



## Annual Governance Statement (AGS) 2020-21

### 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.

Due to the impact of coronavirus (COVID -19) on Local Authorities, The Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 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 2020. The draft AGS 2020/21 was published with the draft Statement of Accounts in July 2021.

### 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:

<b>Our Vision: Working together for the benefit of everyone</b>				
<b>Strong Economy</b>	<b>Wellbeing and Opportunity</b>	<b>Keeping People Safe</b>	<b>Great Communities</b>	<b>Affordable and Quality Homes</b>
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 encompassed a number of supporting outcomes which together formed the overall Single Outcomes Framework which set priorities for the Authority and enabled more effective deployment and targeting of its resources. The Annual Delivery Report and Performance Compendium (published November 2020) 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, the impact of Covid-19 on services and Council operations, 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, as well as detailed comparative performance metrics.

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 revised vision for the Council, outcomes and strategies to define the Council's role in meeting the emerging challenges post-Covid-19 is being developed and will be consulted on later in 2021 and early 2022 to form the basis for the new Strategic Plan 2022 to 2026.

A separate Recovery Strategy was approved by Members and 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 as well as preparing the new Strategic Plan 2022-26.

## 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. The Local Code will be reviewed and updated over the summer of 2021.

<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 2020/21.

The 2020/21 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 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 2020/21 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 2020/21, the Council's self-assessments were completed in April 2021 and therefore the whole of the year was affected 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 table page 22 onwards.

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, Annex 1 (page 21 onwards) reports key areas where further development is deemed necessary.

A senior officers group meets to review the compilation of the AGS. 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 – Assistant Director Finance, Strategic Property & Commissioning
- Assistant Director – Corporate Services
- Head of Internal Audit & Assurance Service

The group has determined that progressing areas identified for development, should be the responsibility of designated Directors and Heads of Service during 2021/22. Also, a review of progressing the implementation of previous years planned developments was undertaken. Any previous year's developments that were not carried forward into 2020/21 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 the Corporate Management Team to give advice and promote good governance throughout the organisation. The HoIAS leads and directs the Internal Audit Service (IAS) 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 and 2020/21 against the recommendations contained in the action plan. The next review is planned for December 2021.

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 usually arranges an annual risk-based plan of audits. Prior to the Coronavirus pandemic, work had begun to draft an Internal Audit Plan for 2020/21. However, the impact of the crisis on all Council services quickly halted the finalisation of the Plan. Some internal audit staff were redeployed to other Council services and focus was shifted to providing assurances on redeployment of IT kit, cyber security arrangements/monitoring, security of agile working, access to systems where staff are being redeployed and capacity management. The IAS was involved in reviewing and advising on controls in alternative service delivery models and schemes such as the work from home allowance and was very active in counter fraud work and grant certification. Audits relating to covid (system changes, grants etc) accounted for a substantial amount of audit work in 2020/21.

IAS reports often contain recommendations for improvements. The number, type and importance of recommendations determines 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 the control environment. The HoIAS presented his annual report to Corporate Governance Committee on 4 June 2021 and his opinion read: -

**The earliest months of the coronavirus significantly impacted normal routines and required that a number of functions needed to be provided differently and uniquely. There was a necessary shift from planned assurance work to more consulting and advisory on new service design and delivery. The requirement to certify Covid-19 grants was considerably higher than in previous years. 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.**

The HoIAS' views on the Council's responses to the coronavirus during the year are also detailed.

<http://politics.leics.gov.uk/documents/s161469/Annex%201%20-%20HoIAS%20annual%20opinion%202020-21.pdf>

## 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 2021.

As the COVID-19 response continued, the Council progressed with its plans to recover and rebuild services, towards a 'new normal'. During the earlier part of 2020/21 the existing risk management arrangements were aligned to the interim recovery planning principles. Normal annual service planning processes (ensuring that risks attaining to new key objectives and priorities are identified and evaluated) resumed in January 2021.

## 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 regular basis.

The key areas of activity undertaken by the Scrutiny Commission during the year included: are -

- County Council Revised Strategic Plan 2018-2022
- Revised Environment Strategy and Action Plan
- Leicester and Leicestershire Enterprise Partnership Economic Recovery Strategy
- Coronavirus (Covid-19) Impact and Response of the Council (Recovery and Financial Impact)
- Tourism (Place Marketing) in Leicester and Leicestershire
- Air Quality and Health Joint Action Plan
- Draft Leicester City Local Plan 2020 to 2036
- Medium Term Financial Strategy
- Planning for the Future White Paper
- East Midlands Development Corporation "Interim Vehicle (DEVCO)" and Freeport Proposals
- Supporting Economic Recovery in Leicestershire
- Strategic Property Energy Strategy 2020-2030

The challenge of overview and scrutiny has always been crucial in supporting the delivery of high quality services. This work has continued throughout 2020/21 despite difficulties arising from the pandemic.

The introduction of new, temporary legislation enabled councils to hold meetings remotely. Therefore, since April 2020 all scrutiny meetings have been held virtually and webcast live. This has allowed the public to still engage in the process whilst following government advice to stay at home. It has also ensured all critical decisions on the delivery of Council services have continued to be made in a way that is both transparent and accessible to the public with Scrutiny able to play its key role in that process.

## 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.

Since July 2019 there have been six complaints (relating to five members) received by the Monitoring Officer under the Members' Code of Conduct. These complaints were resolved as set out below:

- 3 complaints were withdrawn /not progressed by the complainant,
- 1 complaint was resolved informally,
- 2 complaints - both were outside of the scope of the code of conduct

During 2020/21 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 2020/21 to support the above.

- Quarterly Risk Management Updates and the Risk Management Policy & Strategy
- Informing the External Audit Risk Assessment External Audit Plan (2019/20), Statement of Accounts, Pension Fund Accounts and Annual Governance Statement 2019/20
- Quarterly Treasury Management updates and Annual Treasury Management Report 2019/20. Treasury Management Strategy Statement and Annual Investment Strategy 2021/22
- Internal Audit Service – 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 local (external) audit arrangements and update reports
- CIPFA Financial Management Code - 2021
- Local Government Association (LGA) Model Code of Conduct Consultation
- National Audit Office – Guide for Audit and Risk Committee on Financial Reporting and Management during COVID-19 and accompanying update report
- Process for Removal of Local Authority Nominated Governors
- Appointment of Independent Persons
- Annual Reports:
  - Annual Report on the Operation of the Members' Code of Conduct 2019/20
  - Local Government and Social Care Ombudsman Annual Review 2019-20 and Corporate Complaint Handling and Freedom of Information Requests
  - Resilience and Business Continuity Update
  - Regulation of Investigatory Powers Act 2000 (RIPA) and Investigatory Powers Act 2016

### 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 2020-24 MTFs was balanced for 2020/21 and 2021/22, with a gap by 2023/24 of £39m. The additional pressures from Covid-19 have affected the 2020/21 budget but government support and local actions have allowed the position to be managed and a balanced outturn delivered. However, over the medium term the position is only manageable by additional savings and increases in Council Tax. This is a particularly difficult situation for a low-funded authority such as Leicestershire as room for further savings is limited. However, providing a multi-year approach is taken and decisions continue to be made, accounting for the financial context is expected to be manageable.

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 the Deputy Monitoring Officer and 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 2020-21 was as follows:

**Aside from the partial assurance rating given following the audit of credit control, no other significant governance, risk management or internal control failings have come to the HoIAS' attention therefore substantial assurance is given that ESPO's control environment overall has remained adequate and effective.**

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 used for the delivery of its services, but which contribute to the outcomes of the Council's Strategic Plan. The Strategy requires reporting to various member bodies. Reporting on the financial performance is included in the budget monitoring reports, on a quarterly basis. Due to the potential for significant and long lasting impacts on the Real Estate market from the Covid-19 pandemic and the UK's exit from the EU an independent review of the strategy was undertaken by Hymans Robertson, a firm of investment consultants. The review was undertaken alongside the annual strategy refresh, the most recent iteration was approved by County Council in February 2021.

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. The quarterly financial and performance reports include the performance of the LTS as part of the Corporate Resources Department and these reports are considered by various member bodies.

The Covid-19 pandemic has had an adverse impact on ESPO and its associated companies. The ESPO Management Committee has been informed of the reduced surplus on trading. Similarly, the closure of schools during the pandemic has significantly reduced the assumed income from Traded Services and has required an adjustment to the MTFs.

### 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 2020-21 financial year, covering audits of payroll, accounts receivable and accounts payable, 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 £50bn 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.

Member 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.

An update was provided to the Council’s Local Pension Board on work completed during 2020/21. This included an update on audits in relation to LGPS. The LGPS Central Limited AAF Internal Controls Report for the period 1 April to 31 December 2020, was received. The report was unqualified as was the report for the previous quarter, i.e. 1 January to 31 March 2020. Whilst ten exceptions had been identified, LGPS staff confirmed that they were satisfied that no investors were adversely affected, nor any information incorrectly reported.

In addition to this, a bridging letter for the period 1 January to 31 March 2021 was also provided, giving further assurance on the control environment during the quarter.

As part of the four-year internal audit plan of work agreed by the Internal Audit Working Group (IAWG), Shropshire Council Audit Services completed a review of the governance of the Pool. This work included follow up of the progress made on implementing the recommendations from the previous audit. The audit opinion given was ‘Good’ and confirmed that the system of control in place, to address relevant risks, were being applied consistently.

A second internal audit due to be completed by LCCIAS as part of the agreed plan of work during 2020/21 was to review investment arrangements. This audit was scheduled in the final quarter of the year, i.e. February 2021, and completion had been delayed, partly due to Covid-19, and has resulted in significant delays in receiving information required from LGPS staff. However, the majority of the work has now been completed, and no major issues have been highlighted. The remaining work outstanding is unlikely to give rise to any significant concerns.

An update was also provided to the Council's June 2021 Local Pension Committee as part of the review of administration paper stating that Internal Audit colleagues presented their audit finding to the May 2021 Local Pension Board. The Committee was provided with the Board paper highlighting IAS work conducted in 20/21 and the plan for 21/22 as background to the Pension Committee.

### **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 subgroups (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. The Head of Service in Public Health is a member of this board.

### **Leicester and Leicestershire Enterprise Partnership (LLEP)**

Until June 2021 the Leader of the Council was a Director of the LLEP and a member of its Board. The Leader has been replaced as a Director by Mr P Bedford CC. In May 2021 the Ministry of Housing, Communities & Local Government (MHCLG) informed the LLEP that in 2020/21 it met the Government's expectations for governance, Strategic Impact and Delivery.

The LLEP Board underwent 'incorporation' in the last 24 months, in response to Government guidance, and carried out a Governance Review. At its meeting on 1 December 2020, the LLEP Board considered an update on progress and agreed a new Governance structure, with proposed terms of reference for new sub-Boards and groups. An outstanding Governance issue relating to the deployment of retained Enterprise Zone business rates was resolved through agreement being reached between the LLEP, its accountable body (Leicester City Council \*) and the two district councils which have Enterprise Zones within their administrative boundaries.

A national review of LEPs is being undertaken by the Government and the outcome of this awaited.

\*Leicester City Council is responsible for LLEP governance issues.

### **Leicestershire Health and Wellbeing Board**

Health and Wellbeing Boards act as a forum in which key leaders from the local health and care system, work together to improve the health and wellbeing of the local population and plan how to tackle inequalities in health. This is best achieved by a range of organisations working together and as a result, the Leicestershire Health and Wellbeing Board brings together key organisations: Clinical Commissioning Groups, District Representatives, NHS England, University Hospitals of Leicester NHS Trust, Leicestershire Partnership NHS Trust, Leicestershire Police, Office of the Police and Crime Commissioner and Healthwatch to ensure patients and service users voices are heard. The Health and Wellbeing Board is chaired by the Council's cabinet lead for Health and the other Council representatives are:

- Lead Members for Adult Social Care & Children & Young People
- The Chief Executive
- The Directors of Public Health, Adults & Communities and Children & Family Services

The Health and Wellbeing Board leads and directs work to improve the health and wellbeing of the population of Leicestershire through the development of improved and integrated health and social care services by: -

- Identifying needs and priorities across Leicestershire (the Place), and publishing and refreshing the Leicestershire Joint Strategic Needs Assessment (JSNA) and Pharmaceutical Needs Assessment so that future commissioning/policy decisions and priorities are based on evidence.
- Preparing and publishing a Joint Health and Wellbeing Strategy and Plan on behalf of the County Council and its partner clinical commissioning group(s) so that work is done across the Place to meet the needs identified in the JSNA in a co-ordinated, planned and measurable way
- In conjunction with all partners, communicating and engaging 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
- Approving 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
- Having oversight of the use of relevant public sector resources to identify opportunities for the further integration of health and social care services within the Place.

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 publication of the 2020/21 BCF Policy Framework and Technical Guidance was 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 was completed and approved locally by the CCGs and LCC during May 2020.

The draft annual submission for the 2020/21 financial year was approved by the Health and Wellbeing Board at its January 2021 meeting with delegated authority for approval and sign-off given to the Chief Executive, following consultation with the Cabinet Lead Member for Health, for submission in May 2021.

The policy and guidance for 2021/22 has not yet been published, however financial planning by the Local Authority and CCG's is underway.

The work of the Health and Wellbeing Board is reported in an annual report and is also reported in the annual reports of Clinical Commissioning Groups (CCGs).

## Local (External) Audit

The Council's local (external) auditors, Grant Thornton LLP, present the findings from their planned audit work to those charged with governance. The following extract from the external auditor's report highlights the key conclusions reached:

- **Council's Medium-Term Financial Strategy 2019-2023 (Value for Money Conclusion)**

- We carried out an initial risk assessment in January 2020 in respect of specific areas of proper arrangements using the guidance contained in AGN03 and revisited this in April 2020 in light of the emergence of Covid-19. We identified a significant risk in relation to financial resilience and communicated this risk to you in our audit plan addendum dated 29 April 2020. We have continued our review of relevant documents up to the date of giving our report and have not identified any further significant risks where we need to perform further work.
- Overall Conclusion: Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.

- **Opinion on the 2019/20 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 2020/21 Accounts**

- The external audit plan was reported to members in June 2021. The interim audit was undertaken in early 2021 - 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 August and September 2021 before reporting the Audit Opinion in October 2021

## The Financial Management Code

Following concerns around the financial resilience and management of local authorities, CIPFA developed the Financial Management (FM) Code for good practice in financial management.

The code is designed to support good practice in financial management and help local authorities demonstrate financial sustainability. It builds upon the underlying principles of leadership, accountability, transparency, professional standards, assurance, and sustainability. The CIPFA Financial Management Code translates the principles of good financial management into seven Financial Management Standards. These standards address the aspects of an authority's operations and activities that must function effectively if financial management is to be undertaken robustly and financial sustainability is to be achieved.

In January 2021 the Council completed a self-assessment of its compliance with the requirements of the FM code. The assessment shows that the County Council meets the requirements of the Code with some small improvements required. A copy of the assessment was presented to the Corporate Governance Committee in January 2021. An internal audit of the self-assessment against the Code is scheduled before the end of 2021.

<http://cexmodgov1/documents/s159366/CIPFA%20FM%20Code.pdf>

## 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's 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. In addition, some areas in the county urban conurbations surrounding the city of Leicester were made subject to an extended period of local restrictions which started in July 2020. The restrictions affected businesses to require closure, limited the right of residents to stay away from home and limited gatherings. Certain new duties were placed on the council in relation to enforcement of the restrictions and these remain in force.

The Local Resilience Forum (LRF's) Covid19 Strategic Co-ordinating Group (SCG) met throughout 2020/21, initially bi-weekly then weekly. 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 and then subsequently to the Chief Executive of the CCGs. The SCG co-ordinated the response to COVID-19 across Leicester, Leicestershire, and Rutland with increasing focus on preparations for recovery (co-ordinated by a Recovery Co-ordinating Group), 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, then three times each week and latterly weekly but with flexibility to call ad-hoc meetings when circumstances require, for example to respond to changes in guidance. CMG is supported by a corporate Resilience Planning Group (RPG) which meets regularly including dedicated meetings focused on preparing for 'recovery'. The Council has worked closely with partners on a range of challenges including the imposition and easing of lockdown measures, related enforcement activities, supply of PPE, shielding of vulnerable people, co-ordination of volunteering, test and trace, excess deaths planning, and supporting the vaccination strategy 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 have been provided at very regular intervals initially weekly, the updates can be accessed at <https://bit.ly/3cKMPgg>

Alongside this, there have been regular member update forums conducted by remote means at which briefings on key issues have been provided and an opportunity to raise questions and concerns.

Regular information has been communicated to Members, and the public. The Council also launched a Leicestershire Communities Fund, a Business recovery Fund, a Pubs Fund and Parish Communities Fund.

Covid-19 has had and will continue to have a significant adverse effect on the economy, it is also affecting the services that the Council delivers and its finances. 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, and reduced income levels. 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. Even so there is no doubt that the County Council is facing a challenging financial position over a prolonged period.

As a result of the pandemic, in March 2020 all attended meetings of Members and officers ceased. Regulations made under the Coronavirus Act (2020) allowed authorities to conduct meetings and take decisions in ways other than face to face so that decisions could still be made to maintain good governance, principles of openness and accountability. By 4th April 2020 the Council was able to put in place measures to allow meetings to be held remotely. As a result of this and extending delegation to the Chief Executive (following consultation with the Leader) the decision-making process respected the principles of good governance and lawfulness. With effect from 7th May 2021, it has no longer been possible to hold council meetings remotely and steps have been taken therefore to reintroduce Covid-19 secure in-person meetings where this is required.

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 have worked from home throughout 2020/21. A Ways of Working programme (see below) is considering longer term working arrangements likely to involve for many staff a hybrid of office-based and home-based working. 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 which has been held several times. Work has also been carried out and continues relating to returning to the workplace (recovery) and PPE staff risk assessments.

The move to working from home for those staff who are able to has been supported by work on revised HR policies, health & safety risk assessments, guidance and support for managers regarding the leadership of remote teams, FAQs on key HR issues, a managers' charter giving advice on what employees should be able to expect from their managers, and regular clear communication.

The Council also took the decision to use the furlough scheme to maximise income, and at its peak, around 1000 staff who met the criteria were placed on furlough, with the Council continuing to top up salaries to 100%.

Three wellbeing surveys have been carried out, and targeted action plans created. The Council's wellbeing offer was a good one but needed to be re-assessed to deal with specific challenges caused by the pandemic. For example, the in-house counselling service moved from face to face, to telephone appointments.

## 8. ACTION TAKEN ON GOVERNANCE ISSUES REPORTED IN THE 2019/20 AGS

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.

Progress that has been made in dealing with the governance issues that were identified in the 2019/20 AGS are detailed below:

Ref	Issue /Area for Improvement (AGS) 2019/20	Lead Officer and Date	Progress during 2020/21
1	<p><b><u>Medium Term Financial Strategy (MTFS)</u></b></p> <p>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> <p>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.</p> <p>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 programme.</p>	<p>Chief Executive and the Corporate Management Team</p> <p>December 2020</p>	<p><b><u>MTFS</u></b></p> <p><u>April</u> Proposal to review the Capital Programme, to free up resources for CV-19 Guidance for supplier payments to ensure resources focused on essential services</p> <p><u>May</u> Scale of challenge presented and short term solution, including use of the General Fund Greater Collection Fund monitoring introduced</p> <p><u>September</u> Spend controls introduced to reduce non-essential expenditure Outcome of the review of the Capital Programme</p> <p><u>November</u> Review of Financial Resilience</p> <p><u>December</u> Draft MTFS including plans for CV-19 contingency in 2021/22 and list of Savings under Development</p> <p><u>February</u> MTFS approved, with balanced budget for next 2-years including adequate contingency to deal with 2021/22 pressures</p>



Ref	Issue /Area for Improvement (AGS) 2019/20	Lead Officer and Date	Progress during 2020/21
	<p><b><u>Continued from above</u></b></p> <p><b><u>Council's Strategic Plan 2018-22</u></b></p> <p>The pandemic has impacted on the achievement of outcomes in a number of areas of the principal objectives of the Council's Strategic Plan 2018-22</p> <p><b><u>Pandemic Response</u></b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<p>Chief Executive and the Corporate Management Team</p> <p>December 2020</p>	<p><b><u>Council's Strategic Plan</u></b></p> <p>The Council's Strategic Plan is a high-level document that sets the Council's broad vision and priority outcomes which are supported by key enablers such as the MTFs, Ways of Working, Equalities and Diversity Strategy, Environment Strategy, People Strategy etc. The Plan is, where relevant, being delivered through department recovery plans with service delivery having continued as far as possible throughout the pandemic.</p> <p>The Plan is currently under review to extend it to 2026 and this review will take account of the impacts of Covid19. Work on the review, and on delivering the existing Plan, was delayed by Covid19 as resources were diverted to support the Council's pandemic response. As a result of the pandemic all Outcome Advisory Boards were suspended (with the exception of the Great Communities Board which continued to support recovery planning). Alternative outcome delivery and governance arrangements to improve performance are being explored as part of the ongoing review</p> <p><b><u>Pandemic Response</u></b></p> <p><u>May</u> Initial service delivery plans put in place to support immediate reinstatement or continuation of critical Council functions and services and to highlight additional expenditure requirements for approval. Key principles around limiting additional expenditure where possible.</p> <p><u>June</u> Interim service delivery planning process developed for July to September 2020, highlighting any additional investment requirements.</p> <p><u>July</u> Ways of Working programme established through early Recovery planning that uses the lessons learned from the response phase to help ensure LCC recovers sustainability as a modern, effective and productive organisation. Key themes around workplaces, technology, people and working arrangements.</p> <p><u>September</u> Interim service delivery plans refreshed for period October 2020 to March 2021, highlighting any additional investment requirements.</p>

Ref	Issue /Area for Improvement (AGS) 2019/20	Lead Officer and Date	Progress during 2020/21
	<p><b><u>Continued from above</u></b></p> <p><b><u>Special educational needs and disability</u></b></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>	<p><b><u>Special educational needs and disability</u></b></p> <p>Since April 2020, in response to various factors, including delay in issuing good quality EHCPs, increase in demand and findings from the SEND Local Area Inspection in February 2020, the SENA service has undergone a significant restructure and has introduced a new operating model. This new structure has increased the service's capacity to case manage and improve the timeliness as well as the quality of EHCPs. The new structure and operating model went live in May 2021 and whilst all the new systems are processes are still embedding, there has been a positive start with a focus on relationships with parents and carers and child-centred planning.</p> <p>The Service still compares well with statistical neighbours (through SEN 2 data) with regards to timeliness in the issuing of EHCPs. The action plan developed (known as the Written Statement of Action- WSOA) was submitted to Ofsted and the CQC on 7<sup>th</sup> October 2020 (delayed due to Covid-19) and this was deemed fit for purpose. The Assistant Director for Education and SEND continues to meet monthly with the DfE Advisor to monitor progress against the WSOA and there have been two formal monitoring meetings with a third scheduled for July 2021. Feedback from these meetings is very positive and the DfE are satisfied with our progress and have been supporting the Local Authority with their system improvements</p>

## 9. SIGNIFICANT GOVERNANCE ISSUES ARISING DURING 2020/21

This Annual Governance Statement (AGS) 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.

The Council has identified areas to be developed which are reported in Annex 1 (pages 21-24).

The Code of Practice on Local Authority Accounting in the UK 2020/21, requires that significant events or developments relating to the governance system that occurred between the Balance Sheet date, (31 March), and the date on which the Statement of Accounts will be signed by the responsible financial officer, are reported. Despite the senior officer group initially determining for the draft AGS that there were no significant governance issues during 2020/21, it is now considered prudent and transparent to report three issues that have arisen since the balance sheet date. These are reported in Annex 2 (pages 25 and 26).

## 10. 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:

- Covid-19 – the long term health, economic and community impacts of Covid-19 will continue to be a challenge and the focus of much ‘recovery’ work. In addition, the Council and partners may have to respond to future surges in Covid-19 infection rates, potentially caused by new ‘variants’, and support/ implement Government introduced or recommended measures which are put in place in response. A related challenge, but also an opportunity, is to establish new ‘ways of working’ which both respond to the pandemic but also provide a more effective, efficient, and low carbon operating model for the Council in the future. Economic recovery work will also take account of the longer-term impacts of EU Exit. This work is currently being led by the LLEP with active involvement of the Council.
- There will be some challenges in rebuilding the ESPO and Leicestershire Traded Service customer base as the pandemic restrictions are eased
- The proposed East Midlands Development Company and East Midlands Global Freeport both include sites within Leicestershire (East Midlands Gateway and East Midlands Airport) as well as nearby in Nottinghamshire and Derbyshire. Both are major opportunities for the regional and local economies. The County Council has taken on the key role of lead authority and accountable body for the Freeport and will, in this capacity, but also as a key local partner, play an important role in developing the outline and full business case necessary to move the Freeport to formal designation and operational readiness. The outline case was submitted in September 2021. The full case is required to be submitted to Government in December 2022.
- Financial sustainability - There is a continued uncertainty regarding government funding, that the single year spending review in 2020 did nothing to resolve. The growth in national debt is only manageable due to the low interest rate environment, but should the chancellor take the view this is not sustainable, funding reductions are likely to result. The financial challenge of funding the effects of the coronavirus pandemic are continuing into 2021/22, where minimal Government funding has been announced, and beyond due to the impact upon services of fundamental shifts in behaviours, such as bus usage. The Council also continues to face the pre Covid-19 financial challenges, most notably the increasing cost of Special Educational Needs (SEN), though significant pressures also remain in adults and children’s social care and from the continued increases in the National Living Wage. National reforms are expected to be announced this year for SEN and social care, whilst these have the potential to improve the situation previous experience has shown that there is a real risk of the opposite impact.
- 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 Service 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 infrastructure requirements are a key contributor in the growth in the County Council’s capital programme. A larger and more complex programme adds further financial risk, as the likelihood and impact of overspends increases. A recent example is the global supply chain issues that are restricting availability of raw materials and increase costs at a rate far higher than inflation. On large schemes this can have a compounding impact as delays increase labour costs, amendments to permissions and re-planning.

- As part of its Health & Care Bill 2021-22, the Government is legislating to introduce Integrated Care Systems (ICS) across England from April 2022. Locally, this will mean a ICS covering Leicester, Leicestershire and Rutland (LLR). There are ongoing discussions at member and officer level with the National Health Service (NHS) and the other two councils with social care and public health responsibilities to manage jointly the transition to a ICS which involves complex governance issues for both members and officers. These discussions are also providing opportunities to discuss with the NHS ways in which additional costs to the Council from NHS responsibilities affecting both children's and adults social care can be mitigated.
- In December 2020, the High Court ruled that Norfolk County Council had breached the rights of a woman by discriminating against her when it changed its care charging policy. The council is closely monitoring the implications of the High Court decision for its own charging policy for care and support charges. It is reviewing its public sector equality duty in respect of the decision and is currently considering a range of legal opinions on the case. Any subsequent changes to the charging policy as a result of the decision will have an impact on income received towards the cost of care and support services.
- The County Council has recently agreed a scheme which will make available a sum of £25,000 to each individual member which they can draw down to enable them to progress highway related improvement/enhancements in their division which are outside of the LCC usual funding arrangements. Work on this is at an early stage of development and such work will include the need to ensure robust mechanisms are in place to monitor and manage the arrangements so as to protect the council and individual members and provide transparency in terms of spend.

## 11. 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.

The Council's Strategic Plan 2018-22 and Medium Term Strategy will continue to be reviewed and updated to assess the medium-term impacts of the pandemic 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 in 2021/22 (Ongoing and New)
<p><b>Principle A:</b></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"> <li>• 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. <b>Ongoing</b></li> <li>• A refresh of the Council's Modern Slavery Statement has been undertaken. The Supplier Code of Conduct is also being reviewed; the outcome of that review will be reported to the Corporate Governance Committee in due course. <b>Ongoing</b></li> <li>• Delivery of Ethical training for contract managers is being developed and will be delivered. All processes, procedures and policies are being reviewed for the Procurement and Commissioning Unit with a view to roll out additional guidance and training where gaps are identified. <b>Ongoing</b></li> <li>• The County Council Constitution contains the has adopted a Code of Conduct for Members and Co-opted Members - This has been amended over time to reflect the provisions of the Localism Act 2011 and Regulations. The LGA has issued a new draft model code following a report by the Committee on standards in public life. Guidance is awaited on the revised code and the Government is planning on launching a consultation on this and it is understood that the LGA will be undertaking a light touch review following feedback on the common Code over the Autumn. The aim is to await the guidance and outcome of these exercises and to review and amend the Code as appropriate. <b>Ongoing</b></li> <li>• Ongoing project to develop modernised recruitment methodology and to support Managers in hard to recruit and retain areas. <b>Ongoing</b></li> <li>• Full implementation of the Anti-Fraud &amp; Corruption Strategy Action Plan over the course of the two-year period 2020-2022. <b>New</b></li> <li>• Implementation of recommendations from 2020/21 assessment against the CIPFA Code of Practice on Managing the Risk of Fraud. <b>New</b></li> </ul>
<p><b>Principle B:</b></p> <p>Ensuring openness and comprehensive stakeholder engagement</p>		<p>The level of conformance is generally good.</p>

Core Principles of the Framework	Overall Assessment	Action to Develop Areas Further in 2021/22 (Ongoing and New)
<p><b>Principle C.</b></p> <p>Defining outcomes in terms of sustainable economic, social, and environmental benefit</p>		<p>The level of conformance is good with the following areas to note:</p> <ul style="list-style-type: none"> <li>• A light touch review of the Strategic Plan 2018-2022 was undertaken in light of the declaration on climate change and was approved by Council on 8th July 2020. A comprehensive review of the Strategic Plan and outcomes framework is underway to reflect the implications of Covid-19 and the ongoing climate change challenges. This updated Strategic Plan will be approved in Spring 2022 and cover the period up to 2026. The Strategic Plan has been augmented by the development of a complementary Strategic Change Programme and a Covid19 Recovery Strategy. <b>Ongoing</b></li> <li>• In order to deliver defined outcomes on a sustainable basis within the resources available, the Council will need to build in better multi-year monitoring perspective for larger capital schemes to ensure that medium term implications are brought out (as opposed to in year focus) <b>New</b></li> </ul>
<p><b>Principle D.</b></p> <p>Determining the interventions necessary to optimise the achievement of the intended outcomes</p>		<ul style="list-style-type: none"> <li>• Work is continuing to embed an outcomes-based approach following adoption of the Council's Strategic Plan 2018-22 although the pandemic led to some of this work being suspended as priority switched to responding to Covid-19. The outcomes framework is being reviewed as part of the process of updating the Strategic Plan. <b>Ongoing</b></li> <li>• The Council's Social Value Policy is being refreshed and implementation of improved guidance and training will be developed. <b>Ongoing</b></li> </ul>
<p><b>Principle E.</b></p> <p>Developing the entity's capacity including the capability of its leadership and the individuals within it</p>		<ul style="list-style-type: none"> <li>• 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). The Council's absence levels are now at the Corporate Target of 7.5 days, but ongoing monitoring still required. <b>Ongoing</b></li> <li>• A review of the Constitution is currently underway aimed at making the Constitution more user friendly. The outcome of the review will be reported to the Constitution and/or Corporate Governance Committee who will be asked to recommend approval to the full Council. <b>New</b></li> <li>• Developing arrangements to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. <b>New</b></li> </ul>
<p><b>Principle F.</b></p> <p>Managing risks and performance through robust internal control and strong public financial management</p>		<p>The level of conformance is good, however:</p> <ul style="list-style-type: none"> <li>• Continuing work on implementation of recommendations from the Independent Risk Management Health Check- (Some actions completed (tableau dashboards, departmental action plans, but others remain. <b>Ongoing</b></li> </ul>

Core Principles of the Framework	Overall Assessment	Action to Develop Areas Further in 2021/22 (Ongoing and New)
<p><b>Principle F continued</b></p>		<ul style="list-style-type: none"> <li>• Business Intelligence (BI) Service will continue to develop dashboards to help managers to identify and resolve data quality issues. The BI Service will continue to liaise with IT and departments to ensure that validation is used as much as possible at the point of data entry. The BI Service will also continue to build dashboards to support performance management at strategic and operational levels. <b>Ongoing</b></li> <li>• Improve contract management and monitoring of key contracts. <b>Ongoing</b></li> <li>• Data analysis has been completed on the Council's information asset register and gaps identified. Work is underway to identify missing Information Sharing Agreements (ISA). <b>Ongoing</b></li> </ul>
<p><b>Principle G.</b></p> <p>Implementing good practices in transparency reporting and audit to deliver effective accountability</p>		<ul style="list-style-type: none"> <li>• The Council's Contracts Register has been updated but further work is necessary to ensure compliance by all departments and met the reporting requirements under the Transparency Code. <b>Ongoing</b></li> <li>• Whilst the external peer review of the internal audit function returned top grading, some-minor actions are closed but other areas for development will take longer to implement. <b>Ongoing</b></li> <li>• New place -based performance dashboards to reflect the Health and Well Being (HWB) Board priority outcomes and integration deliverables - the impact of the Covid-19 pandemic and move towards a new Integrated Care Systems (ICS) has impacted on timescales for this piece of work as well as needing to align with the new Outcomes Development process for the Council following the recent election. Further work will be carried out to refine performance reporting for priority health and care outcomes linked to the new ICS governance arrangements. Work is underway through workshops and discussions with ICS colleagues on the development of the new Health and Wellbeing Strategy and related priority outcomes. A new performance framework and reporting will be implemented alongside the new strategy and outcomes. <b>Ongoing</b></li> <li>• Work is underway to consider how to best to adopt the Governance Risk Resilience Framework (March 2021) launched by The Centre for Governance and Scrutiny <b>New</b></li> <li>• CIPFA -Financial Management Code. The Code was issued in late 2019 with guidance notes (mid-2020). Local authorities are required to implement the Code for 2021/22. A self-assessment of the Council's compliance with the requirements of the Code has been completed in January 2021. Whilst the Council met the requirements of the Code, there are areas for further development. <b>New</b></li> <li>• The government response to the Redmond review on Local Authority financial reporting and external audit will require the Council to undertake a detailed analysis of the review recommendations and government responses to understand implications. <b>New</b></li> </ul>



**SIGNIFICANT EVENTS & DEVELOPMENTS RELATING TO THE GOVERNANCE SYSTEM THAT OCCURRED POST BALANCE SHEET DATE**

During its review of the 2020/21 draft Annual Governance Statement (AGS); the Senior Officer Group (which meets annually to review the compilation of the AGS) determined that there were no significant governance issues that required reporting. The draft AGS for 2020/21 was considered by the Council's Corporate Governance Committee on 23 July 2021 and was subsequently published with the draft Statement of Accounts.

The Code of Practice on Local Authority Accounting in the UK 2020/21, states that the AGS should relate to the governance system as it applied to the financial year for the accounts that it accompanies. However, significant events or developments relating to the governance system that occur between the Balance Sheet date, (31 March), and the date on which the Statement of Accounts is signed by the responsible financial officer should also be reported.

Since the draft AGS was published, three issues have arisen: -

**1. The Independent Inquiry into Child Sexual Abuse (IICSA)**

**a. Issue**

The Inquiry into institutional responses to allegations of child sexual abuse made against the late Lord Janner of Braunstone QC, had been supported by the County Council from the outset and had been referred to in the 'Future Challenges' section in each of the five previous year's Annual Governance Statements. The Inquiry report was eventually released on 19 October 2021. It contained a section on the County Council's handling of historic allegations of child sexual abuse and drew some negative conclusions. This prompted short-lived national and local media attention.

**b. Actions taken**

Whilst no recommendations were forthcoming from the Inquiry report, the County Council publicly acknowledged and apologised for its historic failings. It fully accepted the findings and praised the bravery of those who had taken part in the Inquiry. The Council's transformed approaches to safeguarding was acknowledged by IICSA as being unrecognisable from those of the past.

**2. Adult Social Care budget**

**a. Issue**

The latest positions shows a net overspend of £13.5m is forecast across adult social care. There is a continuing significant financial impact due to Covid-19 which includes additional cost for commissioned services and loss of service user income. The overall number of service users being supported has significantly increased by 3.8%.

**b. Actions taken**

The Council published a media release in September to manage the publication of a budget update report, and it generated national and local coverage.

An action plan to manage the overspend is in place which is overseen by the departmental management team and includes:

- Reviewing all service user's packages that have commenced or changed since April 2020

- Increasing the capacity of the reablement service, in turn leading to better and more cost-effective longer-term outcomes.
- Reviewing residential care packages over and above the standard residential banded rates.
- Reviewing high cost packages to see whether health funding towards the package applies.
- Working with NHS partners to help improve the discharge pathway including reviewing funding arrangements.
- Ensuring financial and funding assessments are undertaken to close the current gap.
- Reviewing internal processes and improving management controls to avoid high cost commissioning.

### 3. Capital programme

#### a. Issue

There has been an upwards reassessment of the cost of delivering major infrastructure capital schemes, in particular delivering the Melton distributor road schemes. Latest estimates show revised estimates across both schemes of £133m, which is £10.6m above previous estimates. The key factors in driving the significant forecast cost increase from original estimates are:

- a. insufficient contingency for inflationary increases (materials, contractors etc)
- b. under provision for risks/uncertainty which have grown as the quantified risk register has been developed
- c. under provision for optimism bias (not permitted to be included in original business case assessments)
- d. expansions in scope compared to initial scheme.

#### b. Actions taken

The overall funding shortfall of the council's capital programme was similarly reported in the media.

It is difficult to plan a capital programme where there is significant uncertainty of delivering large infrastructure schemes, especially in advance of a target price being received and a contract issued. Working with consultants they advocate 'three-point estimates' for schemes which reflect a best case, most likely and worst case position, rather than using a single point estimate (budget). It is difficult to plan a capital programme with a significant range estimate on scheme. The recommended approach is to provide an allocation for 'portfolio risk' within the programme. This will cover issues such as excess inflation due to shortages of materials or available contractors due to the wider demands on the market. Risks would be identified through the budget monitoring process based on clear evidence that such a scenario had arisen. Decisions on using the portfolio risk fund are taken by the Director of Corporate Resources following consultation with the Cabinet Lead Member for Resources. In September 2021 the Cabinet approved a portfolio risk contingency of £10.6m.