an annual report on the work conducted by Leicestershire County Council Internal Audit Service (LCCIAS). A copy of the report is filed with these minutes.

RESOLVED:

That the Internal Audit Service Annual Members' Report for 2012/13 be noted and a copy circulated to all members of the County Council for information.

14. Internal Audit Service Annual Plan.

The Committee considered a report of the Director of Corporate Resources providing information on the contents of the Internal Audit Service Audit Plan 2013-14 for the County Council and audit resource allocated to other organisations. A copy of the report is filed with these minutes.

It was noted that academies were not required to use internal audit services but the Internal Audit Service did trade its services with those academies interested in maintaining that level of assurance. Ofsted had made it clear that local authorities would be inspected on their work to monitor and improve standards in schools (regardless of status) and it would be important to preserve relationships with schools that transferred to academy status to allow this to happen.

RESOLVED:

That the Internal Audit Service Audit Plan for 2012/13 be approved.

15. Internal Audit Service Progress Report.

The Committee considered a report of the Director of Corporate Resources summarising the work of Leicestershire County Council's Internal Audit Service (LCCIAS) work finalised since the last report to the Committee and highlighting audits where high importance recommendations had been made to managers. The report also provided an update on progress against the Head of Internal Audit Service report on Members' allowances and expenses whistleblowing complaints (East Midlands Councils); an update on the implementation of the Public Sector Internal Audit Standards; and a brief summary of LCCIAS performance during 2012-13. A copy of the report is filed with these minutes.

Further follow up on the three High Importance Recommendations relating to Section 106 Developer Contributions was to be put 'on hold'. A project management board had been re-established to govern the implementation of software which would provide an audit trail of spend and attribution to Section 106 contributions, and co-ordination between departments of the Council.

RESOLVED:

That the contents of the report be noted.

16. Investigations into Allegations concerning Member Conduct

The Committee considered a report of the County Solicitor on the next steps in relation to the investigation into allegations concerning the conduct of the former Leader of the County Council, Mr. David Parsons, who was no longer a member of the County Council, regarding his use of County Council resources during his term of office, the review of the current arrangements for authorising the payment of travel and subsistence to elected members and action to be taken to recover costs which have been incurred, otherwise than in relation to County Council business. A copy of the report is filed with these minutes.

Arising from discussion, the following points were noted:

- i. This had probably been the most complex member related investigation carried out by this Local Authority and had taken longer than had been originally hoped; however, lessons had been learned from the experience.
- ii. The journeys that had been investigated further had been chosen following rigorous examination of all the information on the journeys undertaken by Mr. Parsons.
- iii. The calculation of the costs of the 29 journeys that were not considered sufficiently connected with Mr. Parsons' role as a County Councillor or as Leader of the Council had not been finalised but the figure was likely to be in the region of £3,500. Mr. Parsons had also been invoiced £752 to meet the early termination charge for his lease car.

RESOLVED:

- (a) That no further action be taken under the procedures for dealing with allegations of a breach of the Members' Code of Conduct in respect of the complaints against Mr. David Parsons;
- (b) That the Director of Corporate Resources be requested to take further steps to finalise the assessment of the costs incurred for the journeys identified as inappropriate by the investigation into those allegations and to seek recovery of those costs and that the Director report back to the Committee on the action taken;
- (c) That the steps taken through the Independent Remuneration Panel to address concerns previously raised and the report to Constitution Committee be noted and that the Chief Executive be requested to establish procedures for authorising payment of travel and subsistence to elected members in accordance with the arrangements established in the Constitution.

17. East Midlands Councils: Governance and Finance Issues.

The Committee considered a report of the Chief Executive and Director of Corporate Resources on issues relating to governance and financial arrangements for East Midlands Council (EMC). A copy of the report is filed with these minutes.

Arising from discussion, the following points were noted:

- i. It did not appear that the proposed review of EMC would be as robust as the Leader of the County Council had requested.
- ii. EMC provided HR and support services mainly for district councils but its work was considered to be of only limited value to the County Council and other upper-tier councils.

RESOLVED:

- (a) That the developments set out in the report be noted;
- (b) That, in the circumstances, further work should not be undertaken on the constitutional governance arrangements for East Midlands Councils (EMC) unless, as a consequence of a robust review undertaken by that organisation, the County Council decides to remain in membership;

(c) That it would be appropriate for the Chief Executive to contact other authorities in the East Midlands area to ascertain their intentions with regard to membership of EMC;

(d) That officers be requested to provide a further report on any governance issues arising from that review and from decisions about the County Council's membership of EMC.

18. Regulation of Investigatory Powers Act 2000.

The Committee considered a report of the County Solicitor providing a update on the use of powers under the Regulation of Investigatory Powers Act 2000 (RIPA). A copy of the report is filed with these minutes.

RESOLVED:

That the use of RIPA powers for the period from January to December 2012 be noted.

19. Date of next meeting.

RESOLVED:

That it be noted that the next meeting of the Committee would be fixed following consultation with the Chairman and Spokesmen.



CORPORATE GOVERNANCE COMMITTEE - 2 SEPTEMBER 2013

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

LOCAL GOVERNMENT GOVERNANCE REVIEW 2013

Purpose of Report

1. The purpose of this report is to introduce for the Committee's information a presentation by Grant Thornton, one of the leading organisations providing independent assurance, tax and advisory services.
2. The presentation is designed to highlight key areas for discussion arising from their 2013 national Local Government Corporate Governance Review, as well as draw attention to how this has been used to implement improvements for the County Council's Annual Governance Statement for 2012/13.

Background

3. The Framework 'Delivering Good Governance in Local Government', published by CIPFA in association with SOLACE in 2007, sets the standard for local authority governance in the UK and the requirement to produce an Annual Governance Statement (AGS). CIPFA and SOLACE reviewed the Framework in 2012 to ensure that it remains 'fit for purpose' and issued revised guidance.
4. The Framework urges local authorities to review and report on the effectiveness of their governance arrangements, with an increased emphasis on a strategic approach focusing on outcomes and value for money, driven by the significant change being experienced in local government and the introduction of other key legislation. The AGS is an important statutory requirement which enhances public reporting of governance matters.
5. During 2012, a review of all authorities' AGS's was conducted by Grant Thornton. The County Council used guidance from this review to implement improvements for the 2012/13 AGS.
6. Following on from this initial review, Grant Thornton published the 'Local Government Governance Review 2013'. This national report has been based upon reviews of 153 local authorities 2012/13 annual reports and a survey of sector leaders. A Director from Grant Thornton will attend the meeting of this Committee to outline their findings and to highlight key areas for discussion.

Key Improvement Areas 2013/14

7. At its meeting on 14 June 2013 the Committee approved the County Council's 2012/13 AGS. There have been no changes to the AGS since its presentation in June and a copy of the final signed Statement is attached as Appendix A.
8. Whilst the County Council's review of effectiveness concluded that overall financial management and corporate governance arrangements were sound, the assurance gathering process identified key areas of improvement. Implementing actions to address these will ensure that gaps identified within the County Council's current control environment will be filled and strengthened and further enhance our overall governance arrangements.
9. Section 4 of the 2012/13 AGS includes a table which describes those areas identified for improvement during the review period 2012/13 and to carry forward for monitoring within 2013/14. At its meeting in November 2013, the Committee will be presented with a mid-year progress update.

Recommendations

The Committee is requested to note the content of this report and the presentation by Grant Thornton.

Resource Implications

None.

Equal Opportunities Implications

None.

Background Papers

Delivering Good Governance in Local Government: Framework – issued by CIPFA / SOLACE, 2007 and 2012
Report to the Corporate Governance Committee 14 June 2013 – 'Annual Governance Statement 2012/13'

Circulation Under the Local Issues Alert procedure

None

Officers to Contact

Declan Keegan, Finance Manager, Corporate Resources Department
Tel : 0116 305 7668 Email : declan.keegan@leics.gov.uk

List of Appendices

Appendix – Annual Governance Statement 2012/13



Annual Governance Statement (AGS) 2012/13

1. SCOPE OF RESPONSIBILITY

Leicestershire County Council (LCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Leicestershire County 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, Leicestershire County Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Leicestershire County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website-[Code of Corporate Governance](#) and this statement explains how Leicestershire County Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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 ongoing process designed to identify and prioritise the risks to the achievement of the County 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.

The governance framework has been in place at Leicestershire County Council for the year ended 31 March 2013 and up to the date of approval of the annual report and statement of accounts. The County Council's governance environment is consistent with the six core principles of the CIPFA/SOLACE framework, within each principle we have identified the sources of assurance.

PRINCIPLE A: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Under this principle, there is a requirement of local authorities to:

- Exercise strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users.
- Ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning.
- Ensure the authority makes best use of resources and that tax payers and service users receive excellent value for money.

Description of Governance Mechanisms:	Assurances received	Areas for improvement
<p><i>Evidence and documents that demonstrate compliance / good practice</i></p> <ul style="list-style-type: none"> • Leicestershire Together – Strategic Partnership priorities • Service/Business Plans supported by relevant strategies • Community engagement and Communication Strategy • Partnership protocols and arrangements. • Performance trends and reports on the progress of service delivery • Formal complaints policy and procedures that inform positive service improvement • Comparison of information on LCC's economy, efficiency and effectiveness of services • Instruction on how to measure Value for Money • Environmental impact of policies, plans and decisions 	<ul style="list-style-type: none"> • Leicestershire's strategic outcomes for 2012/13 were agreed by the Leicestershire Together Board. Leicestershire Together has developed the overall vision for the County and a supporting outcome framework to guide the work of the County Council and partner agencies; • Outcomes are delivered through supported commissioning, service plans and strategies which set out objectives and targets in relation to the Council's priority outcomes. • Communication strategy that is based on an audience-led approach, allowing the Authority to better target communications more cost effectively at the residents who use or need LCC services; • Variety of mechanisms for capturing and reporting service user views, including new customer service centre user feedback survey and enhanced adult social care surveys; • Performance trends reported through dashboards and used for partnership boards and departments; including targets agreed in Environment Strategy. • Annual Performance Report considered by Cabinet, Scrutiny and Council – supported by approved Medium Term Financial Strategy and Annual Statement of Accounts; • Formal, publicly accessible complaints policy which ensures complaints are tracked and monitored, including effective 'fast-tracking' and production of case reviews. Action plans are formulated showing 'lessons learned' which feed into wider departmental plans; • Value for Money (VfM) Strategy sets out the overall framework within which the efficiencies included within the Medium Term Financial Strategy (MTFS) will be achieved; • Variety of benchmarking arrangements in place across services to assess comparative effectiveness, including CIPFA Value for Money (VFM) benchmarking club. Data analysed and supplemented with internal information to understand local performance, with appropriate action taken to review and reduce spend. Analysis also used to inform service plan change projects to further improve value for money. • Reporting on the Environmental Management System includes review of compliance with environmental regulation and response to relevant complaints. 	<ul style="list-style-type: none"> • Increase and enhance 'lessons learned' through the complaints process. • Improve VfM measures at departmental level

PRINCIPLE B: Members and officers working together to achieve a common purpose with clearly defined functions and roles

Under this principle, there is a requirement of local authorities to:

- Ensure effective leadership throughout the authority and be clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function;
- Ensure a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard;
- Ensure relationships between the authority, its partners and the public are clear so that each knows what to expect of the other.

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received	Areas for improvement
<ul style="list-style-type: none"> • Job descriptions for: Chief Executive, Leader; S151 Officer; Monitoring Officer; Head of Internal Audit • Member/Officer Protocol • Constitution • Scheme of delegation, standing orders and financial regulations • Effective Chief Executive and Leader pairing • Compliance with Role of Chief Financial Officer (CFO) and Role of Head of Internal Audit • Monitoring officer provisions • Scheme for member remuneration and allowances • Conditions of employment including; appraisal arrangements; pay and conditions policies; structured pay scales • Effective performance management system including progress on Key Performance Indicators and identifying areas of improvement • Business and financial planning process • Protocols for consultation • Protocols for partnership working 	<ul style="list-style-type: none"> • Constitution sets out Council's political structure and roles and responsibilities of the Executive, Committees, the full Council and Chief Officers and the rules under which they operate. There are specific job descriptions for Cabinet and Scrutiny Committee Members. • Constitution sets out 'Responsibility for Functions' including scheme of delegation to heads of departments and panels. Also includes financial procedure rules and fundamental principles on 'Member/Officer Relations'. • Regular meetings take place between the Leader and the Chief Executive and the Leader and the Deputy Leader. • Assessment of compliance with the Statement on the Role of the CFO and Role of the Head of Internal Audit. • Monitoring Officer and CFO are responsible for ensuring an appropriate framework exists to ensure procedures are followed. • Members Allowances Scheme is reviewed by an Independent Remuneration Panel with recommendations adopted. Allowances received by every member are also published. • Employment Committee manage and govern all pay matters and are responsible for terms and conditions of service, including remuneration. Pay Policy Statement ensures the Authority manages its policy on pay and benefits in a fair, non-discriminatory, consistent and transparent way. • Progress reporting to Lead Members and dedicated Scrutiny Panel on performance against key indicators. Dashboards published ensuring public and stakeholders are clear what the Council and partners are trying to achieve and of progress against the priorities. • Established Strategic Finance function maintains sound financial frameworks and supports delivery of MTFS. • Directed reviews' of formal partnership working arrangements. • Performance reports to partnership boards. • Various forums and frameworks for consultation ensuring clear channels of communication with all sections of the community and other stakeholders. 	<ul style="list-style-type: none"> • Ensure changes to Scrutiny Function post election address the continued need for performance monitoring; • Review of partnership protocols and governance arrangements

PRINCIPLE C: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Under this principle, there is a requirement of local authorities to:

- Ensure authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance;
- Ensure that organisational values are put into practice and are effective.

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received	Areas for improvement
<ul style="list-style-type: none"> • Annual Governance Statement • Member and Officers Codes of Conduct • Performance appraisal • Procedures for responding to behaviour complaints • Anti –fraud and anti-corruption policies • Standing orders and financial regulations • Register of Interests and Gifts and Hospitality – members and staff • Ethical awareness training and dealing with conflicts of interest • Communicating shared values with members, staff, the community and partners • Whistleblowing arrangements • Decision making practices/framework • Protocols for partnership working 	<ul style="list-style-type: none"> • AGS produced by compiling and scrutinising information from Departmental Self Assessments, Corporate Assurance Statement and assurance from Internal Audit Service. • Adopted Code of Conduct for Members - 'Standards of Conduct' information provides guidance to help elected members exhibit high standards of personal conduct. • Corporate Governance Committee is primarily responsible for the promotion and maintenance of high standards of conduct by members and co-opted members, including agreeing criteria for assessing complaints against members. • Adopted Employee Code of Conduct which is supported by regular items on the Council's intranet reminding staff of the Register of Interests, Register of Gifts and Hospitality and Whistleblowing procedures. Monitoring Officer reviews all registers annually. • 'Dignity At Work' Policy and Procedures provides employees with examples of unacceptable behaviour, and is complimented by other HR policies • Corporate Performance and Development Review (PDR) system in place to appraise the performance of all staff with completion rates monitored and reported. Managers align employees PDR priorities and objectives to the service, department and Council's priorities. • 'Leading for High Performance' programme underpins the approach to performance management and covers importance of maintaining strong ethical governance. • Approved Anti Fraud & Corruption (F&C) Policy, Strategy and Procedures, complimented by mandatory Fraud Awareness E-Learning module. Annual assessment against reputable publications provides knowledge of fraud exposure and directs potential improvements. • Constitution sets out 'Meeting Procedure Rules' and Financial Rules and Regulations • Annual reminder to Members of the importance of keeping their register entries up to date - with Registers' made available for public inspection. • Organisational Values considered during the PDR, complimented by departmental notices displaying visions and achievements. Chief Executive's 'News for All' and Corporate Management Team Road shows contains information for all staff. • Embedded 'Whistleblowing' procedures and Supplier Whistleblowing Policy. 	<ul style="list-style-type: none"> • Refresh Anti F&C Policy, Strategy and Procedures. • Use Counter Fraud Checklist to target areas for potential improvement. • Review Officer Code of Conduct.

PRINCIPLE D: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Under this principle, there is a requirement of local authorities to:

- Be rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny;
- Have good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs;
- Ensure that an effective risk management system is in place;
- Use their legal powers to the full benefit of the citizens and communities in their area.

Description of Governance Mechanisms –	Assurances received	Areas for improvement
<p><i>Evidence and documents that demonstrate compliance / good practice</i></p> <ul style="list-style-type: none"> • Role and responsibility for scrutiny – including improvements to proposals as a result of scrutiny • Corporate Governance Committee • Internal Audit function • Decision making protocols / records of decisions and supporting materials • Members' and officers' code of conduct • Terms of reference and membership • Training for committee members including information needs to support decision making • Calendar of dates for submitting, publishing and distributing timely reports • Approved Risk Strategy/Policy • Effective counter fraud arrangements • Legal advice provided by officers 	<ul style="list-style-type: none"> • Overview and Scrutiny committees are in place with Chairman's annual report and regular position statements to Council. Cabinet consults with the Scrutiny Commission before taking decisions on major policy issues. • Budget & Performance Monitoring Scrutiny Panel receive reports on the revenue budget and capital programme and performance reports in relation to targets and commitments and action plans arising from inspection and assessment reports. • Internal Audit Service annual plan of audits provide assurance that the internal control systems of the Authority are operating effectively. • Terms of References for Committees and decision making protocols are detailed in the Constitution - records of decisions, with supporting materials are available through the Decision Enquiry System. • Member Learning and Development Working Party oversee implementation of Learning & Development Strategy which includes induction for members and identification of development needs. • Corporate research and information function co-located with performance and business intelligence function – enabling provision of good quality information drawing on census, research and variety of other sources and tools. • Information Governance Group is the steering committee that sets the strategic direction for information and data governance across the Council. • Council's risk management framework recently aligned with local government best practice – providing assurance to senior management, Members and public that the Council is mitigating the risks of not achieving key priorities. • Members of the Corporate Governance Committee actively engage and take interest risk management, including detailed scrutiny of the Corporate Risk Register. • Counter fraud arrangements assessed against reputable publications to ascertain fraud exposure and direct potential improvements. • Monitoring of reports to ensure propriety of decision making and that legal advice is included where necessary and appropriate. 	<ul style="list-style-type: none"> • Enhance organisational business intelligence particularly around delivery of outcomes.

PRINCIPLE E: Developing the capacity and capability of members and officers to be effective

Under this principle, there is a requirement of local authorities to:

- Make sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles;
- Develop the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.
- Encourage new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received	Areas for improvement
<ul style="list-style-type: none"> • Induction programme • Officer training and development plans • Availability and communication of activities • Performance reviews of officers • Succession Planning • Member training and development • Community and Stakeholder forums • Residents' panel structure 	<ul style="list-style-type: none"> • Learning and Development Plan's approved by DMT/ Departmental Workforce Groups and are reviewed and updated on a periodic basis enabling L&D service to respond to need not anticipated or known at the beginning of the training plan process. • Induction available to all managers and staff with core training provided for specific roles. • Relevant L&D activities communicated through intranet, email updates, newsletters, briefings and staff workers groups. • Corporate Performance and Development Review (PDR) system in place to appraise the performance of all staff with completion rates monitored and reported. Managers at all grades assessed against Leadership Behaviours which underpin the management competency framework • Performance management and reporting systems in place at various levels, allowing outcomes to be cascaded and linked to individual development plans. • People Strategy Board agreed pilot approach to Talent Management and Succession Planning which is due to commence during 2013. • Member development sessions cover both functional roles and responsibilities of the Council as well as those related to good governance. • Community Forums, covering the whole of Leicestershire aim to ensure that services provided in an area match the needs of the local community. • Community Forum Budgets empower communities to play a role in decision making by allowing them to put forward project ideas and have a key role in choosing which projects are supported. • Community Forums, Community Forum Budgets and Big Society work help to identify community members as a potential basis for future community talent and service. 	<ul style="list-style-type: none"> • Enhance Succession Planning. • Review of Mandatory E-Learning programmes and training.

PRINCIPLE F: Engaging with local people and other stakeholders to ensure robust public accountability

Under this principle, there is a requirement of local authorities to:

- Exercise leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships;
- Take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service;
- Make best use of human resources by taking an active and planned approach to meet responsibility to staff.

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received	Areas for improvement
<ul style="list-style-type: none"> • Database of stakeholders • Annual report • Citizen survey • Record of public consultations • Process for dealing with competing demands within the community • Communication Strategy • Annual financial statements • Freedom of Information Act publication scheme • Council tax leaflet • LCC Website • Best practice standards in recruitment and staff terms and conditions 	<ul style="list-style-type: none"> • Full public annual report providing information on outcomes, achievements, satisfaction and progress against key priorities and plans. • LCC recognise the importance to consult, involve and listen to citizens so that services can be improved and future plans made – a wide range of techniques used for dialogue with the community including budget, priorities, community safety, customer service and individual service user groups. • Leicestershire 'Place Survey' – citizens giving their views on how to make the County a better place to live. • Web based consultation undertaken on the MTFS with results reported to full Council. • Communication strategy based on an audience-led approach allowing targeted communications at the residents who use or need LCC services, resulting in increase in satisfaction levels • The Account Statements set out the published statement of accounts of the Authority year on year. The accounts have been produced in line with the various regulations that govern local authority accounting. LCC also published its Council Tax Leaflet on the website • Freedom of Information (FOI) and Environmental Information Regulations Policy underpin the key principles of the Information Management Strategy in that the Council embraces a culture that is open, accessible and accountable, aiming to publish as much information as possible. Robust FOI practices enable the Council to meet obligations and aid understanding of public interests, helping to shape future service delivery. • LCC website is frequently used as a medium to inform and engage with the public and updates on the homepage direct residents to key information. Introduction of dialogue via other media such as Facebook and Twitter. • The Information and Data Team keep an updated report on website usage. • Recruitment undertaken in accordance with policy and procedures. 	<ul style="list-style-type: none"> • Enhance engagement with officers and public

3. REVIEW OF EFFECTIVENESS

Leicestershire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit Service's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The CIPFA Governance Framework details the key sources of typical systems and processes that an authority can adopt to ensure it has an effective system of internal control. Using this guidance, the County Council can provide assurance that it has effective governance arrangements, which have been established through the following:

Code of Corporate Governance

The Chief Executive has a duty to monitor and review the operation of the Constitution and the Monitoring Officer has a duty to report to Cabinet on matters which could be considered as unlawful or give rise to maladministration. As part of this process the Monitoring Officer ensures an annual assessment of the Authority's compliance with the Code of Corporate Governance is undertaken.

Internal Audit Service

Internal Controls of Leicestershire County Council

The Council's Internal Audit Service Annual Plan coverage during 2012/13 was developed using a risk based approach, aligned to the Corporate Risk Register where possible to ensure current and emerging risks were adequately covered. Internal Audit Service reports provide an overall assurance assessment on the adequacy and effectiveness of the Council's internal control environment, with areas of weakness identified and recommendations for improvements made.

Governance and Risk Management

During the year, significant pieces of work included a corporate wide audit in respect of the Efficiency & Service Reduction Programme and examining the decision making process of Integrated Commissioning Board, both resulted in a substantial assurance rating. The Head of Internal Audit Service routinely attends relevant meetings to determine how governance issues are identified and managed and has concluded overall, based on the findings of work undertaken, that governance procedures at both strategic and operational level are robust.

Specific risk framework audits and other audits were conducted, ensuring that management has identified, evaluated and managed risks to reduce risk exposure and achieve objectives. LCC has an improved risk management framework and the Head of Internal Audit Service is of the opinion that presentations on specific risks to the Corporate Governance Committee are beneficial to Members understanding of their roles relating to risk management.

Internal Financial Controls

A number of financial systems were undertaken on the County Council's general ledger activities and other operating financial systems. The Head of Internal Audit Service has concluded overall, based on the findings of work undertaken, that general assurance can be given that the operation and management of the core financial systems of the County Council are of a sufficient standard to provide for the proper administration of its financial affairs.

Effectiveness of Internal Audit Service

The County Council is required to conduct an annual review of the effectiveness of its internal audit function and for the Corporate Governance Committee to review its findings. This review is considered part of the system of internal control and informs this Annual Governance Statement. A self assessment of compliance against the 'Code of Practice for Internal Audit in Local Government in the UK' confirms that overall, the Council continues to undertake an effective internal audit function and internal audit continues to be an effective part of the internal control process. Any areas where there is 'partial' compliance will be improved, both through the implementation of process and structure changes, and the adoption of, and conformance to, the new mandatory 'Public Sector Internal Audit Standards (PSIAS)' being introduced from April 2013.

Risk Management

Governance of Risk

The County Council's Code of Corporate Governance sets out a requirement to ensure that an effective risk management system is in place. Following an independent review of the current risk management framework, several recommendations were made to bring the Council in line with local government best practice. To this effect, the Council has adopted guidance from the ALARM (Association of Local Authority Risk Managers) Risk Management Toolkit - An essential guide for managing risk in public service organisations.

In order for risk management to be most effective and become an enabling tool, the Authority must ensure a robust, consistent, communicated and formalised process is established across the County Council. Revision of the framework, included the implementation of new risk assessment criteria and corresponding risk matrix; and aims to ensure that links to Departmental Risk Registers are strengthened, thereby ultimately improving the flow of risk information throughout the Authority. This revision also included a refresh of the Corporate Risk Register and Risk Management Policy and Strategy – these along with supporting documentation, form an integrated framework that supports the County Council in the effective management of risk.

The new structure will enhance the effectiveness of the current approach to managing risks by developing and applying a more quantitative approach to decision making processes throughout the Council. In implementing a management of risk system, the Council seeks to provide assurance to all our stakeholders that the identification, evaluation and management of risk play a key role in the delivery of our strategy and related objectives.

Overview & Scrutiny Committees

Role of Scrutiny

The County Council operates a Cabinet governance structure and benefits from a culture of scrutiny. In Leicestershire, the role of Overview and Scrutiny includes holding the Executive to account and supporting the Council's work through review and scrutiny of Cabinet decisions and Council performance. It also assists in research, policy review and development.

The Overview and Scrutiny process focus on things that matter to local people and this will involve, amongst other things, an appropriate dialogue with the Executive to ensure that duplication is avoided and the Council's resources are put to effective use.

A standing panel on Budget and Performance Monitoring has been established, along with a number of small, time-limited scrutiny review panels which have considered and made recommendations to the Executive. Three examples relating to policy decisions made during 2012/13 were:

- A review of progress with the delivery of the Extra Care Strategy;
- Review of the Criteria for the Statutory Assessment of Special Education Needs;
- Scrutiny of the Youth Justice Strategic Plan

The Leadership Centre for Local Government has identified three themes for improved scrutiny and during the past year, these have been adopted through the following:

Leading beyond authority boundaries

- Inviting the Chairman of the Leicester and Leicestershire's Enterprise Partnership (LLEP) which covers the City and the County, to report on first year activity.
- Working jointly with the City Council to challenge the decision by NHS England to stop children's heart surgery at Glenfield Hospital.

Authority recognition of and support for scrutiny

- A policy officer that supports members in scrutinising health bodies.
- Identifying relevant development for Scrutiny Commissioners.

Members taking responsibility for their own effectiveness

- The Chairmen and Spokesmen of each scrutiny body meet regularly to plan the agendas for meetings and consider suggestions for Review Panels.
- An annual workshop to review past performance, plan for the coming year and review working practices.

The Children and Young People's Service Overview and Scrutiny Committee reviews and scrutinises the Council's functions in relation to the provision of services to children, young people and their families. This includes examining information from Ofsted inspection reports and scrutinising progress against areas for improvement. The Adults, Communities and Health Overview and Scrutiny Committee reviews and scrutinises the Council's functions in relation to social care provision for adults and provision for communities. It also scrutinises the activities of the Leicestershire County and Rutland Primary Care Trust which has responsibility for commissioning health care services.

The establishment of scrutiny contributes to good governance by being a key component of accountable decision making. Members of the public are welcome to attend meetings of Overview and Scrutiny Committees, ask questions and present petitions on council and other matters affecting the community.

<u>Corporate Governance Committee</u>
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The Corporate Governance Committee is responsible for both Corporate Governance and Standards of Conduct matters.

Corporate Governance:

Its role in relation to Corporate Governance matters is to promote and maintain high standards of corporate governance within the Authority, ensuring that there is an adequate risk management framework in place, the Council's performance is properly monitored and there is proper oversight of the financial reporting processes. The Committee agrees the annual audit plan and receives and considers reports on:

- Risk management and the Corporate Risk Register;
- Annual Governance Statement;
- External audit and inspection plans;
- Results of external audit work;
- The effectiveness of systems of internal audit;
- Progress reports on internal audit work;
- Anti fraud and corruption initiatives
- Treasury management

Standards of Conduct

Its role in relation to Standards of Conduct matters is to promote and maintain high standards of conduct by elected members and co-opted members and deal with a variety of associated matters. It also:

- Advises on matters relating to the conduct of employees.
- Makes recommendations to the County Council on the adoption or revision of the Members' Code of Conduct,
- Monitors the operation of the code
- Provides advice and training to county councillors.

These arrangements have ensured the smooth handling of complaints, including assessing, reviewing and conducting hearings.

<h3><u>External Audit</u></h3>

The County Council's external auditors PricewaterhouseCoopers detail findings from their planned audit work of the Council, to those charged with governance through:

Medium Term Financial Strategy Report

The County Council has set a challenging and robust MTFS after going through a process of consultation. The PwC audit plan highlighted a specific audit risk in relation to savings requirements detailed within the MTFS. Key conclusions from work undertaken on the County Council's approved MTFS can provide the public with assurance that the Authority has:

- Robust programme management arrangements in place and has made significant strides over the past few years to identify savings and deliver more efficient services;
- Applied a number of prudent assumptions in setting its MTFS which will help managing financial risks which exist over the plan period;
- Demonstrated value for money on a number of key areas when compared with other County Councils, using the Audit Commission value for money profile;
- Set aside an appropriate level of earmarked reserves and a level of contingency to manage future cost pressures;
- Prioritised its services in the areas of greatest need.

Governance structures in each department have overseen the delivery of past plans through: strong leadership from Directors; agreed priorities which have influenced spending decisions; a well established reporting framework with clear accountability; and business partners who support the delivery of savings projects and improve information to support decision making. Members have a significant involvement in the development of the MTFS through meetings, briefings for individual political parties and detailed scrutiny.

Overall, the County Council's performance in the 'PwC Benchmarking Club' has historically been at or consistently near the top for a number of years in terms of value for money achieved when compared to other, similar authorities.

Report to those charged with Governance

Under International Auditing Standards, external auditors are required to report to those charged with governance (Corporate Governance Committee) on the significant findings from their audit before giving their audit opinion, the purpose of which is to highlight any significant matters. The report concluded that no significant audit and accounting issues were identified and that there were no material deficiencies in internal control, leading to an overall unqualified opinion.

Audit opinion for the 2011/12 Statement of Accounts, incorporating value for money conclusion

The audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or error. For 2011/12, the County Council's statement of accounts presented a true and fair view, in accordance with the relevant codes and regulation.

The County Council's Constitution includes Standing Financial Instructions, Contract Procedure Rules and Schemes of Delegation to Chief Officers. These translate into key operational internal controls such as: control of access to systems, offices and assets; segregation of duties; reconciliation of records and accounts; decisions and transactions authorised by nominated officers; and production of suitable financial and operational management information. These controls demonstrate governance structures in place throughout the Authority which contribute to the production of the Annual Statement of Accounts and positive opinion presented by our external auditors.

The County Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements. Having regard to the guidance on the specified criteria by the Audit Commission, external auditors are satisfied that, in all significant respects, Leicestershire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

<u>Organisational Governance and Performance Framework</u>

The Corporate Management Team received a quarterly report covering corporate County Council performance and an Organisational Governance Dashboard which includes information relating to audit and risk management, information issues, procurement, complaints, employees and safeguarding.

Annual Governance Assurance Statements

The annual review of effectiveness requires the sources of assurance, which the County Council relies on, to be brought together and reviewed from both a department and corporate view.

To ensure this Annual Governance Statement presents an accurate picture of governance arrangements currently in place, each directorate was required to complete a 'Governance Self Assessment', which provided details of the measures in place within their department to ensure compliance (or otherwise) with the County Council's Code of Corporate Governance. Where department's have identified specific 'areas of improvement', these are incorporated into an action plan for DMT's to discuss and prioritise implementation during the course of the next financial year.

In order to assist the Head of Internal Audit Service's opinion on the adequacy and effectiveness of the Authority's governance arrangements, sample checking of the self-assessments and supporting evidence was conducted. This included:

- Confirmation of Directors' involvement;
- Selecting areas across the range of the six core principles to test the existence of sufficient evidence to support a department's response;
- Brief interviews with Lead Members' and 'stop and ask' surveys of staff to evaluate their knowledge of department and corporate principles, plans and policies.

Based on the samples of 'Key Areas of Internal Control' that were reviewed across the six core principles, evidence was provided to confirm adequate controls are in place. Lead Members confirmed that processes in place to inform and update them on the key risks and issues within their specific portfolio were satisfactory and staff surveys showed that the majority of employees have sound knowledge of the areas tested. Assurance can be provided that processes are in place to ensure any areas for improvement will be progressed into the future.

The Role of the Chief Financial Officer (CFO)

CIPFA has issued the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*. The statement sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

Leicestershire County Councils' financial arrangements fully conform to the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*. As CFO, the Director of Corporate Resources is a key member of the Corporate Management Team and is responsible for the proper administration of the Council's financial arrangements and leads a fully resourced and suitably qualified Strategic Finance Function. The CFO is actively involved in and able to bring influence to bear on all material business decisions to ensure immediate and long term implications, opportunities and risks, are fully considered and in alignment with the MTFS and other corporate strategies. The CFO has completed an assurance statement, providing evidence against core activities and responsibilities which strengthen governance and financial management across the Authority.

The Role of the Head of Internal Audit

CIPFA has issued the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010)*. The statement sets out five principles that define the core activities and behaviours that belong to the role of the head of internal audit and the organisational requirements needed to support them.

The Council's Internal Audit Service arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010)*. The Head of Internal Audit Service (HoIAS) works with key members of the Corporate Management Team to give advice and promote good governance throughout the organisation. The HoIAS leads and directs the Internal Audit Service so that it makes a full contribution to and meets the needs of the Authority and external stakeholders, escalating any concerns and giving assurance on the County Council's control environment. The HoIAS has completed an assurance statement, providing evidence against core activities and responsibilities which strengthen governance, risk management and internal audit across the Authority.

Transparency

The County Council is committed to publishing as much information and data it can, free of charge. The 'Open Data' area on the LCC website has been created to help the Council to:

- Increase openness and transparency
- Make data held freely available online (subject to the Data Protection Act)
- Encourage the public to interact with and use the data that is available.
- Publish data in a machine readable format so that it can be re-used.

The County Council already makes available a large amount of information through several means:

- Leicestershire County Council Website - including website A to Z
- FOI Disclosure log (including responses) received since 2008
- Libraries and other publications including: Business Matters Newsletter; Events Guides; Education; Emergency Management; Leicestershire Matters and Press Releases

The County Council's communication strategy is based on an audience-led approach which has allowed the Authority to better target communications more cost effectively at the residents who use or need our services, resulting in the number of residents who feel informed by the council increasing from 52% to 79% and satisfaction levels rising from 39% to 51%.

Freedom of Information

The main aim of the Freedom of Information (FOI) Act and the Environmental Information Regulations (EIR) legislation is to make public authorities more open and transparent and the Council has a Policy which sets out the approach to handling requests. This legislation helps the Council to create a climate of openness and dialogue with all its stakeholders, which in turn helps to increase public confidence in the way that the Council is operating. Robust FOI and EIR practices will not only enable the Council to meet its obligations, but will also aid the Council in understanding what the public is interested in, helping the Council to shape service delivery.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the above, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

4. GOVERNANCE ISSUES

This review of effectiveness has been informed by both Internal and External Audit and the conclusion of the review is that the Council's overall financial management and corporate governance arrangements during 2012/13 are sound. However, details of a governance issue that has been highlighted are set out below:

The County Council was subject to adverse publicity from January 2012 regarding the use of County Council resources by the former Leader. The County Council has responded positively in that:

- I. The Corporate Governance Committee has received regular and detailed reports allowing Members to ensure that issues have been properly addressed;
- II. Complaints have been addressed through Standards procedures;
- III. Action was taken to address the matter by the controlling Conservative Group;
- IV. The three Political Groups have all taken steps to strengthen their conduct and behaviour procedures

Progress on issues previously identified:

The table below describes the governance issue identified during 2011/12 and the progress made against addressing this during 2012/13:

Issue	Update on position	Carry forward for 2013/14	Lead Officer
<u>Information security breach:</u> <ul style="list-style-type: none"> • An incident reported to the Information Commissioner. • Following the remedial action that has been taken by the County Council, no Enforcement Notice served. • A Letter of Undertaking signed by the Chief Executive outlining actions to ensure that personal data are processed in accordance with the Seventh Data Protection Principle. • Key issue was to raise awareness across the Authority on the importance of Information Security. 	Action Plan put in place resulted in following: <ul style="list-style-type: none"> • Increase in the number of incidents reported, which is considered positive as highlights greater emphasis and level of understanding; • Corporate Information and Technology Steering Group established, with regular reports on information security incidents and issues; • Policies and related guidance produced and training for staff provided, with particular focus given to those services areas where information security was of a high priority – including introduction of E-Learning module; • Stringent requirements applied to Public Health in readiness for transition; • Monitoring controls to ensure staff do not access personal data which they did not require in order to fulfill their duties. 	Complete	Strategy & Policy Manager

Key Improvement Areas – 2013/14

Whilst the review of effectiveness concluded the Council's overall financial management and corporate governance arrangements are sound, the assurance gathering process identified key corporate areas of improvement. Implementing actions to address these will ensure that identified gaps within the County Council's current control environment will be filled strengthened, and further enhance our overall governance arrangements.

The table below describes identified areas for improvements during the review period 2012/13 to carry forward for monitoring within 2013/14:

Key Improvement Areas – Principle A	Lead Officer	Deadline
<u>Complaint Handling</u> The County Council has an effective complaints policy and procedures which inform positive service improvements. As part of this, a number of action plans are formulated showing how lessons learned feed into wider departmental plans. The 'lessons learned' process can be enhanced by translating more complaints into action plans.	Customer Relations Manager	March 2014
<u>Value for Money (VfM)</u> The Council's Value for Money Strategy is detailed within the MTFS. Delivery of this strategy can be enhanced by Departmental Management Teams' agreeing an approach on how to measure / benchmark VfM within their directorates and reflecting results in the department's performance plans.	Assistant Director: Strategic Finance	March 2014

Key Improvement Areas – Principle B	Lead Officer	Deadline
<u>Performance Monitoring</u> All DMT's receive regular reports on the status of key performance indicators and other relevant performance measures and have a process to address poor performance. Performance Monitoring can be improved by: Refining quarterly reporting; defining expectations and implementing KPI's; including wider client base; embedding performance management in revised Scrutiny function and; Communication of refreshed Council priorities after election.	Departmental Management Teams'	March 2014
<u>Partnership Working</u> The Council has monitoring processes in place to review and manage the performance of key partnerships / joint working arrangements. Given that Partnership working and the investment of County Council funding is becoming potentially more complex, partnership protocols and governance arrangements need to be reviewed.	Assistant Director: Strategic Finance	December 2013

Key Improvement Areas – Principle C	Lead Officer	Deadline
<u>Anti Fraud & Corruption</u> The County Council assesses itself against the Audit Commission's 'Protecting the Public Purse' (PPP) and the National Fraud Authority's (NFA) Counter Fraud checklist to increase understanding of fraud exposure. Internal Audit has reviewed the Authority's response to this and a list of target areas for potential improvement has been identified. Refreshing and aligning the	Assistant Director: Strategic Finance	December 2013

Council's existing policy, strategy and procedures to guidance within the NFA Fighting Fraud Locally, Local Government Fraud Strategy, will enhance arrangements to create fraud awareness and further emphasise the Council's zero tolerance towards fraud.		
<u>Review of Officer Code of Conduct</u> The County Council has adopted an Employee Code of Conduct which is supported by regular items on the Council's intranet. A review of this Code will be undertaken.	County Solicitor	April 2014

Key Improvement Areas – Principle D	Lead Officer	Deadline
<u>Business Intelligence</u> The corporate Research and Information function is co-located with the Performance function enabling provision of quality information drawing on census, research and variety of other sources, including operational systems. Business Intelligence is one of the seven themes in the Information and Technology Strategy and actions to improve will enhance the effectiveness of decision making at both departmental and corporate level.	Performance and Business Intelligence Function	March 2014

Key Improvement Areas – Principle E	Lead Officer	Deadline
<u>Succession Planning</u> The County Council recognises that there is a need to focus on improving succession planning. To this the People Strategy Board has agreed a pilot approach to Talent Management and Succession Planning which is due to commence during 2013.	Learning & Development Manager	March 2014
<u>Review of Mandatory Training</u> Learning and Development (L&D) Plan's are approved by Departmental Management Teams / Workforce Groups and are reviewed and updated on a periodic basis. Relevant L&D activities are communicated through intranet, email updates, newsletters, briefings and staff workers groups. A review of Mandatory E-Learning programmes and training will be undertaken with departments to support staff in having the appropriate skills for their role.	Learning & Development Manager	March 2014

Key Improvement Areas – Principle F	Lead Officer	Deadline
<u>Engaging with Officers and Public</u> The County Council recognises that engagement with officers and the public is vital to achieving objectives. To this effect, the Council is committed to publishing as much information and data as it can both for internal and external customers. Provision of information via the Intranet and County Council Website can be improved by routine checks and updates at both departmental and corporate level.	Departmental Management Teams'	March 2014

Future Challenges

Future challenges faced by the County Council are detailed within the revised Corporate Risk Register, which is presented to the Corporate Management Team and Corporate Governance Committee. Managing risks will be an integral part of both strategic and operational planning and the day to day running, monitoring and maintaining of Leicestershire County Council.

5. SIGNIFICANT CHANGE

Local government has been undergoing significant change, driven by the economic downturn and financial crisis as well as the introduction of new roles, opportunities and flexibility for authorities in the form of the Localism Act and other key legislation. CIPFA guidance details key developments since the launch of the Framework (2007) and the County Council can provide assurance of incorporating these new duties and requirements through the following:

Maintaining Standards

The Localism Act 2011 places the Authority under a duty to promote and maintain high standards of conduct by members and co-opted members of the Authority. In discharging this duty, the Authority is required to adopt a Code dealing with the conduct that is expected of members and co-opted members, when acting in that capacity and which is consistent with the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

To this effect, the County Council approved a revised Members' Code of Conduct in July 2012 and March 2013. Following local elections in May 2013, all re-elected and newly elected Members are expected to abide by this revised Code.

The Act abolishes the requirement to have a Standards Committee and the majority of the functions of this Committee have been transferred to the Corporate Governance Committee, which is now the body responsible for ensuring the Council fulfils its duty to promote high standards of conduct by its members and co-opted members and make recommendations to the County Council on the form of the Council's Code of Conduct.

Health & Social Care Act 2012

Public Health services have been restructured nationally and locally. At a national level, a new body, Public Health England oversees the public health system and are accountable to the Secretary of State. At a local level, authorities now have the responsibilities for public health and whilst objectives will be set nationally for improving population health, local authorities have the freedom to determine the means by which they are achieved.

In preparation of this transition, the County Council has appointed a Director of Public Health (who is a member of the Corporate Management Team) and created a Shadow Health and Wellbeing Board, from 1st April 2013, The Health and Wellbeing Board. The Board is made up of councillors, GPs, health and social care officials and representatives of patients and the public. During the forthcoming year, the Board will lead and advise on work to improve the health and wellbeing of the population of Leicestershire through the development of improved and integrated health and social care services. A Clinical Governance Board has also been established to monitor patient experience, patient safety and effectiveness of care.

Police Reform and Social Responsibility Act 2011

The Police Reform and Social Responsibility Act 2011 provides for directly elected police and crime commissioners to oversee local police forces, replacing police authorities. The Act gives the elected Commissioner responsibility for holding the Chief Constable to account, securing an efficient and effective local police force and carrying out functions in relation to community safety and crime prevention.

As the servicing authority, the County Council has ensured that Police and Crime Panels have been established to provide scrutiny of the police and crime commissioner's work for their force area. The Leicester City, Leicestershire and Rutland Police and Crime Panel are responsible

for publicly scrutinising the actions and decisions of the Police and Crime Commissioner and holding him to account. With two independent co-opted members, the Panel which will be reviewed annually is also made up of one representative from each of the local authorities in the Leicestershire Police Service area with three further members co-opted from Leicester City Council to ensure the Panel represents the geographical and political balance of the area. The Panel is responsible for setting its own work programme taking into account the priorities defined by the Police and Crime Commissioner as well as the wishes of its members. The County Council will receive copies of all reports and recommendations the Panel makes.

Changes to Local Authority Governance Structures

The County Council is increasingly using commissioning and partnerships with other local authorities and sectors as a vehicle for delivering public services. Whilst the benefits of this are widely recognised, partnerships and the cross cutting issues with which they often deal, create some challenges for clear accountability and good governance. The County Council strives to ensure that working arrangements demonstrate clear lines of accountability for stakeholders and customers taking into consideration each partner organisations' own governance and structure. A detailed assessment of the County Council's position within such working arrangements will be undertaken.

Shared Services

Shared services between organisations can bring substantial benefits, including cost savings for the parties involved. Through a major transformational programme during 2012/13, the County Council has continued work with Nottingham City Council (NCC) to create the East Midlands Shared Services (EMSS) partnership to deliver HR, payroll and finance transactional services.

The EMSS Partnership is governed through a Joint Committee with Member representation from both councils and an officer Operational Board which supports the Joint Committee. Other governance is delivered through arrangements at different levels of the three organisations.

6. CERTIFICATION

To the best of our knowledge, the governance arrangements, as defined above have been effectively operating during the year with the exception of those areas identified in Section 4. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



John Sinnott
Chief Executive



Nicholas Rushton
Leader of the Council

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**CORPORATE GOVERNANCE COMMITTEE –2 SEPTEMBER 2013****REPORT OF THE COUNTY SOLICITOR****CODE OF CONDUCT FOR CO-OPTED MEMBERS OF THE
HEALTH AND WELLBEING BOARD****Purpose of Report**

1. The purpose of this report is to present for approval the proposed Code of Conduct for co-opted members of the Health and Wellbeing Board which is to be introduced to ensure the effective governance of the Board.

Background

2. The Localism Act places the County Council under a duty to promote and maintain high standards of conduct by members and co-opted members of the Authority. In discharging this duty the Authority must adopt a Code dealing with the Conduct which is expected of members and co-opted members of the Authority, when acting in that capacity. The Corporate Governance Committee is responsible for advising the County Council on the form of its Members' Code of Conduct, the latest version of which was approved by the County Council at its meeting on 20 March 2013.
3. The Health and Wellbeing Board was established by the Health and Social Care Act 2012. This Act defines both the functions and membership of the Board and confirms that it is a Committee of the County Council. In addition, the Localism Act 2011 defines all voting members of County Council Committees who are not elected members as co-opted members and states that such co-opted members must abide by the Council's Code of Conduct.

Code of Conduct for Co-Opted Members of the Health and Wellbeing Board

4. Officers of the County Council have been considering the application of the County Council's Members' Code to co-opted members of the Health and Wellbeing Board and have concluded that there are areas where it cannot sensibly be applied and others where some modification or explanation is required. Accordingly, a proposed Code of Conduct to apply specifically to co-opted members of the Health and Wellbeing Board has been prepared, based on the County Council's Members'

Code of Conduct, but with the necessary changes. A copy of the proposed Code of Conduct is attached as Appendix A to this report.

5. The proposed Code deals particularly with the potential confusion which arises from the rules about Disclosable Pecuniary Interests, a matter which is dealt with in some detail in Paragraph 4.2 of the proposed Code.
6. In addition to the proposed Code, a set of operating principles for the Health and Wellbeing Board have been produced and these are attached as Appendix B to this report. These clarify the meaning of the relevant legislation and confirm the requirement for all members of the Board to complete a register of interests, which must be made publicly available, and to declare particular types of interests at meetings.
7. At its meeting on 13 June 2013 the Health and Wellbeing Board approved the proposed Code of Conduct for its co-opted members for submission to the Corporate Governance Committee and full Council for approval. The Board also approved the operating principles.

Next Steps

8. If approved by the Committee the draft Code of Conduct for co-opted members of the Health and Wellbeing Board will be submitted to the September meeting of the full Council for approval.

Recommendation

9. That the County Council be recommended to approve the proposed Code of Conduct for co-opted members of the Health and Wellbeing Board.

Resource Implications

None.

Equal Opportunities Implications

None.

Circulation under the Local Issues Alert Procedure

None.

Officer to Contact

David Morgan
County Solicitor, Leicestershire County Council
Tel: 0116 305 6007
Email: david.morgan@leics.gov.uk

Background Papers

Member's Code of Conduct – Part 5A of Leicestershire County Council's Constitution

Report to the Health and Wellbeing Board 13 June 2013 – ‘

Appendices

Appendix A – Proposed Code of Conduct for Co-opted Members of the Health and Wellbeing Board

Appendix B – Proposed Operating Principles for the Health and Wellbeing Board

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HEALTH AND WELLBEING BOARD

CODE OF CONDUCT FOR CO-OPTED MEMBERS

This Code of Conduct, which applies only to co-opted members of the Health and Wellbeing Board ('the Board') who are not elected members, has been adapted from Leicestershire County Council's Code of Conduct to recognise the particular circumstances that apply to officers and representatives of other bodies. This Code is intended to promote high standards of behaviour amongst the co-opted members of the Board. Members of the Board who are County Councillors will be subject to the Leicestershire County Council Code of Conduct and members who are District Councillors will be subject to their Authority's Code.

This Code applies to all co-opted members of the Board. It is your responsibility to comply with the provisions of this Code and ensure all obligations are met.

Scope

1. You must comply with this Code whenever you:
 - 1.1 act in your capacity as a member of the Health and Wellbeing Board;
 - 1.2 conduct the business of the Health and Wellbeing Board.

The Principles

- 2.1 In accordance with the requirements of the Localism Act 2011, you must have regard to the following principles and observe the following rules of behaviour:-

Principle 1 - Selflessness

Holders of public office should act solely in terms of the public interest.

Principle 2 - Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Principle 3 - Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Principle 4 - Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Principle 5 - Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Principle 6 - Honesty

Holders of public office should be truthful.

Principle 7 - Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

- 2.2. The above principles articulate the fundamental values of public service that underpin the conduct of Board Members. The following provisions contained in this Code are derived from these principles and provide a set of enforceable minimum standards for the conduct that is expected of co-opted members of the Health and Wellbeing Board.

General Obligations**Respect**

- 3.1 You must treat others with respect.
- 3.2 You must not:
- 3.2.1 do anything which may cause a breach any of the equality enactments;
 - 3.2.2 bully any person;
 - 3.2.3 intimidate or attempt to intimidate any person who is or is likely to be:
 - (i) a complainant;
 - (ii) a witness; or
 - (iii) involved in the administration of any investigation or proceedings;
 in relation to an allegation that a member (including yourself) has failed to comply with this code of conduct;
 - 3.2.4 do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, the County Council.

Confidentiality

- 3.3 You must not disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where:
- 3.3.1 you have the consent of a person authorised to give it;
 - 3.3.2 you are required by law to do so;
 - 3.3.3 the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or
 - 3.3.4 the disclosure is:
 - (i) reasonable and in the public interest; and
 - (ii) made in good faith and in compliance with the reasonable requirements of the County Council.
- 3.4 You must not prevent another person from gaining access to information to which that person is entitled by law.

Reputation of the Authority

- 3.5 You must not conduct yourself in a manner which could reasonably be regarded as bringing your office or the County Council into disrepute.

Use of your position

- 3.6 You must not use or attempt to use your position as a member of the Health and Wellbeing Board improperly to confer on or secure for yourself or any other person, an advantage or disadvantage.

Decision making

- 3.7 When reaching decisions on any matter you must have regard to any relevant advice provided to you by officers of the relevant public bodies acting pursuant to their statutory responsibilities (including a proper officer designated by the County Council).
- 3.8 You must give reasons for all decisions in accordance with any statutory requirements and any reasonable additional requirements imposed.

Interests

A. Disclosable Pecuniary Interests

Definition

- 4.1 You have a Disclosable Pecuniary Interest in any business of the Health and Wellbeing Board if it is of a description specified in regulations made by the Secretary of State and the interest is:

- (a) yours;
- (b) your spouse's or civil partner's;
- (c) somebody with whom you are living as husband and wife or as if you are civil partners;

and you are aware, in the case of paragraphs (b) and (c) that that other person has the interest.

- 4.2 Where you have a Disclosable Pecuniary Interest arising from your employment the action you should take will depend on the particular circumstances. It would be a nonsense for co-opted members of the Board appointed by their employers to be precluded from a meeting solely because the matter related to something which affects their organisation (strict interpretation of the law would require this unless a dispensation has been given). However, there may be exceptional circumstances where, because the matter affects the individual directly or, for some other reason, it would not be appropriate for a member to participate. To determine this you must ask yourself the question "would a reasonable member of the public with knowledge of the relevant facts regard the matter as so significant that it is likely to prejudice your judgement of the public interest."

[Note: the regulations currently in force are attached but do not form part of the Code of Conduct, as they may be amended by the Government at any time.]

Declaring at and participation in meetings

- 4.3 If you are present at any meeting of the Health and Wellbeing Board, and you have a Disclosable Pecuniary Interest in any matter to be considered or being considered, and the interest is not a 'sensitive interest' (see Section 4.14), at the meeting:

- 4.3.1 you must disclose the interest to the meeting whether or not it has been registered;
- 4.3.2 unless a dispensation (see Section 4.15) has been given, you may not participate in any discussion of the matter at the meeting and must leave the room;
- 4.3.3 unless a dispensation has been given, you may not participate in any vote taken on the matter at the meeting.

- 4.4 Following any disclosure of a Disclosable Pecuniary Interest at a meeting which is not on the County Council's register or the subject of a pending notification, you must notify the Monitoring Officer in writing of the interest within 28 days beginning with the date of disclosure.

[Note: With regard to 4.3 above, Standing Order 30 of the County Council's Constitution also requires you to leave the room where the meeting is held while any discussion or voting takes place.]

B. Personal Interests

Definition

- 4.5 You have a personal interest in any business of the Health and Wellbeing Board where either:

- 4.5.1 it relates to or is likely to affect:

- 4.5.1.1 any body:

- (i) exercising functions of a public nature;
 - (ii) directed to charitable purposes; or
 - (iii) one of whose principle purposes includes the influence of public opinion or policy (including any political party or trade union);
- of which you are a member or in a position of general control or management.

- 4.5.1.2 the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £50 within the last 12 months.

or

- 4.5.2 a decision in relation to that business might reasonably be regarded as affecting your wellbeing or financial position or the wellbeing or financial position of a relevant person to a greater extent than the majority of the population affected by the decision.

- 4.6 For the purposes of paragraph 4.5, a 'relevant person' is:

- 4.6.1 a member of your family or any person with whom you have a close association; or
- 4.6.2 any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors; or
- 4.6.3 any person or body in whom such persons have a beneficial interest and a class of securities exceeding the nominal value of £25,000 or one hundredth of the total issued share capital of that body; or

4.6.4 any body of a type described in sub-paragraph 4.5.1.1.

Declaring at and participation in meetings

- 4.7 Subject to paragraph 4.9 below, where you have a Personal Interest in any business of the Health and Wellbeing Board and where you are aware or ought reasonably to be aware of the existence of the Personal Interest and you attend a meeting of the Board where such business is considered, you must disclose to that meeting the existence and nature of that interest at the commencement of the meeting and prior to any discussion of the relevant item, or as soon as the interest becomes apparent to you. This provision does not apply where the interest arises from your position at your appointing body.
- 4.8 Where you have a Personal Interest you may remain in the meeting, speak and vote on the matter unless to do so would compromise your impartiality obligations or any other obligations set out in this Code.
- 4.9 Where you have a Personal Interest, but, by virtue of paragraph 4.14, sensitive information relating to it is not registered in the County Council's Register of Members Interests, you must indicate to the meeting that you have a Personal Interest, but need not disclose the sensitive information to the meeting.

C. Personal Interests which might lead to bias

Definition

- 4.10 In addition to the requirements in relation to Disclosable Pecuniary Interests referred to in Section A of Part 4 of this Code, you have a Personal Interest which might lead to bias in any business of the Health and Wellbeing Board where:
- 4.10.1 you have a 'Personal Interest' as defined in paragraph 4.5 and 4.6 above; **and**
- 4.10.2 that 'Personal Interest' is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.

Declaring at and participation in meetings

- 4.11 If you are present at any meeting of the Health and Wellbeing Board, and you have a Personal Interest which might lead to bias in any matter to be considered or being considered, and the interest is not a 'sensitive interest', subject to paragraph 4.13 below, at the meeting:

- 4.11.1 you must disclose the interest to the meeting (whether or not it is registered);
- 4.11.2 unless a dispensation has been given, you may not participate in any discussion of the matter at the meeting and must leave the room;
- 4.11.3 unless a dispensation has been given, you may not participate in any vote taken on the matter at the meeting.

D. Registration of interests

4.12 Subject to paragraph 4.14 (Sensitive Interests), you must within 28 days of:

- (a) the adoption of this Code; or
- (b) your election or appointment to office as a member of the Health and Wellbeing Board (where that is later);

notify the Monitoring Officer in writing of :

- (i) any Disclosable Pecuniary Interest, as defined in paragraph 4.1 above; and
- (ii) details of your Personal Interests where they fall within the category mentioned in paragraph 4.5.1 above.

4.13 Subject to paragraph 4.14 (Sensitive Interests), you must, within 28 days of becoming aware of any new Disclosable Pecuniary Interest or Personal Interest as referred to in paragraph 4.5.1, or any change to any such interest, notify the Monitoring Officer in writing of the details of that new interest or change.

E. Sensitive Interests

4.14 Where you consider that disclosure of the details of an interest could lead to you, or a person connected with you, being the subject of violence or intimidation, and the Monitoring Officer agrees, if the interest is entered on the Register, copies of the Register that are made available for inspection and any published version of the Register will exclude details of the interest but may state that you have an interest, the details of which are withheld.

F. Dispensations

4.15 To enable you to participate and vote on a matter in which you have a Disclosable Pecuniary Interest or a Personal Interest that might lead to bias, the Council may grant you a dispensation in accordance with rules and procedures established by the County Council.

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Health and Wellbeing Board: Operating Principles**Role of the Board**

The Health and Wellbeing Board is a Statutory Committee of the County Council appointed to:-

- (a) Discharge directly the functions conferred on the County Council by Sections 195 and 196 of the Health and Social Care Act 2012 or such other legislation as may be in force for the time being;
- (b) Carry out such other functions as the Executive may permit*.

The functions conferred by Sections 195 and 196 of the Health and Social Care Act are as follows:-

- (a) duty to encourage integrated working;
- (b) prepare and publish a Joint Strategic Needs Assessment;
- (c) prepare and publish a Joint Health and Wellbeing Strategy.

*[Note: The County Council's Executive has decided not to delegate any additional functions to the Health and Wellbeing Board.]

All other functions carried out by the Health and Wellbeing Board are advisory and the formal decision making power rests with the constituent bodies, not the Health and Wellbeing Board itself.

As a Committee of the County Council, the County Council's Meeting Procedure Rules voting will apply to the operation of the Board.

Membership

The membership of the Health and Wellbeing Board is set out in the Health and Social Care Act 2012 and comprises elected members, County Council officers and representatives of partner organisations. The members required by statute are:-

- (i) At least one County Councillor;
- (ii) The Director of Adults and Communities;
- (iii) The Director of Children and Young People's Service;
- (iv) The Director of Public Health;
- (v) A representative of the Local Healthwatch organisation;
- (vi) A representative of each relevant clinical commissioning group.

Other members are determined by the Health and Wellbeing Board itself and in Leicestershire these are:-

- (i) Two District Council Representatives
- (ii) Leicestershire Police Representative
- (iii) NHS Commissioning Board Local Area Team Representative.

This is a unique arrangement. The provisions of the Local Government Act 1972 which do not allow officers to serve on Committees are disapplied. All members of the Health and Wellbeing Board are entitled to vote.

Status of Non-County Council Members of the Board

The Localism Act 2011 states that a co-opted member is someone who is “not a member of the authority, but a person who

- (a) is a member of any committee or subcommittee of the authority, or
- (b) is a member of, and represents the authority on, any joint committee or joint subcommittee of the authority

and is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee.”

Therefore, members of the Health and Wellbeing Board who are not County Councillors fall into the category of co-opted members of the County Council.

Implications of being a Co-opted Member

Recognising the unique arrangements that apply to the membership of the Board and the need to comply with the requirements of the Localism Act, the existing County Council Code has been adapted to recognise the particular circumstances that apply to officers and representatives of other bodies.

Members of the Health and Wellbeing Board will be required to complete a register of interests. Not all interests have to be registered. Those that must be registered are:

- (a) All Disclosable Pecuniary Interests (i.e. the financial interests of you, your spouse/civil partner (or someone with whom you are living with as husband and wife or as civil partners) which are defined in the Regulations attached to the Code of Conduct);
- (b) Personal Interests which relate to your membership of or a position of control or management in a body:
 - To which you have been appointed/nominated by the County Council;
 - Exercising functions of a public nature;
 - Directed to charitable purposes;
 - Whose principal purpose includes influencing public opinion/policy;
- (c) The receipt of any gift or hospitality with an estimated value of at least £50 and received within the last 12 months;

All interests must be registered within 28 days* of:

- (a) Your election / appointment;
- (b) Your re-election/re-appointment;
- (c) You becoming aware of a new interest;

- (d) A new interest coming into existence;
- (e) A change of an interest that has already been registered;
- (f) Declaring a Disclosable Pecuniary Interest at a meeting which is not on the register.

*[For these purposes the working assumption is that all interests must be registered within 28 days of the approval of this Code of Conduct.]

The County Council is required to make your register of interests available for inspection by the public and publish it on its website.

Declarations of Interest

The Code of Conduct defines and requires members to declare the following types of interests at meetings:-

- (a) Disclosable Pecuniary Interests (those specified by the Regulations);
- (b) Personal Interests (other interests covered by the County Council's own Code);
- (c) Personal Interests that might lead to bias (those in category (b) which are interests "where a member of the public with knowledge of the relevant facts would regard as so significant that it is likely to prejudice your judgement of the public interest).

Members declaring either Personal Interests that might lead to bias or a Disclosable Pecuniary Interest will be required to leave the room prior to the matter being discussed/voted upon, or immediately after you have made representations, answered questions or given evidence where this is allowed;

Guidance on the Code of Conduct which will help members to identify when they have an interest is currently being developed and will be circulated to all members of the Health and Wellbeing Board.

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CORPORATE GOVERNANCE COMMITTEE – 2 SEPTEMBER 2013

REPORT OF THE COUNTY SOLICITOR

ANNUAL REPORT ON THE OPERATION OF THE MEMBERS' CODE OF CONDUCT 2012/13

Purpose of Report

1. This report fulfils the requirement for the Monitoring Officer to report to the Committee on an annual basis on the operation of the Member's Code of Conduct, in accordance with the decision of the Committee on 24 September 2012. The report also sets out the action taken to implement the adoption of a new Code of Conduct from 4 July 2012, to move towards a Code which may be adopted by District Councils in Leicestershire and the arrangements for training of members.

The Code of Conduct

2. In light of the changes introduced in the Localism Act 2011, a new Members' Code of Conduct was adopted at the County Council meeting on 4 July 2012, following consideration of the proposed changes at the Constitution Committee on 22 June and the Corporate Governance Committee on 29 June.
3. At that stage, it was acknowledged that the Code would require further amendment for two main reasons:-
 - (a) As a consequence of the way in which the changes to the legislation had been introduced, work had been undertaken over a relatively short period of time to produce a new Code of Conduct and it was considered that further change might be needed in light of experience gained in its operation;
 - (b) There was widespread agreement across the Council that it would be beneficial for a 'Common Code' to be adopted which could be agreed by District Councils to avoid, so far as possible, inconsistency between authorities and potential difficulty for dual-hatted members.
4. The effect of the Constitutional changes were to give the Corporate Governance Committee responsibility for dealing with matters relating to the Code of Conduct for Members and a report was brought to the Committee on 7 March 2013, recommending changes to the Code of Conduct with a view to

establishing a 'Common Code'. These were agreed by the Committee and then by Council on 20 March.

5. The current position is that two District Councils (Charnwood Borough Council and Oadby & Wigston Borough Council) and the Leicestershire Fire and Rescue Service have adopted the Code for operation in their authorities. The Ethical Governance Committee of Harborough District Council has recommended that the Code be adopted and the issue will now be considered by that authority's full Council. Hinckley and Bosworth Borough Council has adopted the majority of the County Council's Code, in particular, those parts relating to the principles and interests of Members, but considered it unnecessary to adopt the section setting out the general obligations (part 3 of the Code). The issue remains under consideration at Melton Borough Council. North West Leicestershire District Council have indicated they are unlikely to adopt the Common Code, as action was taken at an early stage in that authority to introduce a code in common use across the parish councils in the area and the District Council and for practical reasons it would be extremely difficult for the County Council's Code to be adopted by all the parishes in the district. Blaby District Council has also decided not to adopt the Common Code.

Arrangements for dealing with Member Conduct complaints

6. Detailed arrangements for dealing with allegations were considered by the Corporate Governance Committee on 24 September 2012 and a procedure for dealing with allegations was agreed. This report sets out further details of complaints which have been received and how those have been dealt with at paragraphs 10 and 11 below.
7. The Corporate Governance Committee received a report on 26 November 2012 to address concerns which have been raised as to the steps which could be taken in the event that a Member who had been the subject of complaints processes refused to comply with the outcome of those procedures. Concern was expressed at the lack of sanctions in the regime for dealing with the conduct of Members in light of changes to the legislation and the Committee asked that in the event of non-compliance, the Monitoring Officer report the cases to the Corporate Governance Committee. This issue has not arisen since that date.

Joint Committees and Committees with Membership drawn from outside the County Council

8. It has become clear that as partnership bodies assume greater importance in the development of services and in the absence of a national Code of Conduct applicable to all bodies, careful consideration does need to be given to the question as to what Code of Conduct will apply to Members serving on such bodies with executive powers or statutory responsibilities. This issue will differ according to the statutory nature of the body concerned. For example:

- (a) The Combined Fire Authority is, by law, a separate authority in its own right with its own Code of Conduct. Members of the County Council who serve on that body will be bound by that Code of Conduct. As agreement on the Common Code has been reached with the Fire and Rescue Service, this issue does not arise for members of the County Council.
- (b) In the case of Joint Committees, a Councillor attends as a member of the authority which is, itself, a member of the Joint Committee and therefore is subject to the Code of Conduct of his/her 'home' authority when acting in that capacity. The County Council takes part in the following joint committees : ESPO Management Committee, East Midlands Shared Services (with Nottingham City Council), the Parking and Traffic Regulations outside London Adjudication Joint Committee (PATROL) and the Police and Crime Panel. The two joint committees most likely to meet on a regular basis are the ESPO Management Committee and the Police and Crime Panel. Members of ESPO Management Committee are accustomed to operating in this manner. There has been a considerable amount of discussion at the Police and Crime Panel as to how members from different authorities, who are therefore subject to different Codes of Conduct, will approach the question of Declaration of Interests arising from their involvement in relevant bodies such as Community Safety Partnerships. That issue was discussed at the Panel on 26 June 2013 and it is likely that a consistent approach will be possible on this issue.
- (c) The Health and Wellbeing Board is a committee of the County Council but, uniquely includes representation from district councils, health bodies and officers of the County Council. The production of a Code of Conduct for that body is the subject of a separate report on the agenda for this meeting.

Training on the Code

- 9. At its meeting on 24 September 2012, the Corporate Governance Committee recognised that it would be appropriate for intensive training on the Code to be undertaken after the County Council elections; this also had the beneficial effect of the training taking place on the Code as amended following the Council meeting on 20 March 2013. Training sessions took place on 28th and 29th May 2013. The County Solicitor has also met with the Independent Persons appointed to support the Member Conduct process and the Independent Persons co-opted to serve on the Police and Crime Panel. A number of members have sought advice on particular aspects of the Code and their application to them as individuals.

Complaints received under the Member Code of Conduct

- 10. Since August 2012, 5 complaints have been received by the Monitoring Officer under the Member Code of Conduct process. In addition, a further complaint has been received relating to the way a member behaved at a

meeting which was not presented as a complaint under the Code and was resolved informally. Of the 5 complaints, 3 were directed at 1 member and related to the same set of circumstances. None of the 5 complaints progressed beyond the first stage of the Code of Conduct procedure, namely receipt of a complaint by the Monitoring Officer, for the following reasons:-

- One complaint related to a District Council not a County Council matter and was dealt with by the District Council;
- The three related complaints were not pursued by the complainants;
- One complaint was not pursued by the complainant and would, in any event, have been unlikely to engage the Member Code of Conduct procedures, as it related to the actions of a County Council's candidate during the County Council elections; that person was not re-elected.

11. In addition to the above cases, the Corporate Governance Committee received a report on 14 June 2013 advising the Committee of the outcome of the investigation into allegations concerning the conduct of the former Leader of the County Council, Mr David Parsons. In light of the fact that Mr Parsons was no longer a member of the County Council, the Committee agreed to take no further action under the procedures for dealing with allegations of a breach of the Members Code of Conduct in respect of those complaints.

Conclusions

12. It is the view of the Monitoring Officer that:
- (a) The County Council's current Code of Conduct has been developed, as noted in previous reports, to meet the expectations of the Committee of Standards in Public Life and in the light of discussions with colleagues from other authorities in the Leicestershire area;
 - (b) It is helpful that the Fire and Rescue Service and two District Councils have agreed to adopt the Code and that one has adopted key parts of the Code; further progress in adopting the Common Code will be a matter for the other District Councils;
 - (c) The new arrangements for handling Member Conduct complaints have not as yet been tested in practice by reason of the comparatively low level of complaints and the fact that they have not progressed to a formal stage;
 - (d) In these circumstances, no recommendation is made to the Committee for further changes to the Code or to the arrangements for dealing with complaints.

Recommendation

13. The Committee is asked to note this report.

Resource Implications

None

Equal Opportunities Implications

None

Background Papers

Report to the Constitution Committee on 22 June 2012 – ‘Review and Revision of the Constitution’

Report to the Corporate Governance Committee on 29 June 2012 – ‘Review and Revision of the Constitution’

Report to County Council on 4 July 2012 – ‘Review and Revision of the Constitution’

Report to the Corporate Governance Committee on 24 September 2012 – ‘Arrangements for dealing with Member Conduct Complaints’

Report to the Corporate Governance Committee on 26 November 2012 – ‘Arrangements for dealing with Member Conduct Complaints’

Report to the Corporate Governance Committee on 7 March 2013 – ‘Revised Members Code of Conduct’

Report to County Council on 20 March 2013 – ‘Revised Members Code of Conduct’

Report to the Corporate Governance Committee on 14 June 2013 – ‘Investigations into Allegations concerning Member Conduct’

Report to the Police and Crime Panel on 26 June 2013 – ‘Police and Crime Panel: Constitution and Governance Issues’

Circulation under the Local Issues Alert Procedure

None

Officer to Contact

David Morgan, County Solicitor and Monitoring Officer
Tel: 0116 305 6007 Email: david.morgan@leics.gov.uk

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CORPORATE GOVERNANCE COMMITTEE – 2 SEPTEMBER 2013

JOINT REPORT OF THE CHIEF EXECUTIVE AND THE DIRECTOR OF CORPORATE RESOURCES

OMBUDSMAN ANNUAL REVIEW 2012/13 & COMPLAINT HANDLING

Purpose of Report

1. The purpose of this report is to inform Members of the Ombudsman Annual Review letter for the Authority for 2012/13 and to provide Members with an update on improvements to the Corporate Complaints procedures and effective complaints handling.

Background

2. The Customer Services Strategy includes a principle that states: *“We will encourage comments and complaints to support a culture of continuous improvement”* and also refers to the need to *“put the customer at the heart of services, designing and planning all services around their needs”*
3. In recognition of the above, departmental complaints functions were centralised in order to improve complaint handling.
4. From April 2011 responsibility for routine contact with the Ombudsman passed from the County Solicitor to the Customer Relations Manager. The Customer Relations Manager liaises with Investigating Officers in each department in order to provide a timely response to the Ombudsman.
5. A strength of the centralised function is that there is a dotted line to the County Solicitor for advice and guidance and direction when it is suggested a payment be made by way of a local settlement
6. The Local Government Ombudsmen produces an annual report for each Authority. This contains complaint statistics as well as both general comments and specific recommendations about complaint handling within the Authority.
7. The role of the Corporate Governance Committee includes the promotion and maintenance of high standards within the Authority in relation to the operation of the Council’s Code of Governance. It also has within its terms of reference the making of payments or providing other benefits in

cases of maladministration under Section 92 of the Local Government Act 2000.

8. At its meeting on 29 November 2009 this Committee, in line with its role and responsibilities, and those of the then existing Standards Committee, agreed that reports on complaints handling should be submitted on an annual basis for members consideration following receipt of the Ombudsman's Annual Review.

Ombudsman's Annual Report for Leicestershire County Council

9. A copy of the Annual Review Letter for 2012/13 is attached as an Appendix to this report. During the year 2012/13, the Ombudsman has undergone a review of its processes, including a review of how it classifies complaints. As a result of this, the Annual Review letter this year lacks many of the usual details around complaints.
10. Whilst acknowledging this creates some issues regarding comparability with previous years, the Annual Review Letter indicates that Leicestershire County Council had significantly fewer complaint investigations than the average County Council (54).
11. During 2012/13, 37 complaints were received by the Ombudsman which marks a 25% decrease on the previous year.
12. During the same 12 month period, 40 complaints were finalised and the table below breaks down the decisions reached by the Ombudsman in each of these cases:

Decision Category	Number of Complaints
Outside of Jurisdiction	1
No evidence of maladministration	25
Local Settlements	5
Public Report – Maladministration with Injustice	7
Public Report – No Injustice	2

13. A Local Settlement may arise where there are outstanding issues when the complaint is investigated by the Ombudsman. This might be a failure to put something right, a failure to take action in a timely manner, or something as simple as a failure to apologise for not having done something in a proper manner. The Ombudsman will propose a remedy which is termed a Local Settlement.
14. Local settlements may involve an element of compensation for a complainant where there has been a failure to provide a service, together with a payment to recognise the complainant's time and trouble in having to pursue the complaint

15. During 2012/13, 5 local settlements were reached all of which included an element of financial remedy. Of these:-
 - Case 1 related to Adult Social Care and provision of a care package. The Ombudsman found maladministration around the length of time it took to get support in place and recommended a payment of £350;
 - Case 2 related to Adult Social Care and the failure of a care home to administer antibiotics following a change of catheter. Whilst the Ombudsman accepted that there was no direct fault by the Council, responsibility remained with them and recommended a compensation payment of £6,000 which the Council accepted;
 - Case 3 related to Children's Social Care and delays and some inaccuracies in handling a referral. The Council had already upheld the complaint following an internal investigation, but the Ombudsman recommended a payment of £300 be made by way of compensation;
 - Case 4 related to School Transport and is linked to a public report, details of which appear below. A time and trouble payment of £100 was agreed;
 - Case 5 related to Highways services and centred on incorrect information given out regarding potential signage. The Ombudsman accepted the Council had reached the correct decision, but had misled the complainant and recommended a time and trouble payment of £50.
16. On rare occasions where resolution is not agreed, or there is an issue of public interest, the Ombudsman will issue a Public Report. The Ombudsman raised 2 such reports during 2012/13. Both reports related to Public Interest.
17. The first was a case brought by seven parents in relation to free home-to-school transport. The Council agreed to the recommendations to review its policy, reassess the routes, apologise to the complainants and make a remedy payment (£100 each).
18. In the second report, a case brought by 2 members of the public about an anaerobic digestion plant in Harborough, the Ombudsman found maladministration, but no significant injustice. The report was published to clarify matters in light of the concerns raised by local residents, but no payment to the complainants was required.
19. The Council's willingness to agree Local Settlements and recommendations of reports such as these help to maintain and enhance the Authority's reputation with the Ombudsman.

20. All of the above financial settlements were approved by the County Solicitor and, where appropriate, after consultation with the Chairman of the Committee, in accordance with powers delegated by this Committee at its meeting on 26 November 2012.

Complaints Handling

21. There have been a number of positive developments with the Council's complaints handling arrangements over the last 12 months. These include:
- The procurement of a replacement Complaints Management System. This has enabled better recording, analysis and reporting of complaints. This system has been in use since 1st April 2013 and offers greater flexibility in capturing learning from complaints, which is a key corporate objective;
 - The Customer Relations Manager's role is to embed and oversee a corporate approach to complaints handling, providing clear guidance to investigating officers, whilst also promoting greater visibility and recording of commendations. Increasingly, the Customer Relations Manager is taking a more proactive role acting in a "champion of the customer" capacity. This includes challenging departments and early intervention where issues are not being progressed in a timely manner;
 - The Customer Relations Manager provides complaints training to officers in service departments, as well as regularly attending management meetings to discuss complaints handling. On occasion, the Customer Relations Manager will get involved to undertake an independent review as to how a department has handled a complaint, as well as provide advice and guidance in managing unreasonable complainants;
 - Reports are produced and shared with Departmental Management Teams to enable the Authority to use the findings from complaints to provide better services and improve the way the Authority works.
22. Reports are also produced for the Scrutiny Commission which monitors and scrutinises the Authority's performance in complaint handling through a Corporate Complaints and Commendations Annual Report. This report sets out an analysis of all complaints recorded by type, department and the response times for dealing with these.
23. The 2012/13 annual report was presented to the Commission for consideration at its meeting on 5th July 2013 and this highlighted the following main themes:

- The number of complaints (at 234) had increased by 15% compared to the previous year;
 - Of the complaints resolved within the year, 83% received a response within 10 working days and 98% received a response within 20 working days. This is an improved position compared to the previous year and can be considered a strong performance.
 - There has been a significant increase in commendations recorded (up from 66 to 101).
24. To ensure continued effective use of resources, the Customer Relations Manager pro-actively consults the Ombudsman for advice and guidance, regarding approaches for handling difficult complaints. This includes, where appropriate, referral of complaints to the Ombudsman to avoid lengthy correspondence with complainants who are simply unhappy with the response they have received from the Authority. This approach not only saves officer time but helps to maintain and enhance the County Council's reputation with the Ombudsman.

Recommendations

25. The Committee is recommended to:
- (a) note the contents of this report;
 - (b) provide comment and feedback on the Ombudsman's Annual Review Letter and the complaints handling arrangements and improvements outlined.

Equal Opportunities Implications

Following completion of a Human Rights Impact Assessment, a recommendation has been made to incorporate reference to the Human Rights Act within the document and signpost managers to a supporting e-learning module

Background Papers

Report to the Corporate Governance Committee and Standards Committee dated 23 November 2009 'Ombudsmen Annual Review 2008/09 and Corporate Complaints Handling'

Report to the Scrutiny Commission dated 5th July 2013 'Corporate Complaints and Commendations 2012/13 Annual Report'

Circulation under the Local Issues Alert Procedures

None.

Officers to contact

Simon Parsons,
Customer Relations Manager
Tel: 0116 3056243
Email: simon.parsons@leics.gov.uk

David Morgan, County Solicitor
Tel: 0116 3056007
Email: david.morgan@leics.gov.uk

List of Appendices

Appendix: The Local Government Ombudsman's Annual Review Letter dated
16 July 2013 – Leicestershire County Council – for the year ended
31 March 2013

16 July 2013

By email

Mr John Sinnott
Chief Executive
Leicestershire County Council

Dear Mr Sinnott

Annual Review Letter

I am writing with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2013. This year we have only presented the total number of complaints received and will not be providing the more detailed information that we have offered in previous years.

The reason for this is that we changed our business processes during the course of 2012/13 and therefore would not be able to provide you with a consistent set of data for the entire year.

In 2012/13 we received 37 complaints about your local authority. This compares to the following average number (recognising considerable population variations between authorities of a similar type):

District/Borough Councils-	10 complaints
Unitary Authorities-	36 complaints
Metropolitan Councils-	49 complaints
County Councils-	54 complaints
London Boroughs-	79 complaints

I issued two reports about the council during the year. The first was a case brought by seven parents in relation to free home-to-school transport. I am pleased that the Council agreed to my recommendations to review its policy, reassess the routes, apologise to the complainants and make a remedy payment. In the second report, about an anaerobic digestion plant, I found maladministration but no significant injustice. However, I published the report to clarify matters in light of the concerns raised by local residents.

Future development of annual review letters

We remain committed to sharing information about your council's performance and will be providing more detailed information in next year's letters. We want to ensure that the data we provide is relevant and helps local authorities to continuously improve the way they handle complaints from the public and have today launched a consultation on the future format of our annual letters.

I encourage you to respond and highlight how you think our data can best support local accountability and service improvements. The consultation can be found by going to www.surveymonkey.com/s/annualletters

The Oaks No 2
Westwood Way
Westwood Business Park
Coventry
CV4 8JB

T: 024 7682 0000
F: 024 7682 0001
W: www.lgo.org.uk

Helpline: 0300 061 0614

LGO governance arrangements

As part of the work to prepare LGO for the challenges of the future we have refreshed our governance arrangements and have a new executive team structure made up of Heather Lees, the Commission Operating Officer, and our two Executive Directors Nigel Ellis and Michael King. The Executive team are responsible for the day to day management of LGO.

Since November 2012 Anne Seex, my fellow Local Government Ombudsman, has been on sick leave. We have quickly adapted to working with a single Ombudsman and we have formally taken the view that this is the appropriate structure with which to operate in the future. Our sponsor department is conducting a review to enable us to develop our future governance arrangements. Our delegations have been amended so that investigators are able to make decisions on my behalf on all local authority and adult social care complaints in England.

Publishing decisions

Last year we wrote to explain that we would be publishing the final decision on all complaints on our website. We consider this to be an important step in increasing our transparency and accountability and we are the first public sector ombudsman to do this. Publication will apply to all complaints received after the 1 April 2013 with the first decisions appearing on our website over the coming weeks. I hope that your authority will also find this development to be useful and use the decisions on complaints about all local authorities as a tool to identify potential improvement to your own service.

Assessment Code


Earlier in the year we introduced an assessment code that helps us to determine the circumstances where we will investigate a complaint. We apply this code during our initial assessment of all new complaints. Details of the code can be found at:

www.lgo.org.uk/making-a-complaint/how-we-will-deal-with-your-complaint/assessment-code

Annual Report and Accounts

Today we have also published *Raising the Standards*, our Annual Report and Accounts for 2012/13. It details what we have done over the last 12 months to improve our own performance, to drive up standards in the complaints system and to improve the performance of public services. The report can be found on our website at www.lgo.org.uk

Yours sincerely



Dr Jane Martin
Local Government Ombudsman
Chair, Commission for Local Administration in England

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**CORPORATE GOVERNANCE COMMITTEE – 2 SEPTEMBER 2013****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****RISK MANAGEMENT UPDATE****Purpose of Report**

1. One of the key roles of the Committee is to ensure that the Council has effective risk management arrangements in place. This report assists the Committee in fulfilling that role by providing a regular overview of key risk areas and the measures being taken to address them. This is to enable the Committee to review or challenge progress as considered necessary, as well as highlight risks that may need to be given further consideration. It covers:
 - The Corporate Risk Register;
 - An update on Departmental Risk Registers;
 - Details of further risk management work.
2. The report also provides an update on Anti-Fraud initiatives being undertaken.

Presentation – Risks associated with the Welfare Reform Act

3. At its meeting on 3 February 2010, the Committee agreed that at each meeting it would take an in-depth look at specific areas of the Corporate Risk Register to consider how each risk was identified, the key controls put in place, further action to be taken and scoring mechanisms in terms of impact/likelihood and residual risk. At its meeting on 14 June 2013, the Committee requested that a presentation be provided on the risks associated with the Welfare Reform Act and this will be undertaken as part of this agenda item.

Corporate Risk Register (CRR)

4. The Council maintains a CRR and departmental risk registers. These registers contain the most significant unmitigated risks which the Council is managing and are owned by Director's and Assistant Directors.
5. The CRR reflects those key risks that require strong management at corporate level and which, if not managed appropriately, could result in the Authority failing to achieve one or more of its key objectives and/or suffer a financial loss or reputational damage. The full, updated CRR is attached as Appendix.

6. The Council undertakes regular reviews of risks. Directors/Assistant Director's who have ownership of the individual strategic risks assigned to them are given responsibility to regularly consider risk descriptions, current and residual risk scores, current controls and appropriate mitigating actions to reduce risk scores where necessary.
7. The latest assessment of the highest ranking risks contained in the CRR are shown in the table below:

Dept/ Function	Risk No	Risk Description	Risk Score	Actions taken/Progress during Qtr 1
(A&C) Adult Social Care	1	Resource Allocation System (RAS) does not ensure most effective care package for service users.	16	Budget monitoring and manual analysis of RAS budgets and packages is ongoing. A review of the RAS process and calculations is planned for Quarter 3.
(A&C) Adult Social Care	2	Uncertainty surrounding the changes to how Social Care will be funded.	25	Significant risks around the implementation of the Dilnot reforms remain high. A draft corporate response to the national consultation will be submitted for Cabinet approval in October 2013.
(CE) Strategy, Partner- ships & Community	3	Partnerships failing to agree a 'whole place' approach to service delivery and funding will lead to 'best services at lowest cost' not being achieved.	20	The overall risk remains high as complex issues need to be worked through and political agreement to change obtained. Progress is being made towards: <ul style="list-style-type: none"> • Agreeing a place based approach to the collection and disposal of waste through the Leicestershire Together Environment Board; • Agreeing a place based approach to health and local government integration; • Redesigning services for Children and Families within the County Council through a new Integration Board.
(CE) Strategy, Partner- ships & Community	4	Outcomes relating to Supporting Leicestershire Families (SLF) not being achieved.	20	The SLF service has now been established reducing some of the former uncertainties around the programme. Early indications show good outcomes and this will continue to be monitored.
(CR) Strategic Finance	5	EMSS – implementation of shared	15	The implementation of shared systems has resulted in some issues, primarily around the Accounts Payable process. Dedicated

		systems could result in disruption to services.		senior staff are overseeing and monitoring progress of an action plan that has been put into place to resolve these issues, which is currently on track. To minimise further disruption, a review of processes within both EMSS and the County Council will continue.
(CR) Customer Service & Operations	6	Maintaining ICT systems and having the ability to restore services quickly and effectively in the event of an outage.	20	This risk primarily relates to the performance issues experienced with the Council's Storage Area Network (SAN) in February. The current Disaster Recovery (DR) arrangements are not optimum, however, the old SAN will be replaced. The programme is progressing according to plan and the new SAN and a new infrastructure with a more modern DR facility will be in place by the end of September.
(CR) Strategic Information & Technology	7	Continuing risk of failure of information security.	16	Comprehensive internal and external health check undertaken by consultants as part of preparations for submission of new and more rigorous PSN Code of Connection standards. The resulting action plan will be addressed over the coming weeks.
(E&T) Transportation	8	Impact of academy and secondary age conversion on home to school transport policy.	16	The Department for Education (DfE) is to commence a national consultation in September 2013. Implications for the County Council will be considered.
(CR) Strategic Finance	10	Combined effect of multiple service areas failing to meet required funding reductions set out within current MTFS.	20	Although an overall underspend is forecast for 2013/14, there is likely to be underachievement of 'Effective Support' Adult Social Care saving. The financial position will continue to be monitored.
(CR) Strategic Finance	11	Risk around our ability to deliver savings required to produce a 'balanced budget', in addition to those already	25	<ul style="list-style-type: none"> The 2015/16 Spending Round was announced in Qtr 1 and was followed up with the publication of a government funding consultation at the end of July. This lacked detail but reinforced the requirement for significant savings and the likelihood that these will be front loaded. It also highlighted a potential

		allocated to departments.		<p>significant transfer of health funding and integration of services.</p> <ul style="list-style-type: none"> • Work has started on the Transformation Programme (including partners). This will be developed over the autumn and will include major service redesign. A programme of this scale will bring associated risks, which will be recorded separately within the CRR as appropriate. • Public consultation also started in July.
(A&C) Adult Social Care	12	Challenges caused by the Welfare Reform Act.	25	As per the presentation to the Committee.
All	13	Failure to ascertain and manage increased demand for services.	20	Action to improve business information on customers and costs of services is on track. Work is underway to assess demand for health/social care, children's and families and waste. A forensic review of budgets is also underway.
(CR) Procurement	14	Ability to effectively contract manage devolved services through new service delivery models.	15	<ul style="list-style-type: none"> • To ensure that proactive contract management arrangements are in place, the corporate Commissioning Contracts Board began monitoring the performance of some of the Council's key contracts. This new regime is expected to show some differences in the way contracts are currently managed, which will be addressed. • A review of business critical services will also help confirm key supplier dependencies for inclusion in monitoring.
(CR) Strategic Information & Technology	15	Insufficient Information & Technology solutions.	16	Work is continuing to identify future business requirements and prioritise and manage demand. The Corporate Information and Technology Work Programme enables good visibility and this will be linked to a wider 'stock-take' of project/change activities.

8. Since the CRR was last presented to the Committee in June, the key changes are:
 - *Risk 9 (Public Health) – ‘Failure to sustain and manage provision of the Schools Nursing Service’.* Issues surrounding this were escalated nationally and a favourable response from Clinical Commissioning Groups revealed that previous budget detail was erroneous. A revised submission of the baseline budget includes the full cost of school nursing. In light of this, the risk has now been removed from the Corporate Risk Register.
 - Risk 11 and Risk 13 – the current risk score has been increased from Qtr 1 to reflect the latest position.
9. For other risks detailed in the CRR generally little has changed in the risk scores since June, but this is to be expected as this register is designed to capture strategic risk, which by its nature has a long time span. However, risk owners are engaged and have demonstrated a good level of awareness regarding their risks.
10. The improvements introduced to the risk management framework acknowledge that the CRR is a working document and therefore assurance can be provided that through timetabled review, high/red risks will be introduced to the CRR on an on-going basis, as necessary. Equally, as further mitigation actions come to fruition and current controls are enhanced, the risk scores will be reassessed and this will result in some risks being removed from the CRR and being reflected within the relevant departmental risk register.

Departmental Risk Registers

11. Departmental Risk Registers are up to date in accordance with the Council's risk management procedures and discussions have taken place at Departmental Management Team's as part of the update process.
12. A review of all departmental risk registers' illustrates that risks are being managed within the Council's risk appetite, as defined in the Risk Management Strategy (a maximum risk score of 12). Whilst there are other risks at varying business/service levels, in the view of Directors, these are sufficiently mitigated for them not to appear in these registers. Where relevant, some high/red departmental risks are included in the CRR.
13. The Head of Internal Audit Service evaluates the adequacy and effectiveness of the County Council's risk management framework (both at corporate and department level) in order to determine the level of risk maturity upon which to base the annual internal audit plan. The Internal Audit Service then undertakes risk based audits i.e. the auditor will form an opinion on what assurance can be given that the entity risks are being mitigated within the approved appetite. The combined results of the framework and risk based audits assist the Head of Internal Audit Service to form an annual opinion on the overall adequacy and effectiveness of the

County Council's internal control environment, including its risk management framework.

Further work

14. Risk management policies and procedures remain a key part of the Council's delivery of service and it is important that management of risk continues to be a high priority. The County Council's risk management priorities for the remainder of the financial year are as follows:
 - Assess against the achievement of the revised Risk Management Strategy;
 - Continue to track and monitor progress of how the Council's strategic risks are being managed;
 - Embed risk management training;
 - Expand reporting to the Corporate Management Team and Members, for example by introducing key points from Insurance and Business Continuity, as well as including a section on 'emerging risks/issues' that may impact upon the Council.

Anti Fraud Initiatives

15. At its meeting in February 2013, the Committee was presented with the completed 'Protecting the Public Purse' (PPP) 2012 Anti Fraud Checklist. As in previous years, the checklist was distributed to relevant officers asking them to detail our progress in each area. To provide robustness and independent assurance to the process, the Internal Audit Service was requested to sample test some of the areas on the checklist to confirm accuracy and demonstrate compliance.
16. Using Information from Internal Audit's findings, the Committee was also provided with an initial response of potential action to aid improvement. Whilst a full progress update will be provided to the Committee in November, some developments since February are detailed in paragraphs 17 to 21 below.
17. In accordance with Internal Audit recommendations, officers who completed the checklist have been contacted to initiate further discussion around improvements. Discussions will also take place with the County Solicitor with regards to the recommendations made around the County Council's Whistleblowing Policy.
18. The existing Fraud Awareness E-learning module (on Leicestershire Learning Pool) is now mandatory and available to all staff. Completion rates will be shared with the People Strategy Board.
19. The National Fraud Authority (NFA), Fighting Fraud Locally (FFL) – The Local Government Fraud Strategy, has been reviewed by officers. The FFL Strategy is organised around three themes of Acknowledge, Prevent and Pursue; the County Council will revise its current Anti Fraud & Corruption Policy, Strategy and Procedures to align with best practise outlined in this strategy.

20. As part of this strategy, the NFA has developed a new fraud e-learning package. This module has been sent to all authorities' and can be hosted on the existing e-learning platform. It has been designed to improve local authority staff awareness of the risk of fraud and help embed a zero tolerance towards fraud, bribery and corruption. Given that the Authority will be aligning its Anti Fraud & Corruption Policy, Strategy and Procedures to the NFA FFL, adoption and use of this module will be duly considered.
21. As well as the above, the NFA as developed a set of free tools to support Councils' to implement the FFL. These primarily consist of an easy to use 'fraud awareness campaign' that could be rolled out throughout the Authority.
22. Whilst it is important to illustrate zero tolerance towards fraud, it is important to balance the cost of prevention against the likely impact of fraud. Over the next few weeks an action plan detailing potential improvements to the County Council's Anti Fraud & Corruption framework will be devised and discussed with the Director of Corporate Resources. As part of this, due consideration will be given to the cost/benefit of implementing and/or enhancing the Council's current fraud prevention procedures, as well as the tools made available by the NFA and the relevance of using and applying them at the County Council.

Recommendation

23. That the Committee:
 - (a) Approve the updated Corporate Risk Register;
 - (b) Note the current status of the strategic risks facing the Council and make recommendations on any areas which might benefit from further examination;
 - (c) Identify a risk area for presentation at its next meeting;
 - (d) Support initiatives to improve the Councils acknowledgement, prevention and pursual of fraud.

Resources Implications

None.

Equal Opportunities Implications

None.

Circulation Under the Local Issues Alert Procedure

None.

Background Papers

Report of the Director of Corporate Resources – ‘Risk Management Update’ –
Corporate Governance Committee, 3 February 2010

Report of the Director of Corporate Resources – ‘Risk Management Update’ –
Corporate Governance Committee, 13 February 2013

Report of the Director of Corporate Resources – ‘Risk Management Update’ –
Corporate Governance Committee, 14 June 2013

Officers to Contact

Chris Tambini, Head of Strategic Finance
Tel: 0116 305 6199
E-mail: chris.tambini@leics.gov.uk

Declan Keegan, Finance Manager
Tel : 0116 305 7668
Email : declan.keegan@leics.gov.uk

Appendices

Appendix – Corporate Risk Register

Department

A&C = Adults & Communities

CE = Chief Executives

CR = Corporate Resources

CYPS = Children and Young People's Service

E&T = Environment and Transport

PH = Public Health

All = Consolidated risk

Updated: **Aug-13****Corporate Risk Register**

Current Risk Score
15 to 25 = Red (R) / High
6 to 12 = Amber (A) / Medium
3 to 5 = Green (G) / Low

APPENDIX

				Current Risk Score				Controls		Residual Risk			
Departm ent	CRR Risk #	Risk	Causes (s)	Consequences (s)	Risk Owner	Impact	Likelihood	Risk Score	List of current controls	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score
A&C	1	Utilisation of the Resource Allocation System (RAS) does not ensure the most cost effective package of care, leading to service users given too much OR not enough cash to commission their care	•Service users awarded budget based on questions, which may not reflect actual support needs	<u>People</u> •Harm to users as insufficient funding to regards level of care needed <u>Financial</u> •Inaccurate allocation leading to increased costs	Mick Connell / Sandy McMillan / Tony Dailide	5	3	[R] 15	•Monitoring in place to review progress and report of indicative and actual budget results - snapshot analysis of 12/13 to date shows no issues •13/14 review underway indicating increase in costs per person •Effective Support project feedback to inform improvements •Demontfort University research to ensure service user outcomes met	•Continue 13/14 review	5	2	[A] 10
A&C	2	Inability to establish long term delivery strategies as a result of the uncertainties surrounding the changes to how Adult Social Care will be funded	•The amount a service user is liable to fund their own care is currently subject to government review following Dilnot Commission •Unclear eligibility criteria	<u>Service Delivery</u> •Department unable to meet statutory responsibilities <u>People</u> •Disruption to individual service users due to changes in approach <u>Financial</u> •Loss of income could lead to reductions elsewhere in the Authority •More people requiring financial assistance from the Authority	Mick Connell / Sandy McMillan	5	5	[R] 25	•Risks based on Dilnot Commission have been quantified, draft corporate response to be signed off by Cabinet Oct 2013. •A&C Efficiencies programme will include a specific workstream	•Review of risks as changes communicated	5	4	[R] 20
CE	3	Increased demand for LCC and partner services combined with reduced expenditure, leads to more vulnerable people at risk. Partners failing to agree a 'Whole Place' approach to service delivery and funding will lead to 'best services at lowest cost' not being achieved.	•Partners disagree on targets, improvements and outcomes •Service or agency interest is put ahead of the best service for Leicestershire people	<u>Service Delivery</u> •LCC cannot meet statutory responsibilities •Objectives of 'best possible outcomes' not achieved <u>People</u> •Vulnerable people at risk because service provision is inadequate <u>Reputation</u> •Affected by incidents involving vulnerable people <u>Financial</u> •Budget reduction decision taken on an agency by agency/service by service basis with potential cost shunting	John Sinnott / Andy Robinson	5	4	[R] 20	•Leicestershire Together (LT) Executive support obtained •Approach explained to LCC senior managers •Commenced work with partners through LT agreeing a process to reduce expenditure by focusing on an agreed set of services	•Further testing of internal and external partner support through LT Board, Corporate Management Team, Transformation Board and specific meetings	5	3	[R] 15
CE	4	Improved outcomes and financial benefits of Supporting Leicestershire Families (SLF) are not achieved, leading to inability to financially sustain the SLF service beyond its 3 year funding	•Supporting families services not effective •Savings arising from SLF not agreed •Data unavailable/immeasurable on some outcomes	<u>Service Delivery</u> •Reduction in families supported •Increase in reactive service demand <u>People</u> •Families and individuals do not achieve their potential <u>Reputation</u> •Loss of confidence in place based solutions • <u>Financial</u> •Services unable to reduce budgets to make required reductions as a result of SLF	John Sinnott / Andy Robinson / Jane Moore	5	4	[R] 20	•Service established •Retention of community budget programmes •Data project underway to increase provision, quality and access •Training for workers to achieve optimum outcomes with families at earliest opportunity •Commenced discussions with services/partners to map benefits	•Opportunities to nationally ring fence budgets to be discussed with partners/services	5	3	[R] 15
CR	5	From April 2013 the East Midlands Shared Services Programme (EMSS) began phasing the implementation of shared systems, including Oracle and changing some business processes. Inadequate system controls and operational processes 'post go-live' may result in disruption to service delivery	•Complexity of project due to implementation of state of the art technology, combined with multi activity around adopting new ways of working •Conflicting priorities	<u>Service Delivery</u> •Delays to paying suppliers •Data quality compromised •Internal disruption <u>Financial</u> •Additional costs related to increase in staff support <u>Reputation</u> •Increase in number of complaints from suppliers	Brian Roberts / Chris Tambini / Judith Spence	3	5	[R] 15	•Action Plan in place to resolve financial process issues including: recruitment of additional temporary staff; reviewing processes and dedicated senior staff implementing the Plan. •Communication to DMT's, key business groups, managers and employees as required.	•Ongoing review of processes both within EMSS and LCC	3	3	[A] 9

								Current Risk Score		Controls		Residual Risk	
Department	CRR Risk #	Risk	Causes (s)	Consequences (s)	Risk Owner	Impact	Likelihood	Risk Score	List of current controls	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score
CR	6	The County Council's services have a growing dependence on ICT systems and infrastructure. Hence maintaining ICT systems and having the ability to restore services quickly and effectively in the event of an outage is vital.	<ul style="list-style-type: none"> •Business evolution and dependencies cause additional load on existing infrastructure, reducing resilience to failure •Recovery plans are currently fragmented 	<u>Service Delivery</u> <ul style="list-style-type: none"> •Unable to deliver critical services •Disruption to day to day operations •Loss of key information •Loss of self service customer facing options / Public unable to use all access channels <u>People</u> <ul style="list-style-type: none"> •Alternate business continuity arrangements likely to result in backlogs of work <u>Reputation</u> <ul style="list-style-type: none"> •Negative stories in press •Key partners impacted may influence contract renewals <u>Financial</u> <ul style="list-style-type: none"> •Potential penalties •Additional costs related to internal and external recovery 	Brian Roberts / Roderick O'Connor	5	4	[R] 20	<ul style="list-style-type: none"> •Some arrangements in place which would limit the impact of a major ICT impacting incident •Provisions to ensure that ICT information is secure and recoverable •Business/manual operation plans are possible in some cases, but not all (i.e. where ICT based information is critical and manual workaround will not suffice). 	<ul style="list-style-type: none"> •Review of current plans to ascertain gaps, to put forward improvement proposal •Implement new Resilience Planning Group (RPG) Major Incident Plan and template •Consultant review of existing resiliency •Notification of all planned changes that may impact infrastructure 	4	3	[A] 12
CR	7	The responsibility to protect the confidentiality, integrity, availability and accountability of information means there is a continuing risk of failure of information security. An increase in information security incidents has resulted in the ICO requiring the Council to sign an Undertaking.	<ul style="list-style-type: none"> •Increased information sharing •More hosted technology services •Greater emphasis on publication of data and transparency •Greater awareness of information rights by service users 	<u>Service Delivery</u> <ul style="list-style-type: none"> •Loss of access to shared data <u>People</u> <ul style="list-style-type: none"> •Loss of confidential information compromising service user safety <u>Reputation</u> <ul style="list-style-type: none"> •Damage to LCC reputation <u>Financial</u> <ul style="list-style-type: none"> •Financial penalties 	Brian Roberts / Liz Clark	4	4	[R] 20	<ul style="list-style-type: none"> •Action plan to address issues linked to ICO MoU •Info Security and related policy in place to ensure compliance •Training available for staff 	<ul style="list-style-type: none"> •Continued delivery of the Information Security programme of work 	4	3	[A] 12
E&T	8	Impact of academy conversion and secondary age range conversion on home to school transport policy	<ul style="list-style-type: none"> •Age range changes for compulsory secondary education •Changing academy admissions arrangements from previous LA determined catchments which conflict with long standing transport arrangements not reflected in the home to school transport policy 	<u>Reputation</u> <ul style="list-style-type: none"> •Potential for conflict / legal challenge leading to negative media <u>Financial</u> <ul style="list-style-type: none"> •Continuing existing transport policy is cost neutral - any transport policy changes would need financial implications assessing 	Tony Kirk	4	4	[R] 16	<ul style="list-style-type: none"> •Information about transport provision in 'Your Guide to Education' •Information sent to parents when they are advised of school placement 	<ul style="list-style-type: none"> •Cabinet report 8th May 2012 will need to be re-visited •Web and telephone help/guidance would need updating to assist parental queries as admission and age range changes take effect in academies 	4	4	[R] 16
PH	9	Risk removed											
All	10	Combined effect of multiple service areas failing to meet required funding reductions set out within current MTFS	<ul style="list-style-type: none"> •Local Government Finance Settlement significantly reduced •Specific grants reduced •Detailed savings plans yet to be finalised •Exceptional/Unforeseen increase in demand/costs •Income reductions from external providers 	<u>Service Delivery</u> <ul style="list-style-type: none"> •Negative impact on all services as further savings/service cuts will be required to reduce deficit <u>Reputation</u> <ul style="list-style-type: none"> •Significant impact on the reputation of the Council as crude cuts will be required to balance the budget and overall financial position <u>Financial</u> <ul style="list-style-type: none"> •Loss of income 	Brian Roberts / Chris Tambini	5	4	[R] 20	<ul style="list-style-type: none"> •Risk assessment complete •Approved MTFS in place which incorporates savings, contingencies and reserves •Monitoring processes in place at both departmental and corporate level •County Fund available for unforeseen risks •PwC reviewed MTFS and confirmed it to be appropriate based on prudent assumptions, including level of proposed reserves and contingencies 		4	3	[A] 12

								Current Risk Score		Controls		Residual Risk	
Department	CRR Risk #	Risk	Causes (s)	Consequences (s)	Risk Owner	Impact	Likelihood	Risk Score	List of current controls	Further Actions / Additional Controls	Residual Impact	Residual Likelihood	Residual Risk Score
All	11	The County Council is unable to deliver savings required to produce a 'balanced budget', in addition to those already allocated to departments within the MTFS	<ul style="list-style-type: none">•Significant efficiencies/savings realised and implemented thereby making it increasingly difficult to deliver £30m of unidentified savings within the last two years of the current MTFS•Whilst demand for the most vulnerable continues to increase: the prolonged economic downturn restricts increases from funding sources such as Council Tax and NNDR; Pension Fund is impacted by demographic and economic pressures; and anticipated decrease in overall funding after 2016/17	<p><u>Service Delivery</u></p> <ul style="list-style-type: none">•Negative impact on all services as further service cuts will be required to reduce deficit <p><u>Reputation</u></p> <ul style="list-style-type: none">•Significant impact on reputation exacerbated by the need for quick and potentially crude savings if a more considered approach not adopted <p><u>Financial</u></p> <ul style="list-style-type: none">•Loss of income	Brian Roberts / Chris Tambini	5	5	25	<ul style="list-style-type: none">•Transformation governance arrangements reviewed and revised•Potential impact of 2015/16 Spending round and government funding consultation evaluated.•Monitoring processes in place at both departmental and corporate level	<ul style="list-style-type: none">•Public consultation started and due to report in the Autumn•LCC give careful consideration as to which services it will continue to provide and how that provision will be achieved•Greater emphasis on commissioning, active communities and demand management	5	2	10
All	12	LCC and partners do not have the capacity to meet demand from vulnerable people caused by the Welfare Reform Act	<ul style="list-style-type: none">•Continual economic climate/recession•Changes in the benefit system•Introduction of Universal Credit	<p><u>Service Delivery</u></p> <ul style="list-style-type: none">•Service users losing support/income leading to a rise in number of people needing support from LCC and other local agencies <ul style="list-style-type: none">• <p><u>People</u></p> <ul style="list-style-type: none">•More vulnerable people and families affected <ul style="list-style-type: none">• <p><u>Reputation</u></p> <ul style="list-style-type: none">•Cases of hardship / lack of support in media <ul style="list-style-type: none">• <p><u>Financial</u></p> <ul style="list-style-type: none">•Increased pressure on Council resources	Mick Connell / Andy Robinson	5	5	25	<ul style="list-style-type: none">•Management of new social fund•Monitoring impact of benefit changes	<ul style="list-style-type: none">•Keep up with legislative changes•Partnership working to facilitate response in Leicestershire•Information booklet for all staff	5	3	15
All	13	Failure by LCC to ascertain and manage increased demand for services will restrict implementation of effective preventative strategies/actions, impacting council wide priorities	<ul style="list-style-type: none">•Insufficient business intelligence on customers and cost of service as a result of reduced IM/IT investment•Demand influenced by unmanageable external environment•Reduced research, performance and finance support for projects•Inadequate data quality and data sharing•Incorrect predictions for growth (and decline) For e.g. Waste	<p><u>Service Delivery</u></p> <ul style="list-style-type: none">•Inadequate information for business cases•Jeopardise importance of robust and effective decision making•Service priorities not being met <p><u>People</u></p> <ul style="list-style-type: none">•Difficulty in identifying and implementing effective preventative measures <p><u>Reputation</u></p> <ul style="list-style-type: none">•Potential inspection and reputation impact <ul style="list-style-type: none">• <p><u>Financial</u></p> <ul style="list-style-type: none">•Risk of litigation/judicial review	Brian Roberts / Andy Robinson / Liz Clark / Chris Tambini	5	4	20	<ul style="list-style-type: none">•Business Intelligence action plan, group and approach being developed•Project controls in place for developing key systems•Sharing of specialist knowledge	<ul style="list-style-type: none">•Regular review meetings to assess progress•IT capacity and competency building•Governance structures to oversee delivery of priority intelligence improvements	4	3	12
All	14	The ability of LCC to effectively contract manage devolved services as a result of an increasing amount of expenditure through new service delivery models (E.g. outsourcing / externally commissioned)	<ul style="list-style-type: none">•Loss of direct control•Robustness of supply chain - For e.g., Liquidation of insurer MMI•Reduced funding and resources•Staff turnover leading to lack of continuity•Insufficient investment in contract management skills and competencies	<p><u>Service Delivery</u></p> <ul style="list-style-type: none">•Business disruption due to cost and time to re-tender the contract•Standards/quality not met•Relationships with providers/suppliers deteriorate <p><u>People</u></p> <ul style="list-style-type: none">•Additional workload where disputes arise <p><u>Reputation</u></p> <ul style="list-style-type: none">•Customer complaints <p><u>Financial</u></p> <ul style="list-style-type: none">•VfM/Efficiencies not achieved•Increased costs as LCC has to pick up the service again•Unfunded financial exposure (MMI)	Brian Roberts / Chris Tambini	5	3	15	<ul style="list-style-type: none">•The Corporate Commissioning & Contracts Board is monitoring the performance of the Authority's 23 'top' contracts on a quarterly basis to ensure that a robust approach is taken to managing performance.	<ul style="list-style-type: none">•Ensure that services transferred are well implemented and sufficient consideration given to contract and relationship management and managing liabilities	4	3	12



CORPORATE GOVERNANCE COMMITTEE – 2 SEPTEMBER 2013

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

QUARTERLY TREASURY MANAGEMENT REPORT

Purpose of Report

1. To update the Corporate Governance Committee about the actions taken in respect of treasury management in the quarter ended 30 June 2013.

Background

2. Treasury Management is defined as:-

“The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

3. A quarterly report is produced for the Corporate Governance Committee to provide an update on any significant events in the area of treasury management.

Economic Background

4. During the quarter it became apparent, following the revision of previous figures, that the UK had never actually experienced a double-dip recession. This retrospective good news was bolstered with news that the UK economy had grown by 0.6% during the June quarter, which was a significant acceleration on previous growth.
5. Consumer spending, both on and off the High Street, grew at a pace that was encouraging and industrial production accelerated at its fastest pace since mid-2010. Whilst construction spending continued to fall, the pace of the fall was the lowest for almost 2 years and there are signs that the recovery is quite broad-based. Recent years have, however, seen growth in the first half of the year followed by a subdued second half to the year, so it is too early to be certain that the recovery is either meaningful or self-sustaining.
6. The Chairman of the Federal Reserve in the United States made comments during the quarter about the possibility of ‘tapering’ their asset purchase (i.e. quantitative easing) activities at an earlier point than had previously been anticipated, due to growth in the US showing signs of being sustainable. Despite the fact that he had already given assurances that the initiative would

remain in place until unemployment levels were reduced very substantially, markets took fright at this announcement and bond yields rose sharply and equity markets fell by 10%. Further comments gave markets some assurance that the reduction in activities was not imminent and equity markets recovered somewhat, but the sell-off gave an indication of how fragile confidence is in a sustainable recovery.

7. Three members of the Bank of England's Monetary Policy Committee voted in favour of further Quantitative Easing, clearly believing that the economy was in need of further assistance. After the quarter end, the new Governor of the Bank of England, Mark Carney, stated that he intended to make the decision-making process of the Monetary Policy Committee (MPC) much more transparent and that there would be much clearer guidance given to markets about the likely future development of monetary policy. It appears clear that there is little prospect of an increase in the Bank base rate over the next 12 to 18 months, and that the stubbornly high inflation that is almost unique to the UK (other areas are battling the spectre of deflation) will not form any major part of the rate-setting process until there is sustained economic growth. Further it appears possible that factors other than inflation – currently the MPC's only target – will formally be adopted as part of the Bank of England's remit.

Action Taken during June Quarter

8. The balance of the investment portfolio increased from £141.4m at the end of March 2013 to £201.9m at the end of June 2013. Whilst it is normal for the balance to increase in the first quarter of the year, the extent of the increase was much larger than in previous years due to a change in the profile of the way in which certain grants are paid by Central Government. Balances are expected to fall gradually over the remainder of the year.
9. During the March quarter a two year loan of £5m with Bank of Scotland (part of the Lloyds Banking Group) that was paying 2.75% matured, as did a one year loan of £5m to Royal Bank of Scotland that was paying 2.25%. The only terms deposits placed were two separate one year loans of £5m to Bank of Scotland, both at a rate of 1.1%. All other activity related to movements within Money Market Funds and there were occasions in which loans had to be made to the Debt Management Office (at rates of 0.25%) because the limit of £125m with Money Market Funds was reached. Balances available for lending peaked at £247.1m on 28 May.
10. The average rate of interest earned on the investments decreased substantially over the quarter from 1.02% to 0.74%. This reduction is a function of loans at attractive rates maturing and being reinvested at much lower rates – there continues to be a downward trend in money market rates, but the extent of the falls is less than it has been over the last 6 to 9 months – and also the increase in the size of the portfolio, with the extra cash filtering naturally into Money Market Funds (because there are no other available counterparties) at rates that are well below the average for the portfolio. The

rate will reduce further over the quarters ahead, as existing loans mature and are replaced at a lower rate of interest.

11. The loan portfolio at the end of June was invested with the counterparties shown in the list below.

	£m
Royal Bank of Scotland	15.0*
Barclays	5.0*
Lloyds Banking Group/Bank of Scotland	40.0
HSBC	25.0
Money Market Funds	<u>116.9</u>
	<u>201.9</u>

* Barclays and Royal Bank of Scotland are no longer acceptable counterparties and no further loans will be made to them following maturity.

12. The current list of acceptable counterparties is very short and comprises:

Lloyds Banking Group (£40m, for up to 1 year)
 HSBC (£25m, for up to 2 years)
 Local Authorities (£10m per Authority, for up to 1 year)
 Money Market Funds (£25m limit per fund, maximum £125m in total)
 UK Debt Management Office (unlimited, for up to 1 year)
 UK Government Treasury Bills (unlimited, for up to 1 year)

13. There are also three further loans with Lloyds Banking Group which are classified as 'service investments' for the Local Authority Mortgage Scheme (LAMS). These do not form part of the treasury management portfolio, but are listed below for completeness:

- 5 year loan for £2m, commenced 5th September 2012 at 2.72%
- 5 year loan for £1.4m, commenced 27th November 2012 at 2.19%
- 5 year loan for £2m, commenced 12th February 2013 at 2.24%

14. There were no changes to the external debt portfolio over the quarter, although a £12m loan (originally for four years at a rate of 2.80%) from the Public Works Loan Board matured on 1 July 2013. This maturity would have occurred on 30 June if it had not been a weekend, and the loan was not replaced.

Resource Implications

15. The interest earned on revenue balances and the interest paid on external debt will impact directly onto the resources available to the Council.

Equal Opportunities Implications

16. There are no discernable equal opportunity implications.

Recommendation

17. The Committee is asked to note this report.

Background Papers

None

Circulation under the Local Issues Alert Procedure

None

Officers to Contact

Colin Pratt, Investment Manager, Corporate Resources Department
Tel: (0116) 3057656 Email: colin.pratt@leics.gov.uk

Chris Tambini, Deputy Head of Strategic Finance, Corporate Resources Department,
Tel: (0116) 3056199 Email: chris.tambini@leics.gov.uk