



Draft Annual Governance Statement (AGS) 2018/19

1. INTRODUCTION

Leicestershire County Council (the Council) is responsible for ensuring that its business is conducted in accordance with prevailing legislation, regulation and government guidance and that proper standards of stewardship, conduct, probity and professional competence are set and adhered to by all those representing and working for and with the Council. This ensures that the services provided to the people of Leicestershire are properly administered and delivered economically, efficiently and effectively. In discharging this responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs.

Regulations 6 (1)(a) and (b) of the Accounts and Audit Regulations 2015 requires each English local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control. The preparation and publication of an AGS in accordance with the CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework' (2016) fulfils the statutory requirement of the Accounts and Audit Regulations. The AGS encompasses the governance system that applied in both the Authority and any significant group entities (e.g. ESPO, EMSS) during the financial year being reported.

2. WHAT IS CORPORATE GOVERNANCE?

Corporate Governance is defined as how organisations ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. The Council's governance framework comprises the systems and processes, cultures and values by which the Council is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework (the Framework)', sets the standard for local authority governance in the UK. A revised edition of the Framework was issued in spring 2016 and it must be applied to annual governance statements prepared for the financial year 2016/17 onwards.

The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

3. LEICESTERSHIRE VISION AND OUTCOMES

In December 2017, the Council agreed a new four year Strategic Plan and Outcomes Framework to 2022. The Council developed the Plan by focussing on things that will make life better for people in Leicestershire and includes the following five priority outcome themes:

Our Vision : Working together for the benefit of everyone				
Strong Economy	Wellbeing and Opportunity	Keeping People Safe	Great Communities	Affordable and Quality Homes
Leicestershire's economy is growing and resilient so that people and businesses can fulfil their potential.	The people of Leicestershire have the opportunities and support they need to take control of their health and wellbeing.	People in Leicestershire are safe and protected from harm	Leicestershire communities are thriving and integrated places where people help and support each other and take pride in their local area.	Leicestershire has a choice of quality homes that people can afford.

The five priority outcome themes encompass a number of supporting outcomes which together form the overall Single Outcomes Framework which sets clear priorities for the Authority and enables more effective deployment and targeting of its resources. The Annual Delivery Report and Performance Compendium (published in December 2018) included an assessment of progress in relation to the Outcomes Framework.: <https://www.leicestershire.gov.uk/about-the-council/how-the-council-works/leader-and-cabinet/council-performance>

The Annual Report outlined the delivery, progress with implementing agreed plans and strategies, and achievements over the previous 12 months. The Performance Compendium outlined information on current inequality in funding and the Council's Fair Funding proposals and transformation requirements and national and local service pressures.

4. WHAT THE AGS TELLS YOU

The AGS provides a summarised account of how the Council's management arrangements are set up to meet the principles of good governance and how we obtain assurance that these are both effective and appropriate. It is written to provide the reader with a clear, simple assessment of how the governance framework has operated over the past financial year and to identify any developments required. The main aim of the AGS is to provide the reader with confidence that the Council has an effective system of internal control that manages risks 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 revised Framework requires local authorities to review arrangements against their Local Code of Corporate Governance. The Council's Local Code of Governance was revised so that it is consistent with the seven core principles of the Framework and was approved by the Council at its meeting on 27 September 2017.

<https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2017/9/27/local-code-of-corporate-governance.pdf>

The Local Code will be reviewed and updated during 2019. The principles contained in the Framework have been applied to the preparation of the AGS for the financial year 2018/19.

5. REVIEW OF EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL

There is a statutory requirement in England, for a local authority to ensure that it has a sound system of internal control which: -

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.


The authority must (each financial year): -

- (a) conduct a review of the effectiveness of the system of internal control, and,
- (b) prepare an annual governance statement;

To ensure this AGS presents an accurate picture of governance arrangements for the whole Council, each Director was required to complete a 'self-assessment', which provided details of the measures in place within their department to ensure conformance (or otherwise) with the seven core principles of the new Framework.


The self-assessments contained a set of conformance statements under each core principle, which required a corresponding score of 1, 2 or 3 to be recorded, based on the criteria below:







Score	Definition	Description	Evidence (all inclusive)
1	Good 	Conformance against the majority of the areas of the benchmark is good, although there may be minor developments required but with a limited impact on the ability to achieve departmental and Council objectives. Strategic, reputational and/or financial risks are minor and performance is generally on track.	Many elements of good practice to a high standard and high quality; Substantial assurance can be given that coverage of the sub-principle is operating satisfactorily and extends to most/all services areas within the department
2	Some development / areas for improvement 	There are some developments required against areas of the benchmark and the department may not deliver some of its own and the Council objectives unless these are addressed. The management of strategic, reputational and/or financial risks is inconsistent and performance is variable across the department.	Some elements of good practice to a high standard and high quality; Moderate assurance can be given that coverage of the sub-principle is working adequately in certain service areas, with omissions in others; Proposal/Plans are in place to address perceived shortfalls

3	Key development and many areas for improvement 	Conformance against many/all areas of the benchmark is poor and therefore delivery of departmental and Council objectives is under threat. There are many strategic, reputational and/or financial risks and performance is off track.	Few elements of good practice to a high standard and high quality; Coverage of this expectation is omitted amongst most areas; Proposal/Plans to address perceived shortfalls are in early stages of development
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The application of a more quantitative approach to assessing conformance against the Framework allows the Corporate Management Team, Members and the public at large to obtain necessary assurance that the Council operates within an adequate governance framework, thus complying with the seven core principles and best practice. In addition to the above, senior officers assessed arrangements for managing issues that apply across all departments. Whilst the self-assessments identified many sources of assurance and were transparent in reporting areas for action, the table below includes the key areas where development is deemed necessary.

Note: some actions are not included in the table below as they are already reported through the Corporate Risk Register.

Annual Review of the Effectiveness of the Council's Governance Framework against the CIPFA/SOLACE Delivering Good Governance in Local Government : Framework (2016)		
Core Principles of the Framework	Overall Assessment	Action to Develop Areas Further
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		<p>The level of conformance is generally good, however the following key developments are noted:</p> <ul style="list-style-type: none"> • Further work continues with embedding the Council's revised values and behaviours within the revised Annual Performance Reviews (From 2017/18 as continuing action) • To ensure external providers of services on behalf of the Council are required to act with integrity and in compliance with high ethical standards expected by the Council, a new Supplier Code of Conduct was agreed in September 2018 but further work is needed to review the operation and implementation of the new Code. (From 2017/18 as continuing action). Development of Ethical training for Contract Managers (New) • Members will require training in the National Planning Policy Framework (this provides a framework within which locally-prepared plans for housing and other development can be produced). (New) • The Members Code of Conduct will be reviewed to have regard to the recommendations of the report of the Committee on Standards in Public Life – 'Ethical Standards in Local Government'. (New)

<p>Principle B:</p> <p>Ensuring openness and comprehensive stakeholder engagement</p>		<p>The level of conformance is reasonable however further development is required in:</p> <ul style="list-style-type: none"> • A corporate Consultation Communications and Engagement Group oversees and co-ordinates the Council's engagement activities. The Group will review the impact and outcome of consultations including, lessons learnt, and feedback via an Annual Report in early summer 2019. (From 2017/18 as continuing action) • A review of delegated powers of Chief Officers will be concluded and as part of that review there will be a reminder of the need to record officer decisions where appropriate. (From 2017/18 as continuing action)
<p>Principle C.</p> <p>Defining outcomes in terms of sustainable economic, social, and environmental benefit</p>		<p>The level of conformance is good</p>
<p>Principle D.</p> <p>Determining the interventions necessary to optimise the achievement of the intended outcomes</p>		<p>Further development is noted in the following areas:</p> <ul style="list-style-type: none"> • Work is continuing to embed an outcomes-based approach following adoption of the Council's Strategic Plan 2018-22. The outcomes framework is being implemented in a phased manner with work well advanced on the Affordable and Quality Homes outcome and work is being undertaken on the other four. A programme of work to ensure the Council's Policy Framework aligns to the Strategic Plan is also underway. (New) • The Council has introduced a Social Value Policy statement which was approved by Cabinet in October 2018 and will always work to ensure that Social Value related activity is aligned to the Council's Strategic Plan and is compliant with all relevant legal requirements and good practice. (New)
<p>Principle E.</p> <p>Developing the entity's capacity including the capability of its leadership and the individuals within it</p>		<p>The level of conformance is good.</p>
<p>Principle F.</p> <p>Managing risks and performance through robust internal control and strong public financial management</p>		<p>The level of conformance is generally good, although the following key development is noted:</p> <ul style="list-style-type: none"> • Implementing recommendations from the Risk Management Health Check. (New)
<p>Principle G.</p> <p>Implementing good practices in transparency reporting and audit to deliver effective accountability</p>		<p>The level of conformance is good, however:</p> <ul style="list-style-type: none"> • Further improvements to health performance reporting to the Health and Well Being Board linked to the new NHS Long Term Plan and the work of the local Better Together Partnership. (New) • Whilst the external peer review of the internal audit function returned top grading, some areas for development remain (From 2017/18 as continuing action).

A senior management group (comprising the officers below) with responsibility for co-ordinating the 2018/19 AGS has determined that progressing areas identified for development against each principle above, should be the responsibility of designated service managers during 2019/20.

- Head of Law and Deputy Monitoring Officer (on behalf of the Council's Statutory Monitoring Officer)
- Director of Corporate Resources (the Council's Statutory Chief Financial Officer)
- Head of Democratic Services
- Assistant Chief Executive
- Assistant Director – Strategic Finance & Property
- Head of Internal Audit & Assurance Service

Note: Follow up on progressing the implementation of 2017-18 developments was undertaken in November 2018 and again in April 2019. Any 2017-18 developments that were not carried forward into 2018-19 or reported through the Corporate Risk Register process will continue to be monitored.

6. OTHER FORMS OF ASSURANCE

The Framework provides examples of documents, systems and processes that an authority should have in place. Using this guidance, the Council can provide assurance that it has effective governance arrangements – see section 5. The Council has an approved Local Code of Corporate Governance and this provides examples of good governance in practice.

The Control Environment of Leicestershire County Council

The Council's Constitution includes Finance and 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 Council.

Internal Audit Service

Internal Audit Service

Leicestershire County Council Internal Audit Service (LCCIAS) conducts its work in line with the Public Sector Internal Audit Standards (the PSIAS). Following an independent assessment, in April 2018 LCCIAS was judged to be conforming to the PSIAS. The requirements of the PSIAS are contained in the Council's Internal Audit Charter mandating the purpose, authority and responsibility of the internal audit activity.

The Charter allows the Council's Head of Internal Audit Service (HoIAS) to also be responsible for the administration and development of, and reporting on, the Council's risk management framework. Whilst this does present a potential impairment to independence and objectivity, the HoIAS arranges for any assurance engagement to be overseen by someone outside of the internal audit activity. An independent risk management maturity health check was undertaken during the autumn of 2018. Outcomes were on the whole positive but with an action plan for some developments.

In order to meet a PSIAS requirement to form an opinion on the overall adequacy and effectiveness of the Council's control environment i.e. its framework of governance, risk management and control, the HoIAS constructs an annual risk based plan of audits. Given the overall robustness of risk management at the Council, the plan is primarily based on the contents of the corporate and departmental risk registers to ensure current and emerging risks are adequately covered. Parts of the plan relate to audits of the key financial systems that the External Auditor may choose to review to assist their risk assessment when planning the audit of the financial accounts. A contingency is retained for unforeseen risks, special projects and investigations.

Internal Audit reports often contain recommendations for improvements. The number, type and importance of recommendations affects how the auditor reaches an opinion on the level of assurance that can be given that controls are both suitably designed and are being consistently applied, and that material risks will likely not arise. The combined sum of individual audit opinions and other assurances gained throughout the year (e.g. involvement in governance groups, attendance at Committees, evaluations of other assurance providers), facilitate the HoIAS to form the annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk management and control framework (i.e. the control environment).

The HoIAS presents an annual report to the Corporate Governance Committee. The annual report incorporates the annual internal audit opinion; a summary of the work that supports the opinion; and a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme. The HoIAS Sub-Opinions for 2018/19 are:

- Governance – Nothing of significance, adverse nature or character has come to the HoIAS attention. As such reasonable assurance is given that the Council's governance arrangements are robust.
- Risk management - Management has shown good engagement around risk, has welcomed the independent review of risk management processes and agreed to implement audit recommendations, which further mitigate risk. Therefore reasonable assurance is given that risk is managed.
- Financial and ICT Control – Reasonable assurance can be given that the Council's core financial and I&T controls remain strong.

Commercial and Collaborative Arrangements

Commercial

ESPO is constituted as a joint committee (of 6 local authorities) set up to provide a comprehensive professional purchasing service to public sector bodies. It is overseen by a Management Committee which has overall strategic responsibility for ESPO. There is also Finance and Audit Subcommittee in place. Internal audit is undertaken by the Council's Internal Audit Service as part of the servicing agreement. Similar to the County Council, the HoIAS presents an annual report to the Management Committee. The annual report incorporates the annual internal audit opinion, which for 2018-19 was positive in each of the three sub components of the control environment namely ESPO's governance, risk management and internal control frameworks. Although not required to do so an external audit is also undertaken.

ESPO Trading Ltd ESPO's power to trade is restricted to a limited number of public bodies and this market is shrinking. The establishment of a trading company allows ESPO (Trading) to trade with other organisations which are in the spirit of public bodies but not described as such in the 1970 Act – e.g. Housing Associations, Charities and Voluntary Organisations. The Trading is governed under the Companies Act 2006, its Articles of Association and Shareholder Agreement.

The **Corporate Asset Investment Fund** Strategy guides the Council's investments in assets not directly involved in the delivery of its services. The Strategy requires reporting to various member bodies. Reporting on the financial performance is included in the budget monitoring reports, on a quarterly basis.

The Council also has a trading arm- **Leicestershire Traded Services (LTS)**, which sits within the Corporate Resources Department. Its activities are overseen by an Officer Board and the current Medium Term Financial Strategy assumes an income of £2.7 million from traded services. The quarterly financial and performance reports includes the performance of the LTS as part of the Corporate Resources Department and these reports are considered by various member bodies.

Collaborative

East Midlands Shared Service (EMSS) EMSS is constituted under Joint Committee arrangements to process payroll/HR and accounts payable and accounts receivable transactions for Leicestershire County Council and Nottingham City Council. The internal audit of EMSS is undertaken by Nottingham City Council.

On the basis of audit work undertaken during the 2018-19 financial year, covering financial systems, risk and governance, the Head of Internal Audit (HoIA) at Nottingham City Council concluded that a “**significant**” level of assurance could be given that internal control systems are operating effectively within EMSS and that no significant issues had been discovered.

Local Government Pension Scheme (LGPS) - Central Pool.

The LGPS Central pooled investment arrangements became operational on 1 April 2018. A range of collaborative governance vehicles has been established.

The Council is joint owner of LGPS Central Limited which manages the pooled assets of nine Midlands-based local government pension schemes, including Leicestershire. LGPS Central Limited is authorised and regulated by the Financial Conduct Authority as an asset manager and operator of alternative investment funds. It has combined assets of approximately £40bn, and represents the retirement savings of over 900,000 scheme members across over 2,000 employers.

The Company aims to use the combined buying power of its Partner Funds to reduce costs, improve investment returns and widen the range of available asset classes for investment for the benefit of local government pensioners, employees and employers.

Representatives of each of the funds sit on the LGPS Central Joint Committee which provides oversight of the delivery of the objectives of the pool, the delivery of client service, the delivery against the LGPS central business case and to deal with common investor issues. The joint committee provides assistance, guidance and recommendations to the individual councils, taking into consideration the conflicting demands and interests of the participants within the pool. The joint committee does not have delegated authority to make binding decisions on behalf of the

participating councils.

Staffordshire County Council Internal Audit Service has led a co-ordinated and collaborative approach in relation to developing assurance over the new pooling arrangements operating within LGPS Central. This has involved consultation with all Partner Fund's internal audit functions (including Leicestershire County Council), External Audit Partners, the Practitioners Advisory Forum and LGPS Central. An assurance framework has been established and agreed with audit work planned in the new financial year (2019/20). The Local Pensions Committee was advised on 15 February 2019 that the format of assurance documents and audit programmes had been shared with Partner Bodies Internal Audit teams to ensure consistency in approach and that work would commence in the next quarter.

Leicestershire and Rutland Sports Partnership (LRS)

The Director of Public Health represents the Council, and is vice-chair of the LRS Board of non-executive directors. There are defined terms of reference which set out the governance arrangements and key tasks of the Board. Underneath the Board are a number of sub groups (drawn from the Board and co-opted others) to provide additional scrutiny of areas of the business. One of those sub-groups in the 'business, oversight and audit' committee which oversees business planning, financial and risk reporting and reports to the Board quarterly.

Outside of internal controls there is an external process (the Quest quality scheme for sports and leisure) run through Sport England which assesses the strength of the partnership through process of interviews with key LRS personnel, Board members and other stakeholders. LRS achieved a "Very Good" rating in its 2018 Quest Assessment.

Leicester and Leicestershire Enterprise Partnership (LLEP)

The Leader of the Council is a member of the LLEP Board. The LLEP Executive and Boards have Council representation. In March 2019, Ministry of Housing, Communities & Local Government (MHCLG) informed the LLEP of its performance rating for 2018-19. On Governance the LLEP is considered to be good, on Delivery it is rated as exceptional, but on Strategy it is considered to require improvement. The LLEP is putting in place measures to address the causes of the latter rating, which MHCLG has said are due to:

- Slow progress in developing the Local Industrial Strategy
- The absence of an Enterprise Zones business rates agreement and
- A lack of engagement with key stakeholders both locally and nationally.

It is considered that progress is already being made against each of these but it will be important that the LLEP Board ensures that progress is continued.

There have been delays in reaching agreement with the District Councils regarding the use of the funds in the business rates pool which has held up investment in economic development and infrastructure projects. The Council has been keen to press on with deployment of the bulk of the funds which are not subject to dispute and recent more positive discussions suggest that a resolution may be within reach.

Leicestershire Health and Wellbeing Board

The Lead Members for adults and children and families, its Chief Executive and appropriate Directors are the County Council's representatives on the Leicestershire Health and Wellbeing Board (the Board) which is chaired by the Council's cabinet lead on Health & Wellbeing. The Board is made up of local councillors, GPs, health and social care officials and representatives of patients and the public. The Board was set up to lead and direct work to improve the health and wellbeing of the population of Leicestershire through the development of improved and integrated health and social care services. It: -

- Identifies needs and priorities across Leicestershire, and publishes and refreshes the Leicestershire Joint Strategic Needs Assessment (JSNA) so that future commissioning/policy decisions and priorities are based on evidence.
- Prepares and publishes a Joint Health and Wellbeing Strategy and Plan on behalf of the County Council and its partner clinical commissioning groups so that work is done to meet the needs identified in the JSNA in a co-ordinated, planned and measurable way.
- Through its partners, communicates and engages with local people in how they can achieve the best possible quality of life and be supported to exercise choice and control over their personal health and wellbeing.
- Approves the Better Care Fund (BCF) Plan including a pooled budget used to transform local services so people are provided with better integrated care and support together with proposals for its implementation.
- Has oversight of the use of relevant public sector resources to identify opportunities for the further integration of health and social care services.

The BCF is reported quarterly regionally and nationally via NHS England (NHSE) and the Local Government Association (LGA) via a nationally prescribed template which is approved quarterly by the Board, a process supported operationally by the Integration Executive. The annual BCF plan is also submitted via NHSE/LGA regionally and nationally, and is subject to a prescribed national assurance process against a number of national conditions, metrics and financial rules.

The work of the Board is reported in an annual report and is also reported in the annual reports of Clinical Commissioning Groups.

Risk Management

An independent health check of the Council's risk management maturity by Risk Management Partners (RMP) was undertaken in October 2018, the conclusion overall was positive and an action plan being developed.

The Corporate Governance Committee has a responsibility to ensure that an effective risk management system is in place. Risk management is about identifying and managing risks effectively, helping to improve performance and aid bold decision making relating to the development of services and the transformation of the wider organisation. The Council's Risk Management Policy and Strategy provide the framework within which these risks can be managed.

The Policy and Strategy were reviewed, revised and approved by Cabinet in February 2019. Regular reports and presentations on specific strategic and corporate risks to the Council are provided to the Corporate Governance Committee.

Corporate Governance Committee

The Corporate Governance Committee is responsible for promoting and maintaining high standards of corporate governance within the Council and receives reports and presentations that deal with issues that are paramount to good governance.

With regard to the promotion and maintenance of high standards of conduct by members and co-opted members within the County Council – decisions and minutes are available on the intranet. The Committee reviewed one member conduct hearing this year which resulted in a report to the full Council.

During 2018/19 the Committee has provided assurance that: an adequate risk management framework is in place; the Council's performance is properly monitored; and that there is proper oversight of the financial reporting processes. The table below provides summary information of other key business considered by this Committee during 2018/19 to support the above.

- Quarterly Risk Management Updates and the Risk Management Policy & Strategy
- External Audit Plan, Statement of Accounts, Pension Fund Accounts and Annual Governance Statement
- Quarterly Treasury Management updates and Annual Treasury Management Report 2017/18. Treasury Management Strategy Statement and Annual Investment Plan
- Internal Audit Service – Annual Plan; quarterly progress reports including status of progress High Importance recommendations; Annual Report, including opinion on the control environment, conformance to PSIAS and Quality Assurance Improvement Programme; Outcome of the Peer Review
- Clinical Governance Annual Report
- Supplier Code of Conduct
- Property and Occupants Risk Management Group
- Prevention of the Facilitation of Tax Evasion – Policy Statement and Procedures
- Ombudsman Annual Review 2017-18 and Corporate Complaint Handling
- Information Commissioner's Office Inspection and GDPR Update
- Annual Reports :
 - Operation of Members' Code of Conduct and dealing with complaints
 - Update to the Contract Procedure Rules
 - Grants and Returns
 - Business Continuity and Court Surveillance and Regulation of Investigatory Powers Act 2000 (RIPA)

External Audit

The Council's external auditors present the findings from their planned audit work to those charged with governance. Key conclusions reached are as follows:

- **Council's Medium Term Financial Strategy 2017-2021 (KPMG LLP)
(Value for Money Conclusion)**

APPENDIX

- 2017/18 Budget. The Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.
 - 2018/19 and future years planned budget. Appropriate arrangements are in place to identify and achieve savings. However, the Authority needs to continue to closely monitor progress and ensure its MTFS is kept up to date.
 - The level of reserves are appropriate for the size of the organisation given the continued uncertainties and risks that lie ahead for the whole sector and the individual pressure and challenges the Authority faces in the short to medium term.
- **Opinion on the 2017/18 Annual Statement of Accounts (KPMG LLP)**
 - No significant audit or accounting issues and no material deficiencies in internal control and that the Annual Statement of Accounts presented a true and fair view, in accordance with the relevant codes and regulation.
 - **Annual Audit Plan for the 2018/19 Accounts (Grant Thornton LLP)**
 - The external audit plan was reported to members in January 2019 and the interim audit was completed in March 2019 - no material issues have been reported. The provision of relevant information by the Internal Audit Service will assist Grant Thornton to determine the planned audit approach for further testing during June and July 2019 before reporting the Audit Opinion in July 2019.

The Role of the Chief Financial Officer (CFO)

Throughout 2018/19, the Director of Corporate Resources undertook the role of the Chief Financial Officer (CFO) for the Council. The CFO conforms to the governance requirements and core responsibilities of two CIPFA Statements on the Role of the Chief Financial Officer; in Local Government (2016) and in the Local Government Pension Scheme (2014). The CFO is a key member of the Corporate Management Team and is able to bring influence to bear on all material business decisions, ensuring that immediate and long term implications, opportunities and risks, are fully considered and in alignment with the MTFS and other corporate strategies. The CFO is aware of, and committed to, the five key principles that underpin the role of the CFO, and has completed an assurance statement that provides evidence against core activities which strengthen governance and financial management across the Council.

The Role of the Head of Internal Audit

The Council's Internal Audit Service arrangements conform to the governance requirements and core responsibilities of the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010)*. The Head of Internal Audit & Assurance Service undertakes the role of Head of Internal Audit Service (HoIAS) and 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 Council's control environment. The HoIAS has reviewed his conformance to the CIPFA statement providing evidence against core activities and responsibilities which strengthen governance, risk management and internal control across the Authority.

* A revised Statement is in effect from April 2019 i.e. relevant to compilation of the 2019/20 AGS.

The Monitoring Officer has responsibility for:

- ensuring that decisions taken comply with all necessary statutory requirements and are lawful. Where in the opinion of the Monitoring Officer any decision or proposal is likely to be unlawful and lead to maladministration, he/she shall advise the Council and/or Executive accordingly,
- ensuring that decisions taken are in accordance with the Council's budget and its Policy Framework,
- providing advice on the scope of powers and authority to take decisions

In discharging this role the Monitoring Officer is supported by officers within the Legal and Democratic Services Teams.

7. SIGNIFICANT GOVERNANCE ISSUES ARISING DURING 2018/19

This Annual Governance Statement identifies that the Council has effective arrangements in place, but that we recognise the need to continuously review, adapt and develop our governance arrangements to meet the changing needs of the organisation. Whilst the Council has identified areas to be developed (see section 5), it is important to recognise that the senior management group (25 March 2019) determined that there were no significant governance issues in 2018/19.

8. FUTURE CHALLENGES

Significant challenges faced by the Council such as continuing funding reductions, delays to the localisation of business rates, progressing the transformation programme, driving further Health and Social Care integration are detailed within the Corporate Risk Register, which is regularly presented to the Corporate Management Team and Corporate Governance Committee. Managing these risks adequately will be an integral part of both strategic and operational planning; and the day to day running, monitoring and maintaining the Council.

Challenges continue to emerge in particular:

- Austerity - The Council is the lowest funded county council in the country and is among the lowest funded of all authorities. The Council continues to press for the development of a funding system which achieves a much fairer distribution of local government funding than the current system has achieved. The Council has responded to Fair Funding and Business Rate Retention in February 2019 and is seeking more sustainable funding for local services. The Council is developing a business case for a more effective unitary council for Leicestershire.
- The future financial outlook remains challenging with continuing reductions in government funding coupled with rising demand. Service pressures are most keenly felt in adult and children's social care and for special educational needs and disability support (SEND). This is creating the continued need to make savings and invest in alternative service provision. The most significant addition to the MTFs for 2019/20 is the High Needs Development plan that looks to address the challenge, including the investment of up to £30 million in a range of cost effective high quality provision for children and young people with special education needs.

- The financial risks faced by the Council in delivering the infrastructure necessary to support growth in the County are significant. To address this proposals are being developed for a Growth Unit within the Council aimed at ensuring that public services and infrastructure are effectively planned over the short, medium and long term across Leicestershire. In addition it will seek to ensure that risks associated with the Council's financial contribution to large scale growth and infrastructure projects remain tightly managed by the introduction of cost/risk sharing arrangements with district councils and by the securing of funding through developer contributions and from government and other external agencies.
- Leicestershire has been selected as a Business Rate Retention Pilot for 2019/20. The City and County areas are expected to benefit from at least £14m of additional funding with £7m forecast to be allocated to the County Council. Working alongside Leicester City Council and District Councils, suitable governance will need to be put in place to ensure the best use is made of the money and in line with Government expectations.
- The NHS Long Term Plan (published in January 2019) includes a number of areas which are likely to have an impact on the Council, both in terms of joint working, operationally in the delivery of care, and as a strategic commissioner of services. Each local NHS system is expected to respond to the Long Term Plan setting out its local implementation approach and financial plans during Autumn 2019.
- Proposed development of a new target operating model for the adult social care services progresses to deliver enhanced outcomes for service users and improved ways of working,
- The Independent Inquiry into Child Sexual Abuse (IICSA) - The Inquiry will investigate institutional responses to allegations of child sexual abuse involving the late Lord Janner of Braunstone QC. The IICSA announced in September 2018 that Public Hearings for the Janner Investigation will be held for 3 weeks in February 2020. A Preliminary Hearing has been scheduled by the IICSA for 23 May 2019 at which details regarding the Public Hearings will be agreed.
- Brexit - significant knock on consequences on public services (including potential legal, regulatory, economic and social implications) and the local economy as a result of the United Kingdom leaving the European Union (EU). The Council has been working closely with partners through the Local Resilience Forum (LLR Prepared) and with central Government departments on Brexit planning, particularly in relation to a No Deal EU Exit.
- National Audit Office – Local Authority Governance (published in January 2019) raises questions as to whether the local government governance system remains effective; Authorities have faced significant challenges since 2010-11 as funding has reduced while demand for key services has grown. Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context.

9. CERTIFICATION

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance Committee and that the arrangements continue to be regarded as fit for purpose.

We propose over the coming year to take steps to address any matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for any developments that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Furthermore, having considered all the principles of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

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John Sinnott
Chief Executive

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Nicholas Rushton
Leader of the Council

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