

Draft Annual Governance Statement (AGS) 2019/20

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 require 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.

In anticipation of the potential disruption to relevant authorities caused by the spread of coronavirus (COVID -19), The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 amended the 2015 Regulations to extend the deadlines for relevant authorities to publish and make available for public inspection, their annual accounts and supporting documents in relation to the financial year beginning on 1st April 2019. The draft AGS 2019/20 will be published with the Draft Statement of Accounts in July 2020.

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.

The Framework helps 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 run from April 2018 to March 2022. The Council developed the Plan by focussing on what would make life better for people in Leicestershire and the Plan included 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 November 2019) 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 Delivery Report outlined the delivery, progress with implementing agreed plans and strategies, and achievements over the previous 12 months. The Performance Compendium outlined the inequality in funding and the Council's Fair Funding proposals, transformation requirements and national and local service pressures.

The Council's revised Strategic Plan was approved in May 2020. The revision is an interim measure to reflect the Council's resolution (May 2019) to declare a climate emergency.

A long-term vision for the area and strategies to define the Council's role in meeting the emerging challenges post-COVID-19 will need to be developed at a later date when the situation is stable, and the impacts are more fully understood.

The Recovery Strategy which has been approved by Members has two key aims; to aid short-term recovery of services following lockdown, and also to support services to move to better ways of working and new efficient models of delivery in the long term. As part of the Recovery Strategy Members noted that given the significant impact of COVID-19 there would need to be a review of the Council's Medium-Term Financial Strategy and the Strategic Plan 2018-22.

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 CIPFA/SOLACE Framework requires local authorities to review arrangements against their Local Code of Corporate Governance. To ensure it is consistent with the seven core principles of the Framework, the Council's Local Code was revised and updated during 2019 and was approved by the Council at its meeting on 25 September 2019.

<https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2020/1/16/local-code-of-corporate-governance.pdf>

The principles contained in the Framework have been applied to the preparation of the AGS for the financial year 2019/20.

The 2019/20 AGS has been constructed by undertaking: -

- A review of the effectiveness of the system of internal control
- Reviewing other forms of assurance
- Reviewing the Council's response to (and planned recovery from) the COVID-19 virus

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 the 2019/20 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 Framework. **The AGS assesses governance in place during 2019/20, the Council's self-assessments were completed in early March 2020 and therefore the majority of the year was unaffected by the COVID-19 national emergency.**

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 – Refer to the Appendix.

The application of a quantitative approach to assessing conformance against the Framework allows the Corporate Management Team, Members and the public at large to obtain assurance that the Council operates within an adequate governance framework, thus complying with the seven core principles and best practice. In addition to the Directors' self-assessments, senior officers assessed arrangements for managing matters that apply across all departments. Whilst the self - assessments identified many sources of assurance and were transparent in reporting areas for action, a table in the Appendix includes key areas where further development is deemed necessary.

A senior officers group with responsibility for co-ordinating the 2019/20 AGS has determined that progressing areas identified for development against each principle above, should be the responsibility of designated Directors and Heads of Service during 2020/21.

The group comprises

- Director of Law & Governance (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 2018/19 developments was undertaken in December 2019. Any 2018/19 developments that were not carried forward into 2019/20 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. 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

The Council's Head of Internal Audit Service (HoIAS) ensures that internal audit arrangements conform to the requirements of the Public Sector Internal Audit Standards (the PSIAS) revised in 2017 and the governance requirements and core responsibilities of the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019).

The 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 Council's control environment.

There is an Internal Audit Charter mandating the purpose, authority and responsibility of the internal audit activity. The Charter allows the 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 reviews 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 and good progress was made during 2019/20 against the recommendations contained in the action plan.

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 arranges 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. 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).

In his annual report to the Corporate Governance Committee on 12 June 2020 <http://politics.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=6287&Ver=4>, the HoIAS overall opinion for 2019/20 was: -

Prior to the onset of the virus, the Council's control environment was in a steady state. The build-up and immediate impact of the coronavirus was significant, of adverse nature and unique in character. However, no significant governance, risk management or internal control failings have come to the HoIAS' attention therefore reasonable assurance is given that the Council's control environment overall has remained adequate and effective.

Specifically, for 2019-20, the HoIAS' views on the Council's responses to the coronavirus during the months of February and March 2020 are also detailed.

Risk Management

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 decision making relating to the development of services and the transformation of the wider organisation. Regular reports and presentations on specific strategic and corporate risks to the Council are provided to the Corporate Governance Committee.

The Council's Risk Management Policy and Strategy (which provide the framework within which risks can be managed) were reviewed, revised and approved by Cabinet in February 2020.

As the Council's COVID-19 response continues, the Council is fast progressing its plans to recover and rebuild services. It is recognised that there will be a period of transition, with phased steps towards the 'new normal'. In the interim the existing risk management arrangements have been aligned to the interim recovery planning principles.

Overview and Scrutiny

The cross-party overview and scrutiny function monitors the County Council's financial performance and performance against targets in the Strategic Plan and other related plans on a quarterly basis.

The key areas of activities undertaken during the year included: -

- Review of the County Council's proposals for a unitary structure of local government for Leicestershire
- The Strategic Growth Plan and the bid to the Housing Infrastructure Fund.
- The capital investment plan for adult social care accommodation-based support services
- Progress against the Ofsted Continuous Improvement Action Plan,
- The revised Environment Strategy.
- The provision of community health services in both Ashby and the Hinckley and Bosworth area.

- The impact of winter on the health service and
- Number of initiatives led by the Director of Public Health including the new model for an integrated lifestyle service, the suicide prevention programme and the 'RUOK Today?' programme.

Task and finish groups were set up to undertake in depth reviews of Corporate Parenting and member engagement with Multi Academy Trusts.

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 Monitoring Officer submits an annual report to the Corporate Governance Committee on the operation of the Members' Code of Conduct and arrangements for dealing with complaints. Four complaints were received, 2 were withdrawn and 2 did not meet the threshold for further investigation.

During 2019/20 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 2019/20 to support the above.

- Quarterly Risk Management Updates and the Risk Management Policy & Strategy, Independent Risk Management Health Check Report
- Informing the External Audit Risk Assessment External Audit Plan, Statement of Accounts, Pension Fund Accounts and Annual Governance Statement 2018/19
- Quarterly Treasury Management updates and Annual Treasury Management Report 2018/19. Treasury Management Strategy Statement and Annual Investment Strategy 2020/21
- Internal Audit Service – Annual Plan, quarterly progress reports including status of High Importance recommendations; Annual Report, including opinion on the control environment, conformance to PSIAS and Quality Assurance Improvement Programme;
- Government driven Developments in Audit and Governance including an update on position
- Local Government and Social Care Ombudsman Annual Review 2018-19 and Corporate Complaint Handling and Freedom of Information Requests
- Committee on Standards in Public Life
- Local Code of Corporate Governance
- Annual Reports:
 - Update to the Contract Procedure Rules and Financial Procedure Rules
 - Clinical Governance Annual Report
 - Resilience and Business Continuity Update
 - Regulation of Investigatory Powers Act 2000 (RIPA)

The Chief Financial Officer (CFO)

The Director of Corporate Resources undertakes the statutory 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 Director of Corporate Resources managed the approved budget during 2019/20 in line with normal requirements. Nevertheless, he recognised during the early stages of planning for the virus response that the Council's finances would be significantly affected for the latter part of the year and increasingly so into 2020/21 and beyond. The Director instigated short term/emergency measures to mitigate the COVID -19 impacts on finances. More detail is provided in the Narrative Report section of the Council's Financial Statements.

The Monitoring Officer

The Director of Law & Governance undertakes the statutory role of Monitoring Officer (MO) for the Council. The MO has responsibility for:

- ensuring that decisions taken comply with all necessary statutory requirements and are lawful. Where in the opinion of the MO 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 MO is supported by officers within the Legal and Democratic Services Teams.

Senior Information Risk Owner

The Assistant Director - Corporate Services undertakes the role of Senior Information Risk Owner (SIRO) for the Council. The SIRO takes overall ownership of the Council's approach to handling information risk. Sound governance is in place, with regular update and exception reports to the Corporate Management Team. The responsibilities of a SIRO include:

- owning the Council's policies, procedures and processes around information risk, ensuring they are implemented consistently across the Council;
- ensuring compliance with all other policies and procedures relating to information and data;
- acting as a champion on information risk and report to Chief Officers on the effectiveness of risk management;
- leading and fostering a culture that values, protects and uses information for the success of the Council and benefit of our citizens;
- ensuring that information owners understand their roles;
- ensuring that the Council has a plan to monitor and improve information and data governance;
- maintaining expertise in Data Protection and other legislation that impact on Information and Data Governance; and
- owning the Council's information incident management framework

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 a 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 2019-20 was positive. The HoIAS also commented positively on ESPO management's response to the coronavirus. 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.

Eduzone was a Private limited company that supplies Early Years educational products and Early Years furniture to schools, nurseries and child minders. ESPO acquired the company following the necessary due diligence in 2018. Eduzone has now be incorporated into ESPO trading Limited.

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 2019-20 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 which represents the assets of over 2,000 employing bodies which help to pay for the costs of pensions when they became payable.

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 is leading a co-ordinated and collaborative approach in relation to developing assurance over the pooling arrangements operating within LGPS Central. This involves 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. At its meeting on 5 July 2019, the Local Pensions Committee was advised about the Pensions Assurance Framework (compiled using the Pool's Risk Register) and the draft Internal Audit Approach which contained a four-year cyclical programme of audits.

As part of the collaborative work, West Midlands Internal Audit Service commenced an audit of investment risks early in 2020, unfortunately, due to the current situation, it has been difficult to progress, resulting in some delays. A draft report, with limited scope, detail and testing is planned to be produced mid-July. In addition to this, two separate audits were completed, with an internal focus on LGPS Central Limited (Investment Fees and Local Governance and Financial Reporting arrangements). Both were concluded with 'substantial' assurance.

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 is 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.

Leicester and Leicestershire Enterprise Partnership (LLEP)

The Leader of the Council is a Director of the LLEP and a member of its Board. The LLEP Executive and sub-boards have Council representation. In April 2020, the Ministry of Housing, Communities & Local Government (MHCLG) informed the LLEP of its performance rating for 2019-20. On Governance the LLEP was considered to be good, and on Delivery it was rated as exceptional. On Strategic Impact the LLEP was previously judged as requiring improvement but for 2019-20 MHCLG indicated that the required improvements had been made.

The LLEP Board underwent 'incorporation' in the last 12 months, in response to Government guidance, and is currently carrying out a Governance Review. At its meeting on 2 June 2020, the LLEP Board considered an update on progress with this review and firm recommendations for a new Governance structure, with proposed terms of reference for new sub-Boards and groups, will be considered at its meeting on 7 July 2020. An outstanding (indeed longstanding) Governance issue relates to the deployment of retained Enterprise Zone business rates and this remains a matter of negotiation between the LLEP, its accountable body (Leicester City Council) and the two district councils which have Enterprise Zones within their administrative boundaries.

Good progress has been made in reaching agreement with local authority partners on the use of the Business Rates Pool.

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 (CCGs).

The publication of the 2020/21 BCF Policy Framework and Technical Guidance will be delayed due to Covid-19 to allow systems to focus on the effort of dealing with the pandemic. Financial allocations for the CCG minimum contribution and the improved BCF (adult social care allocation) was published in February 2019 and therefore the financial planning for 2020/21 has been completed and approved locally by the CCGs and LCC during April.

The National BCF Team has confirmed that although the BCF plan from April 2020 will not have been formally approved at a national level, systems should assume that spending from ringfenced BCF funds, particularly schemes from 2019/20 and spending on activity to address demands in community health and social care, is approved and should prioritise continuity of care, maintaining social care services and system resilience.

The Council's external auditors, Grant Thornton LLP, 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 2018-2022 (Value for Money Conclusion)**
 - We carried out an initial risk assessment in January 2019 and identified no significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this to you in our Audit Plan dated January 2019. We have continued our review of relevant documents up to the date of giving our report [June 2019] and have not identified any new significant risks where we need to perform further work.
 - Overall Conclusion: Based on the work carried out we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources
- **Opinion on the 2018/19 Annual Statement of Accounts**
 - 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 2019/20 Accounts**
 - The external audit plan was reported to members in January 2020 and the interim audit was completed in March 2020 - no material issues were reported. The provision of relevant information by the Internal Audit Service will assist the external auditor to determine the planned audit approach for further testing during September and October 2020 before reporting the Audit Opinion in November 2020.
- **External Audit Plan 2019/20 Update**
 - Following the outbreak of the Covid-19 virus pandemic, the External Auditor provided an update to the Audit Plan at the Corporate Governance Committee on 12 June 2020. This included a new risk on Covid-19 (financial statements and value for money) – remote working arrangements, volatility of financial and property markets, financial uncertainty, and additional disclosures required within the financial statements.

7. THE COUNCIL'S RESPONSE TO THE CORONAVIRUS (COVID-19)

Towards the end of 2019/20, a global pandemic was declared in connection with the COVID-19 virus. Emergency responses were triggered, and lockdown measures were introduced in the UK from 23 March 2020.

The Council planning for COVID-19 began in early February. Business continuity plans were implemented across the Council, this also included the identification of the most vulnerable service users to ensure there was capacity to support them. Non-essential work was risk assessed and put on hold to free staff capacity to enable the Council to deploy rapid responses to ensure core services were delivered and that residents and businesses continued to be supported.

LLR Prepared which is the Local Resilience Forum (LRF) for Leicester, Leicestershire & Rutland, has statutory responsibilities arising from the Civil Contingencies Act 2004, which requires specific organisations (such as local authorities, emergency services, the NHS and others) within an area to work together to prepare for, respond to, and recover from different emergencies.

The LRF's Covid19 Strategic Co-ordinating Group (SCG) has been meeting, initially bi-weekly then weekly, since February 13th. The Council's Director of Public Health chaired the SCG until a major incident was declared locally at which point chairmanship transferred to the Deputy Chief Constable. The SCG has co-ordinated the response to COVID-19 across Leicester, Leicestershire and Rutland with increasingly preparations for recovery, including economic recovery, being given a high priority alongside the response.

The Council's Crisis Management Group (CMG), chaired by the Chief Executive, meets frequently to oversee the Council's response across key issues. Initially it met daily and now meets three times each week. CMG is supported by a corporate Resilience Planning Group (RPG) which meets four or five times a week including dedicated meetings focused on preparing for 'recovery'. The Council has worked closely with partners on a range of challenges including the supply of PPE, shielding of vulnerable people, co-ordination of volunteering, testing and tracing and excess deaths planning, and has been chairing many of the LRF cells responding to specific issues.

Electronic updates from the Chief Executive to all members of the County Council covering service and other issues are provided at least weekly; the updates can be accessed at <https://bit.ly/3cKMPgg>

Regular information has been communicated to Members, and the public. The Council also launched a Leicestershire Communities Fund 2020 of £1.5m.

Covid-19 is already having a significant adverse effect on the economy, it is also affecting the services that the Council delivers. Recognising the significant uncertainty, it is estimated that without further Government support the Council will face a significant financial gap in the current financial year. These financial implications will continue beyond the current financial year adding to the financial gap identified in the Medium-Term Financial Strategy. The impact is across the board, covering additional expenditure, increased project and capital costs, reduced income levels and required savings that are no longer achievable. The Council is taking a number of measures to ensure the impact on the financial position is minimised where possible in the immediate crisis period and medium-term recovery.

As a result of the Coronavirus, in March all attended meetings of Members and officers ceased. Regulations made under the Coronavirus Act (2020) allow authorities to conduct meetings and take decisions in ways other than face to face so that decisions can still be made to maintain good governance, principles of openness and accountability. By 4th April the Council was able to put in place measures to allow meetings to be held virtually. As a result of this and extending delegation to the Chief Executive (following consultation with the Leader) the decision-making process continued.

The constitutional arrangements for Member decisions in place before the COVID-19 lockdown proved to be robust and once the Government issued regulations regarding virtual meetings, it has been possible to conduct the vast majority of business including scrutiny and briefings for all Members.

Demands on IT systems and staff have been considerable, and most office-based staff will continue to work from home for the foreseeable future. Regular COVID-19 senior manager briefings continue to be provided as well as health and wellbeing support across the Council, informed by a Council wide survey. Work has also been carried out relating to returning to the workplace (recovery) and PPE staff risk assessments.

The Council has developed a Recovery Strategy outlining the strategic framework for the transition and recovery for 2021/21 service delivery in the context of the COVID-19 pandemic. Key recovery themes established and managed by the CMG:

- Infrastructure
 - Ways of Working (Workplace & Wellbeing)
 - Financial Sustainability
 - Digital Value
 - Environment & Net Carbon Neutrality
- Community – co-ordinate longer term community, and resilience response
- Economic – longer term including engagement with business, partners, and LLEP

Some areas in the county urban conurbations surrounding the city of Leicester were made subject to an extended period of local restrictions by regulations^[1] which came into force on 4th July to be reviewed on 18th July. The restrictions are capable of enduring for a period of 6 months subject to review by the Secretary of state every 14 days. The restrictions affect businesses to require closure, limit the right of residents to stay away from home and limit gatherings. The restrictions will delay the recovery process in the affected areas.

8. SIGNIFICANT GOVERNANCE ISSUES ARISING DURING 2019/20

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 (Appendix), it is important to recognise that there are two significant matters set out in the table below.

Ref	Issue /Area for Improvement (AGS) 2020/21	Lead Officer and Date
1	<p><u>Medium Term Financial Strategy (MTFS)</u></p> <p>The AGS assesses governance arrangements in place during 1 April 2019 to 31 March 2020 – therefore, for the majority of the year the Council’s governance arrangements were unaffected by COVID-19.</p> <p>The Council has defined a 'significant governance issue' as one that is intended to reflect something that has happened in the year or which is currently being experienced. To ensure that the Council’s AGS is current at the time of its publication with the Council’s Statement of Accounts (July 2020), the COVID-19 impacts on the MTFS along with the Recovery of the Council’s Services over the medium and longer term have been identified as a significant governance issue.</p> <p>The Council had a robust financial position going into the COVID-19 pandemic, but the crisis will have a profound impact on the Council’s financial position and the way in which services are delivered. The overall financial impact of the pandemic is difficult to quantify at present. The significant funding gap due to the pandemic will have an impact on the MTFS (2020/21 and beyond) in terms of materiality and significance:</p> <ul style="list-style-type: none"> • The pandemic has seriously prejudiced the achievement of some of the principal objectives of the Council’s Strategic Plan 2018-22. • It is estimated that without further Government support the County Council will face a significant financial gap in the current financial year. These financial implications will continue beyond the current financial year adding to the financial gap identified in the MTFS. The impact is across the board covering additional expenditure, reduced income levels and savings no longer achievable. The Council has contingency measures in place assuming the current year’s funding gap continues e.g. use of the General Fund which will require replenishment and reprioritisation of the capital 	<p>Chief Executive and the Corporate Management Team</p> <p>December 2020</p>

^[1] The Health Protection (Coronavirus, Restrictions) (Leicester) Regulations 2020

programme.	
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Ref	Issue /Area for Improvement (AGS) 2020/21	Lead Officer and Date
	<p>MTFS Continued</p> <ul style="list-style-type: none"> The pandemic Response phase has enabled the Council to quickly adopt major changes in the way in which services were managed, provided and supported, and the Council is focussing significant effort to maintain progress towards the key outcomes outlined in its Strategic Plan. These changes will not be wholly sustainable for the long term and the opportunity exists to use the lessons learned and experience gained from the Response phase to rethink the Council's approach and 'build back stronger'; progressing as a modern, effective and efficient organisation. 	
2	<p><u>Special educational needs and disability</u></p> <p>In common with many Local Authorities, there has been an increase in Special educational needs and disability (SEND) complaints arising out of delays in issuing Education, Health and Care Plans (EHCPs) and challenges to EHCP provision or lack of provision. A number of these have been referred to the Local Government and Social Care Ombudsman. A robust action plan is being developed with stakeholders following the Ofsted joint area SEND inspection in February 2020 to address these issues.</p>	<p>Director of Children and Family Services</p> <p>December 2020</p>

9. FUTURE CHALLENGES

Significant challenges faced by the Council such as continuing funding shortfalls, driving further Health and Social Care integration, etc 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 and key areas in particular are:

- Austerity -. highlighted risk last year was the continued financial uncertainty regarding government funding of local government beyond 2020-21. This has since been over-ridden by the financial challenge of funding the effects of the coronavirus pandemic, which creates a challenge in terms of budget setting and medium-term financial planning. The Council also continues to face the pre covid financial challenges, most notably the increasing cost of Special Educational Needs, though pressures also remain in adults and children's social care
- Brexit - There remains a high level of uncertainty about the implications of Britain leaving the European Union (EU). The Government has confirmed it will not delay the Brexit deadline of 31 December 2020. Preparing for a no deal EU Exit in 2019 was a resource-intensive exercise and preparations for the end of 2020 could well raise similar challenges. This will prove to be a major challenge should it coincide with one or more of the following: a second spike of COVID- 19 infections and deaths; ongoing COVID-19 recovery work; other winter health pressures; and inclement weather (e.g. snow, flooding).

- The financial risks faced by the Council in delivering the infrastructure necessary to support growth in the County are significant. To address this a Growth Unit has been established within the Council responsible for ensuring that infrastructure to support growth is effectively planned over the short, medium and long term across Leicestershire. In addition, it will ensure that risks associated with the Council's financial contribution to large scale growth and infrastructure projects remain tightly managed by securing funding of developer contributions and from government and other external agencies.
- 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 that the Public Hearings would be held in October 2020.

10. CERTIFICATION

The Council has been hugely impacted by the coronavirus pandemic. Nevertheless, despite the challenges, the Council has maintained consistent essential services for residents, whilst adapting to provide alternative virtual services wherever possible. The Council's strong collaborative approach has been effective at achieving a unified response, working with key partners in the NHS, police and voluntary and community sectors.

Whilst recognising that the pandemic will bring substantial risks to the Council in 2020-21, it has provided an opportunity through the response and recovery phases to enable the Council to consider changes in how its services will be delivered.

The Council's Strategic Plan 2018-22 and Medium Term Strategy will continue to be reviewed and updated over the Autumn term to assess the medium-term impacts of the current emergency situation on the Council's financial position.

The Council is satisfied that appropriate governance arrangements are in place and 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 in these challenging times. 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.

.....
John Sinnott
Chief Executive

.....
Nicholas Rushton
Leader of the Council

AREAS FOR FURTHER DEVELOPMENT IN 2020-21




The Corporate and Departmental AGS self-assessments contained a set of conformance statements under each core principle and related sub-principles as outlined in the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016), 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	<p>Good</p> 	<p>Conformance against most 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.</p>	<p>Many elements of good practice to a high standard and high quality;</p> <p>Substantial assurance can be given that coverage of the sub-principle is operating satisfactorily and extends to most/all services areas within the department</p>
2	<p>Some development areas for improvement</p> 	<p>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.</p>	<p>Some elements of good practice to a high standard and high quality;</p> <p>Moderate assurance can be given that coverage of the sub-principle is working adequately in certain service areas, with omissions in others;</p> <p>Proposal/Plans are in place to address perceived shortfalls</p>
3	<p>Key development and many areas for improvement</p> 	<p>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.</p>	<p>Few elements of good practice to a high standard and high quality;</p> <p>Coverage of this expectation is omitted amongst most areas;</p> <p>Proposal/Plans to address perceived shortfalls are in early stages of development</p>

The outcome of the review of the self-assessments is summarised in the table below.

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

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
<p>Principle A:</p> <p>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>		<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 updated Annual Performance Review scheme. This is particularly relevant in relation to current (remote) ways of working. (New). • 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. In addition, the further engagement with departments will be undertaken to update the contract register which will lead to a targeted approach of engagement with suppliers. (From 2018/19 as continuing action). • Development of Ethical training for contract managers. All processes, procedures and policies are being reviewed in the Commissioning Support Unit with a view to roll out additional guidance and training where gaps are identified (From 2018/19 as continuing action). • 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'. The LGA has just launched the consultation on the Code https://www.local.gov.uk/code-conduct-consultation-2020. The consultation on the draft member code of conduct will run for 10 weeks from Monday 8 June until Monday 17 August 2020. A report will be submitted to the Corporate Governance Committee in July setting out a suggested response to the consultation. (New) • Additional resources to support implementing a robust recruitment programme for social workers and wider resource in place to help to modernise recruitment practice and processes – reported through CRR. • Employee Code of Conduct was agreed by the County Council in July 2014. This is currently in the process of being reviewed (New). • Ensure that all upheld complaints have an action plan and that this is tracked and evidenced (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 how the council can fulfil its statutory duty to consult in light of the current Covid-19 emergency. This will include learning lessons from previous consultations, best practice and innovation. (New)
<p>Principle C:</p> <p>Defining outcomes in terms of sustainable economic, social, and environmental benefit</p>		<p>The level of conformance is good with the following area to note:</p> <ul style="list-style-type: none"> • A light touch review of the Strategic Plan 2018-2022 was undertaken in light of the declaration on climate change. This is to be approved by Council on 8th July 2020. A comprehensive review of the Strategic Plan and outcomes framework will be undertaken in the financial year 21/22 to reflect the implications of Covid-19 and the ongoing climate change challenges. The Strategic Plan has been augmented by the development of a complementary Strategic Change Programme and a Covid19 Recovery Strategy. (New)

Core Principles of the Framework	Overall Assessment	Action to Develop Areas Further
<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 an approved Social Value Policy statement - work is underway to conduct a Council wide review of Social Value to identify gaps. Additional guidance and training will be provided to address gaps. (From 2018/19 as, continuing action) • Oracle Fusion Implementation (replacement system to transform how HR, Payroll, Finance and Procurement tasks) reported through CRR.
<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, however:</p> <ul style="list-style-type: none"> • The People Strategy is being refreshed - an evaluation of the effectiveness of actions taken under the existing strategy has been undertaken and results are informing the development of priorities within the new strategy. (New) • Continue to utilise best practice, benchmarking information and implement enhanced date reporting to better support future service developments and resource allocation. (New) • The Council's approach to attendance management and wellbeing was subject to an informal peer review by another County Council in August 2019. and an action plan has been implemented to enable the Council to meet its absence management target. Early indications are that absence levels are dropping through enforced remote working (longer term this will be supported by the implementation of the Council's workplace programme) – this will be the subject of ongoing monitoring through the CRR.
<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"> • Continuing work on implementation of recommendations from the Independent Risk Management Health Check (From 2018/19 as a continuing action). • Greater validation processes within key databases being developed. Increase digital support for management to manage data quality and identify weaker areas. Improve contract management and monitoring of key contracts particularly for Adult Social Care, SEND. (New) • Work is underway to identify missing Information Security Agreements (ISA). Reviews of all ISAs will be undertaken to ensure actions are complete.(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"> • Work is underway to ensure all departments update the Contracts Register to enable compliance with the reporting requirements under the Transparency Code. (New) • New place -based performance dashboards are being implemented to reflect the Health and Well Being (HWB) Board priority outcomes and integration deliverables. The HWB Board is undertaking a review of priority outcomes within the Joint Health and Well Being Strategy as part of planning for 2021/21. (New)

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