![Leicestershire County Council]

Annual Governance Statement (AGS) 2012/13

1. SCOPE OF RESPONSIBILITY

Leicestershire County Council (LCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Leicestershire County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Leicestershire County Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

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

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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

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

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

Description of Governance Mechanisms: *Evidence and documents that demonstrate compliance / good practice*	Assurances received	Areas for improvement
• Leicestershire Together – Strategic Partnership priorities • Service/Business Plans supported by relevant strategies • Community engagement and Communication Strategy • Partnership protocols and arrangements. • Performance trends and reports on the progress of service delivery • Formal complaints policy and procedures that inform positive service improvement • Comparison of information on LCC's economy, efficiency and effectiveness of services • Instruction on how to measure Value for Money • Environmental impact of policies, plans and decisions	• Leicestershire's strategic outcomes for 2012/13 were agreed by the Leicestershire Together Board. Leicestershire Together has developed the overall vision for the County and a supporting outcome framework to guide the work of the County Council and partner agencies; • Outcomes are delivered through supported commissioning, service plans and strategies which set out objectives and targets in relation to the Council's priority outcomes. • Communication strategy that is based on an audience-led approach, allowing the Authority to better target communications more cost effectively at the residents who use or need LCC services; • Variety of mechanisms for capturing and reporting service user views, including new customer service centre user feedback survey and enhanced adult social care surveys; • Performance trends reported through dashboards and used for partnership boards and departments; including targets agreed in Environment Strategy. • Annual Performance Report considered by Cabinet, Scrutiny and Council – supported by approved Medium Term Financial Strategy and Annual Statement of Accounts; • Formal, publicly accessible complaints policy which ensures complaints are tracked and monitored, including effective 'fast-tracking' and production of case reviews. Action plans are formulated showing 'lessons learned' which feed into wider departmental plans; • Value for Money (VfM) Strategy sets out the overall framework within which the efficiencies included within the Medium Term Financial Strategy (MTFS) will be achieved; • Variety of benchmarking arrangements in place across services to assess comparative effectiveness, including CIPFA Value for Money (VFM) benchmarking club. Data analysed and supplemented with internal information to understand local performance, with appropriate action taken to review and reduce spend. Analysis also used to inform service plan change projects to further improve value for money. • Reporting on the Environmental Management System includes review of compliance with environmental regulation and response to relevant complaints.	• Increase and enhance 'lessons learned' through the complaints process. • Improve VfM measures at departmental level

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

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

Description of Governance Mechanisms – *Evidence and documents that demonstrate compliance / good practice*	Assurances received	Areas for improvement
• Job descriptions for: Chief Executive, Leader; S151 Officer; Monitoring Officer; Head of Internal Audit • Member/Officer Protocol • Constitution • Scheme of delegation, standing orders and financial regulations • Effective Chief Executive and Leader pairing • Compliance with Role of Chief Financial Officer (CFO) and Role of Head of Internal Audit • Monitoring officer provisions • Scheme for member remuneration and allowances • Conditions of employment including; appraisal arrangements; pay and conditions policies; structured pay scales • Effective performance management system including progress on key Performance Indicators and identifying areas of improvement • Business and financial planning process • Protocols for consultation • Protocols for partnership working	• Constitution sets out Council's political structure and roles and responsibilities of the Executive, Committees, the full Council and Chief Officers and the rules under which they operate. There are specific job descriptions for Cabinet and Scrutiny Committee Members. • Constitution sets out 'Responsibility for Functions' including scheme of delegation to heads of departments and panels. Also includes financial procedure rules and fundamental principles on 'Member/Officer Relations'. • Regular meetings take place between the Leader and the Chief Executive and the Leader and the Deputy Leader. • Assessment of compliance with the Statement on the Role of the CFO and Role of the Head of Internal Audit. • Monitoring Officer and CFO are responsible for ensuring an appropriate framework exists to ensure procedures are followed. • Members Allowances Scheme is reviewed by an Independent Remuneration Panel with recommendations adopted. Allowances received by every member are also published. • Employment Committee manage and govern all pay matters and are responsible for terms and conditions of service, including remuneration. Pay Policy Statement ensures the Authority manages its policy on pay and benefits in a fair, non-discriminatory, consistent and transparent way. • Progress reporting to Lead Members and dedicated Scrutiny Panel on performance against key indicators. Dashboards published ensuring public and stakeholders are clear what the Council and partners are trying to achieve and of progress against the priorities. • Established Strategic Finance function maintains sound financial frameworks and supports delivery of MTFS. • Directed reviews' of formal partnership working arrangements. • Performance reports to partnership boards. • Various forums and frameworks for consultation ensuring clear channels of communication with all sections of the community and other stakeholders.	• Ensure changes to Scrutiny Function post election address the continued need for performance monitoring; • Review of partnership protocols and governance arrangements

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

Under this principle, there is a requirement of local authorities to:
- Ensure authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance;
- Ensure that organisational values are put into practice and are effective.

Description of Governance Mechanisms – *Evidence and documents that demonstrate compliance / good practice*	Assurances received	Areas for improvement
• Annual Governance Statement • Member and Officers Codes of Conduct • Performance appraisal • Procedures for responding to behaviour complaints • Anti –fraud and anti-corruption policies • Standing orders and financial regulations • Register of Interests and Gifts and Hospitality – members and staff • Ethical awareness training and dealing with conflicts of interest • Communicating shared values with members, staff, the community and partners • Whistleblowing arrangements • Decision making practices/framework • Protocols for partnership working	• AGS produced by compiling and scrutinising information from Departmental Self Assessments, Corporate Assurance Statement and assurance from Internal Audit Service. • Adopted Code of Conduct for Members - 'Standards of Conduct' information provides guidance to help elected members exhibit high standards of personal conduct. • Corporate Governance Committee is primarily responsible for the promotion and maintenance of high standards of conduct by members and co-opted members, including agreeing criteria for assessing complaints against members. • Adopted Employee Code of Conduct which is supported by regular items on the Council's intranet reminding staff of the Register of Interests, Register of Gifts and Hospitality and Whistleblowing procedures. Monitoring Officer reviews all registers annually. • 'Dignity At Work' Policy and Procedures provides employees with examples of unacceptable behaviour, and is complimented by other HR policies • Corporate Performance and Development Review (PDR) system in place to appraise the performance of all staff with completion rates monitored and reported. Managers align employees PDR priorities and objectives to the service, department and Council's priorities. • 'Leading for High Performance' programme underpins the approach to performance management and covers importance of maintaining strong ethical governance. • Approved Anti Fraud & Corruption (F&C) Policy, Strategy and Procedures, complimented by mandatory Fraud Awareness E-Learning module. Annual assessment against reputable publications provides knowledge of fraud exposure and directs potential improvements. • Constitution sets out 'Meeting Procedure Rules' and Financial Rules and Regulations • Annual reminder to Members of the importance of keeping their register entries up to date - with Registers' made available for public inspection. • Organisational Values considered during the PDR, complimented by departmental notices displaying visions and achievements. Chief Executive's 'News for All' and Corporate Management Team Road shows contains information for all staff. • Embedded 'Whistleblowing' procedures and Supplier Whistleblowing Policy.	• Refresh Anti F&C Policy, Strategy and Procedures. • Use Counter Fraud Checklist to target areas for potential improvement. • Review Officer Code of Conduct.

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

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

Description of Governance Mechanisms – *Evidence and documents that demonstrate compliance / good practice*	Assurances received	Areas for improvement
- Role and responsibility for scrutiny – including improvements to proposals as a result of scrutiny - Corporate Governance Committee - Internal Audit function - Decision making protocols / records of decisions and supporting materials - Members' and officers' code of conduct - Terms of reference and membership - Training for committee members including information needs to support decision making - Calendar of dates for submitting, publishing and distributing timely reports - Approved Risk Strategy/Policy - Effective counter fraud arrangements - Legal advice provided by officers	- Overview and Scrutiny committees are in place with Chairman's annual report and regular position statements to Council. Cabinet consults with the Scrutiny Commission before taking decisions on major policy issues. - Budget & Performance Monitoring Scrutiny Panel receive reports on the revenue budget and capital programme and performance reports in relation to targets and commitments and action plans arising from inspection and assessment reports. - Internal Audit Service annual plan of audits provide assurance that the internal control systems of the Authority are operating effectively. - Terms of References for Committees and decision making protocols are detailed in the Constitution - records of decisions, with supporting materials are available through the Decision Enquiry System. - Member Learning and Development Working Party oversee implementation of Learning & Development Strategy which includes induction for members and identification of development needs. - Corporate research and information function co-located with performance and business intelligence function – enabling provision of good quality information drawing on census, research and variety of other sources and tools. - Information Governance Group is the steering committee that sets the strategic direction for information and data governance across the Council. - Council's risk management framework recently aligned with local government best practice – providing assurance to senior management, Members and public that the Council is mitigating the risks of not achieving key priorities. - Members of the Corporate Governance Committee actively engage and take interest risk management, including detailed scrutiny of the Corporate Risk Register. - Counter fraud arrangements assessed against reputable publications to ascertain fraud exposure and direct potential improvements. - Monitoring of reports to ensure propriety of decision making and that legal advice is included where necessary and appropriate.	- Enhance organisational business intelligence particularly around delivery of outcomes.

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

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

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

Description of Governance Mechanisms – *Evidence and documents that demonstrate compliance / good practice*	Assurances received	Areas for improvement
• Induction programme • Officer training and development plans • Availability and communication of activities • Performance reviews of officers • Succession Planning • Member training and development • Community and Stakeholder forums • Residents' panel structure	• Learning and Development Plan's approved by DMT/ Departmental Workforce Groups and are reviewed and updated on a periodic basis enabling L&D service to respond to need not anticipated or known at the beginning of the training plan process. • Induction available to all managers and staff with core training provided for specific roles. • Relevant L&D activities communicated through intranet, email updates, newsletters, briefings and staff workers groups. • Corporate Performance and Development Review (PDR) system in place to appraise the performance of all staff with completion rates monitored and reported. Managers at all grades assessed against Leadership Behaviours which underpin the management competency framework • Performance management and reporting systems in place at various levels, allowing outcomes to be cascaded and linked to individual development plans. • People Strategy Board agreed pilot approach to Talent Management and Succession Planning which is due to commence during 2013. • Member development sessions cover both functional roles and responsibilities of the Council as well as those related to good governance. • Community Forums, covering the whole of Leicestershire aim to ensure that services provided in an area match the needs of the local community. • Community Forum Budgets empower communities to play a role in decision making by allowing them to put forward project ideas and have a key role in choosing which projects are supported. • Community Forums, Community Forum Budgets and Big Society work help to identify community members as a potential basis for future community talent and service.	• Enhance Succession Planning. • Review of Mandatory E-Learning programmes and training.

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

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

Description of Governance Mechanisms – *Evidence and documents that demonstrate compliance / good practice*	Assurances received	Areas for improvement
- Database of stakeholders - Annual report - Citizen survey - Record of public consultations - Process for dealing with competing demands within the community - Communication Strategy - Annual financial statements - Freedom of Information Act publication scheme - Council tax leaflet - LCC Website - Best practice standards in recruitment and staff terms and conditions	- Full public annual report providing information on outcomes, achievements, satisfaction and progress against key priorities and plans. - LCC recognise the importance to consult, involve and listen to citizens so that services can be improved and future plans made – a wide range of techniques used for dialogue with the community including budget, priorities, community safety, customer service and individual service user groups. - Leicestershire 'Place Survey' – citizens giving their views on how to make the County a better place to live. - Web based consultation undertaken on the MTFS with results reported to full Council. - Communication strategy based on an audience-led approach allowing targeted communications at the residents who use or need LCC services, resulting in increase in satisfaction levels - The Account Statements set out the published statement of accounts of the Authority year on year. The accounts have been produced in line with the various regulations that govern local authority accounting. LCC also published its Council Tax Leaflet on the website - Freedom of Information (FOI) and Environmental Information Regulations Policy underpin the key principles of the Information Management Strategy in that he Council embraces a culture that is open, accessible and accountable, aiming to publish as much information as possible. Robust FOI practices enable the Council to meet obligations and aid understanding of public interests, helping to shape future service delivery. - LCC website is frequently used as a medium to inform and engage with the public and updates on the homepage direct residents to key information. Introduction of dialogue via other media such as Face book and Twitter. - The Information and Data Team keep an updated report on website usage. - Recruitment undertaken in accordance with policy and procedures.	Enhance engagement with officers and public

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3. REVIEW OF EFFECTIVENESS

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

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

Code of Corporate Governance

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

Internal Audit Service

Internal Controls of Leicestershire County Council

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

Governance and Risk Management

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

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

Internal Financial Controls

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

Effectiveness of Internal Audit Service

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

Risk Management

Governance of Risk

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

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

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

Overview & Scrutiny Committees

Role of Scrutiny

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

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

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

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

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

Leading beyond authority boundaries

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

Authority recognition of and support for scrutiny

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

Members taking responsibility for their own effectiveness

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

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

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

Corporate Governance Committee

The Corporate Governance Committee is responsible for both Corporate Governance and Standards of Conduct matters.

Corporate Governance:

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

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

Standards of Conduct

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

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

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

External Audit

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

Medium Term Financial Strategy Report

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

- Robust programme management arrangements in place and has made significant strides over the past few years to identify savings and deliver more efficient services;

- Applied a number of prudent assumptions in setting its MTFS which will help managing financial risks which exist over the plan period;

- Demonstrated value for money on a number of key areas when compared with other County Councils, using the Audit Commission value for money profile;

- Set aside an appropriate level of earmarked reserves and a level of contingency to manage future cost pressures;

- Prioritised its services in the areas of greatest need.

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

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

Report to those charged with Governance

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

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

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

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

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

Organisational Governance and Performance Framework

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

Annual Governance Assurance Statements

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

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

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

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

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

The Role of the Chief Financial Officer (CFO)

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

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

The Role of the Head of Internal Audit

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

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

Transparency

The County Council is committed to publishing as much information and data it can, free of charge. The 'Open Data' area on the LCC website has been created to help the Council to:
- Increase openness and transparency
- Make data held freely available online (subject to the Data Protection Act)
- Encourage the public to interact with and use the data that is available.
- Publish data in a machine readable format so that is can be re-used.

The County Council already makes available a large amount of information through several means:
- Leicestershire County Council Website - including website A to Z
- FOI Disclosure log (including responses) received since 2008
- Libraries and other publications including: Business Matters Newsletter; Events Guides; Education; Emergency Management; Leicestershire Matters and Press Releases

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

Freedom of Information

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

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

4. GOVERNANCE ISSUES

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

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

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

Progress on issues previously identified:

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

Issue	Update on position	Carry forward for 2013/14	Lead Officer
Information security breach: • An incident reported to the Information Commissioner. • Following the remedial action that has been taken by the County Council, no Enforcement Notice served. • A Letter of Undertaking signed by the Chief Executive outlining actions to ensure that personal data are processed in accordance with the Seventh Data Protection Principle. • Key issue was to raise awareness across the Authority on the importance of Information Security.	Action Plan put in place resulted in following: • Increase in the number of incidents reported, which is considered positive as highlights greater emphasis and level of understanding; • Corporate Information and Technology Steering Group established, with regular reports on information security incidents and issues; • Policies and related guidance produced and training for staff provided, with particular focus given to those services areas where information security was of a high priority – including introduction of E-Learning module; • Stringent requirements applied to Public Health in readiness for transition; • Monitoring controls to ensure staff do not access personal data which they did not require in order to fulfill their duties.	Complete	Strategy & Policy Manager

Key Improvement Areas – 2013/14

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

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

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

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

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

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

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

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

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

Future Challenges

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

5. SIGNIFICANT CHANGE

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

Maintaining Standards

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

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

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

Health & Social Care Act 2012

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

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

Police Reform and Social Responsibility Act 2011

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

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

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

Changes to Local Authority Governance Structures

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

Shared Services

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

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

6. CERTIFICATION

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

John Sinnott
Chief Executive

Nicholas Rushton
Leader of the Council

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