



## **Draft - Annual Governance Statement (AGS) 2013/14**

### **1. INTRODUCTION**

Leicestershire County Council (LCC) is responsible for ensuring that its business is conducted in accordance with prevailing legislation, regulation, government guidance and that proper standards of stewardship, conduct, probity and professional competence are set and adhered to by all those working for and with the Council. This ensures that the services provided to the residents of Leicestershire are properly accounted for 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.

### **2. WHAT IS GOVERNANCE?**

Corporate Governance is defined as how local government bodies 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 LCC governance framework comprises the systems and processes, culture 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.

LCC has adopted a Code of Corporate Governance, which is consistent with the six core principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The Accounts and Audit (England) Regulations 2011, require the Council to prepare and publish an Annual Governance Statement (AGS).

### **3. WHAT THE AGS TELLS YOU**




The AGS provides a summarised account of how our management arrangements are set up to meet the principles of good governance set out in our Code 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 improvements made, and any weaknesses or gaps in our current arrangements that require addressing. 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.

### **4. HOW THIS STATEMENT HAS BEEN PREPARED**



There is a statutory requirement in England, for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and overall corporate governance arrangements. This review requires the sources of assurance, which the Council relies on, to be brought together and reviewed – from both a departmental and corporate view.

To ensure this AGS presents an accurate picture of governance arrangements for the whole Council, each Director was required to complete a 'self-assessment', which provided details of the measures in place within their department to ensure compliance (or otherwise) with the Council's Code of Corporate Governance.



The departmental self-assessment contained a set of compliance statements under each core principle, which required a corresponding score of 1, 2 or 3 based on the criteria below:


Score	Definition	Description	Evidence (all inclusive)
1	Good 	Compliance against the majority of the areas of the benchmark is good, although there may be minor weaknesses 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.	<ul style="list-style-type: none"> <li>Many elements of good practice to a high standard and high quality;</li> <li>Coverage of this 'area of control' is extended to most/all services areas within the department</li> </ul>
2	Some weaknesses/ areas for improvement 	There are some weaknesses 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.	<ul style="list-style-type: none"> <li>Some elements of good practice to a high standard and high quality;</li> <li>Coverage of this 'area of control' is only extended to certain service areas, with omissions in others;</li> <li>Proposal/Plans are in place to address perceived shortfalls</li> </ul>
3	Key weaknesses/ many areas for improvement 	Compliance against many/all areas of the benchmark is weak 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.	<ul style="list-style-type: none"> <li>There is little good practice to a high standard and high quality;</li> <li>Coverage of this expectation is omitted amongst most areas;</li> <li>Proposal/Plans to address perceived shortfalls are in early stages of development</li> </ul>


The application of a more quantitative approach to assessing compliance against the Code will allow the Corporate Management Team, Members and public at large to obtain necessary assurance that the Council operates within an adequate internal control environment, thus complying with the six core principles and best practice. Within each principle we have identified the sources of assurance and areas for improvement.



<b>PRINCIPLE A</b> <b>Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area</b>	
How we meet this Principle (key facts)	Conclusions based on Corporate and Departmental Assessment
<ul style="list-style-type: none"> <li>We set out the overall Council vision in the Sustainable Community Strategy Outcomes, the Council Strategic Plan (to 2018) and the Transformation Plan which is supported by specific departmental service/business Plans and strategies</li> <li>We take account of service user feedback to review outcomes so they reflect progress and wider changes</li> <li>We publish our plans and our performance in the Annual Report and Statement of Accounts</li> <li>We communicate with, and publish results of our consultations with stakeholders</li> <li>We have developed a Medium Term Financial Strategy that has been endorsed by External Auditors for its ability to manage financial risks and achieve Value for Money</li> <li>We have consistently been at or near the top of the Pricewaterhouse Coopers 'benchmarking club' for delivering value for money</li> <li>We work in partnership where it is beneficial to do so and ensure appropriate arrangements are in place to safeguard us against unacceptable levels of risk</li> <li>We have various channels to raise formal complaints and procedures that inform systematic service improvement</li> </ul>	<p><b>Average Score: 1.5</b></p>  <ul style="list-style-type: none"> <li>The role of the department in helping to deliver the Council's key priorities and values is clearly identified and communicated to staff and stakeholders</li> <li>Departmental Management Teams receive regular reports on the status of performance indicators and have a process in place to address poor performance</li> <li>Regular communication is in place so that all staff are kept informed of key operational, departmental and corporate issues.</li> </ul>  <ul style="list-style-type: none"> <li>Value for money is better understood through benchmarking and comparison of unit costs, aided by improved Business Intelligence.</li> </ul>

<b>PRINCIPLE B</b> <b>Members and officers working together to achieve a common purpose with clearly defined functions and roles</b>	
How we meet this Principle (key facts)	Conclusions based on Corporate and Departmental Assessment
<ul style="list-style-type: none"> <li>We adhere to a Constitution that clearly defines the Council's political structure, roles and responsibilities of the</li> </ul>	<p><b>Average Score: 1.4</b></p>



<p>Executive, Committees, Members and Officers and the rules under which they operate</p> <ul style="list-style-type: none"> <li>• We comply with the Statement on the Role of the Chief Financial Officer and the Role of the Head of Internal Audit</li> <li>• Our Employment Committee is responsible for determining the terms and conditions on which staff hold office, including remuneration, disciplinary and grievance procedures and for making effective arrangements to ensure compliance with employment legislation and where necessary employment codes of practice</li> <li>• We have developed protocols to ensure effective formal communication between members and officers by providing regular reports on progress and performance in relation to their respective committee and functions; and informal briefings on key topics</li> <li>• We conducted and published the results of an extensive public consultation and involvement exercise to inform the MTFS, and continue to communicate with stakeholders on future plans and proposals</li> <li>• We have gained understanding of the performance of partnerships we are involved in through a governance self-assessment of various benchmarks</li> </ul>	 <ul style="list-style-type: none"> <li>• Overview &amp; Scrutiny support the work of the Council by: reviewing and scrutinising decisions; considering aspects of performance; assisting in research, policy review and development; and promoting collaborative working.</li> <li>• Robust pay and condition policies for staff and a published scheme of Member remuneration and allowances</li> <li>• Self- assessment shows that partnerships in Leicestershire are well led, managed and clearly accountable for decisions made.</li> </ul>  <ul style="list-style-type: none"> <li>• Awareness of, and regular inclusion of partnership working governance issues and risks at departmental management teams</li> </ul>
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<p align="center"><b><u>PRINCIPLE C</u></b></p> <p align="center"><b>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</b></p>	
How we meet this Principle (key facts)	Conclusions based on Corporate and Departmental Assessment
<ul style="list-style-type: none"> <li>• We have adopted a revised Code of Conduct for Members, with training provided for all new Members following local elections in May 2013</li> <li>• We maintain records of, and publish Members' Register of Interests on our website</li> <li>• The Corporate Governance Committee supports and promotes the</li> </ul>	<p align="center"><b>Average Score: 1.1</b></p>  <ul style="list-style-type: none"> <li>• Departmental arrangements ensure that all staff are aware of, understand and comply with key procedures, protocols and requirements within the Code of Conduct</li> </ul>



<p>maintenance of high standards of conduct by Members and have agreed criteria for assessing complaints against Members, which is published on our website</p> <ul style="list-style-type: none"> <li>• We have adopted an Employee Code of Conduct with regular communication to staff and our extended HR policies provide examples of both acceptable and non-acceptable behaviour</li> <li>• We assess ourselves against the Audit Commission's 'Protecting the Public Purse' to gain better knowledge of fraud exposure and direct potential improvement. We have a 'zero tolerance' approach to fraud or corruption perpetrated against us</li> <li>• We have arrangements in place to enable staff to raise issues of concern and report wrongdoing</li> </ul>	 <ul style="list-style-type: none"> <li>• Review of the Employee Code of Conduct and Whistleblowing Policy with awareness communication for all staff.</li> </ul>
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<b>PRINCIPLE D</b> <b>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</b>	
How we meet this Principle (key facts)	Conclusions based on Corporate and Departmental Assessment
<ul style="list-style-type: none"> <li>• We publish all Committee agendas, meeting papers and minutes on our website</li> <li>• We promote transparency by transmitting and archiving live webcasts of County Council, Cabinet, Scrutiny and Development Control and Regulatory Board meetings</li> <li>• Scrutiny Commissioners produce and publish a report on the activities of Overview and Scrutiny over the year</li> <li>• We are committed to publishing as much information as we can and make available a large amount through our website, including our FOI Act publication scheme</li> <li>• We consult widely on our plans and proposals to inform our decisions. 74% of residents' surveyed feel well informed about local public services.</li> </ul>	<p><b>Average Score: 1.2</b></p>  <ul style="list-style-type: none"> <li>• Budgets are regularly monitored at departmental level and reallocated in line with revised risk/operational needs</li> <li>• Departmental Management Teams take full ownership of risks within their area and agree mitigating actions</li> <li>• There are up to date Business Continuity plans in place for critical services that are communicated to staff and subject to periodic review and testing</li> <li>• Results/findings of internal and external assurance are reported to management teams with processes in place to track the status of corrective actions</li> </ul> 

<ul style="list-style-type: none"> <li>• We have gained 'substantial assurance' on the operation and processes within our risk management framework</li> <li>• Corporate Governance Committee actively engage and conduct detailed scrutiny of the Corporate Risk Register and emerging risks</li> <li>• The adequacy and effectiveness of our internal control environment is tested throughout the year as a result of the approval and implementation of a risk based Internal Audit Annual Plan.</li> <li>• We participate in a range of external audits, inspections and accreditations to ensure we remain accountable for the quality of services we deliver as well to support continuous improvement of these services</li> </ul>	<ul style="list-style-type: none"> <li>• Further enhancing organisational business intelligence to aid accurate decision making</li> </ul>
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<b>PRINCIPLE E</b> <b>Developing the capacity and capability of members and officers to be effective</b>	
How we meet this Principle (key facts)	Conclusions based on Corporate and Departmental Assessment
<ul style="list-style-type: none"> <li>• Our Learning &amp; Development priorities are based upon having the knowledge, skills and expertise to meet our current and future service priorities</li> <li>• Learning &amp; Development plans are informed by the: MTFS; Strategic Vision and Imperatives; Departmental key aims; Service area plans; and individual Performance and Development Reviews(PDR)</li> <li>• A 'golden thread' approach ensures that all staff understands and can make the links from their own team and individual objectives through to the departments and Council's overarching priorities</li> <li>• An established competency framework that yields behaviours to support the direction of the Authority, with all middle and senior managers completing a 'Leading for High Performance' programme</li> <li>• We develop workforce plans and set targets that are in line with Council wide</li> </ul>	<p><b>Average Score: 1.3</b></p>  <ul style="list-style-type: none"> <li>• All staff have annual performance appraisals with individual objectives being aligned with both departmental and corporate priorities</li> <li>• Induction training is provided for all new staff appropriate to their role and responsibilities, with access to on-going Learning &amp; Development activities to enhance skills</li> </ul>  <ul style="list-style-type: none"> <li>• Succession planning for key posts and spread of skills to avoid over reliance on any particular individual</li> </ul>

workforce targets	
<ul style="list-style-type: none"> <li>We continue to provide opportunities to elected councillors in accordance with our agreed Member Learning &amp; Development Strategy</li> </ul>	

<b>PRINCIPLE F</b> <b>Engaging with local people and other stakeholders to ensure robust public accountability</b>	
How we meet this Principle (key facts)	Conclusions based on Corporate and Departmental Assessment
<ul style="list-style-type: none"> <li>We publish an Annual Report which include information on outcomes, achievements, satisfaction and progress against key priorities and plans</li> <li>We use a variety of mediums to conduct dialogue with our residents ranging from a wide spread consultation on budget proposals resulting in 7200 responses; to more focused, individual service user groups</li> <li>Our communication strategy is based on an audience-led approach which has allowed us to better target residents who use or need our services, examples include our website, Leicestershire Matters, the Council Tax Leaflet</li> <li>We have extended our communication to social media, which includes a Facebook Page and an increase of Twitter followers of 81% year on year</li> <li>We have robust Freedom of Information practices in place which enable us to meet our obligations and publish our responses to requests.</li> </ul>	<p><b>Average Score: 1.5</b></p>  <ul style="list-style-type: none"> <li>Departmental Freedom of Information champions ensure that all enquiries are handled in accordance with corporate standards</li> <li>Services are supported to conduct robust consultation and engagement with local people and stakeholders</li> </ul>  <ul style="list-style-type: none"> <li>Information for the Council's external website is routinely checked with updates made and communicated.</li> </ul>

## 5. REVIEW OF EFFECTIVENESS

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:

### Internal Audit Service

#### *The Control Environment of Leicestershire County Council*

The Council's Internal Audit Service Annual Plan for 2013/14 was developed using a risk based approach, aligned to the contents of Corporate and department risk registers to ensure current and emerging risks were adequately covered. Internal Audit Service reports may contain

recommendations for improvements. The number, type and importance of recommendations affects how the auditor reaches an opinion on the level of assurance that can be given that controls are suitably designed and applied effectively, and that material risks will likely not arise. The combined sum of individual audit opinions and other assurances gained, allows the Head of Internal Audit Service (HoIAS) to form the annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment).

#### *Governance and Risk Management (Provisional opinion)*

During 2013-14 there was a small increase in the number of key risk audits that returned only 'partial' assurance ratings and is most likely an indicator of the increasing pressures and strains on staff, processes and systems during a time of unprecedented change. Management continue to accept the need for remedial action but there will be a need to monitor improvements, especially where there has been slippage in implementing some 'high importance' recommendations. On the whole, reasonable assurance can be given that the Council's control environment is sound and that governance, risk and control frameworks are adequate and effective.

#### *Effectiveness of Internal Audit Service*

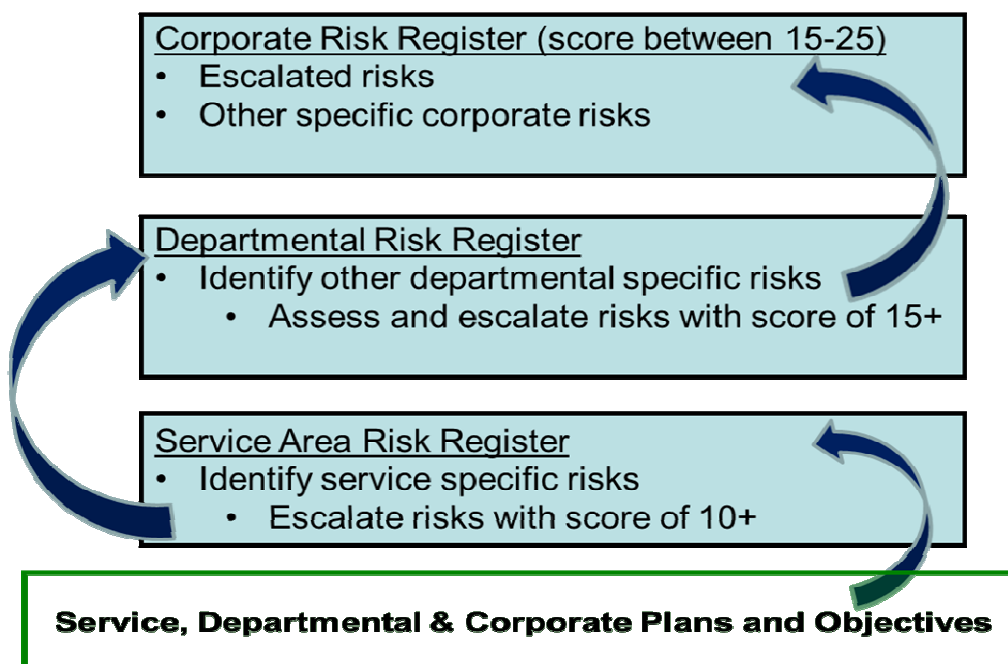
New Public Sector Internal Audit Standards (PSIAS) were introduced from April 2013 and require the HoIAS to develop and maintain a Quality Assurance and Improvement Programme (QAIP) so that internal audit activity can be assessed against it. The QAIP itself is subject to internal and external assessments and the results, together with a progress update against prior improvement plans, will be reported in the HoIAS's annual report. The annual report will incorporate any instances of non-conformance that may be warrant inclusion in the AGS and will be presented to the Corporate Governance Committee.

In order to assist the HoIAS annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework, sample checking of the self-assessments and supporting evidence was conducted. Lead Members confirmed that the 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.

<b><u>Risk Management</u></b>
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The Council's Code of Corporate Governance sets out a requirement to ensure that an effective risk management system is in place. Risk management is about identifying and managing risks effectively, helping to improve performance and aid bold decision making relating to the development of services and the transformation of the wider organisation. The Council's Risk management guidelines and Policy provide the framework within which these risks can be managed:





#### Service Area Risk Registers

Each major service area has their own Service Plans and contained within these, is a set of risks specific to that service. The service area risk register will include those risks that relate to current workloads, new developments, projects and partnerships being led by individual teams and is regularly reviewed by Assistant Directors. Service area risks with a current risk score of 10 or above will be escalated to the overall Departmental Risk Register for further consideration by Departmental Management Teams.

#### Departmental Risk Register

These registers incorporate those risks which have been identified by service areas as potentially having the most significant impact on the achievement of departmental priorities and forms part of the department's Performance Management Framework. Within this register, any risks with a current risk score of 15 or above are assessed for inclusion in the Corporate Risk Register and escalated where appropriate. On a quarterly basis, Departmental Management Teams will formally review their departmental register to ensure it: accurately reflects the risk profile of the department; provides assurance for the corporate risks which are owned by the department; and identify other emerging departmental risks.

#### Corporate Risk Register

This register captures strategic risk, which by its nature has a long time span. This register is reviewed by corporate owners and presented to the Corporate Management Team and Corporate Governance Committee regularly.

This structure enhances the effectiveness of the Council's framework to managing risks by applying a more quantitative approach to decision making processes throughout. In implementing a management of risk system, the Council seeks to provide assurance to stakeholders that the identification, evaluation and management of risk play a key role in the delivery of strategy and related objectives.

<b>Corporate Governance Committee</b>
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The Corporate Governance Committee is responsible for promoting and maintaining high standards of corporate governance within the Council and will receive many reports that deal with issues that are paramount to good governance.

During 2013/14 the Committee has provided assurance that: an adequate risk management framework in place; the Council's performance is properly monitored; and that there is proper oversight of the financial reporting processes. The Committee receives regular reports on the: progress of internal audit work; treasury management; Regulation of Investigatory Powers Act (RIPA); anti-fraud initiatives; and extended risk management information on business continuity and insurance. The table below provides summary information of other key business considered by this Committee to support the above.

<b><u>March to May 2013</u></b>	<b><u>June 2013</u></b>	<b><u>September 2013</u></b>	<b><u>November 2013</u></b>	<b><u>February 2014</u></b>
Presentation & endorsement of the revised Member Code of Code	External Review of the Medium Term Financial Strategy (2013/14 to 2016/17)	Consider External Auditors 2012/13 'report to those charged with governance' and approving the 2012/13 Annual Statement of Accounts and Annual Governance Statement	Considered External Auditors Annual Audit Letter for 2012/13 and reviewed the External Audit Plan 2013/14	Review External Audit Grant Certification for 2012/13 and consider report covering the use of overseas Service Delivery Centres by the auditor.
Member 'risk workshop' to inform the revised Corporate Risk Register	Approval of the revised Corporate Risk Register and the draft 2012/13 Annual Governance Statement	Update on the Corporate Risk Register including a specifically requested presentation on the risks to the Authority associated with the Welfare Reform Act.	Update on the Corporate Risk Register including consideration of a Fraud & Bribery risk assessment	Update on the Corporate Risk Register including a specifically requested presentation on the risks to the Authority associated with the Better Care Fund
Training for new Committee Members including overview of the Internal Audit Service and Risk Management Framework	Approve the 2013/14 Internal Audit Plan and consider 'Annual Members Report'	Received Local Government Ombudsman Annual Review & Corporate complaints handling	Note progress against key improvement areas highlighted in the 2012/13 Annual Governance Statement	Presentation of key facts from 'Protecting the Public Purse 2013' including an updated checklist for the benefit of those 'responsible for governance' detailing the Authority's progress in each area
	Updated on the investigation into allegations concerning Member conduct	Considered the Code of Conduct for co-opted Members of Health & Wellbeing Board and the Annual Report on the operation of the Members Code of Conduct 2012/13	Considered impact on treasury management activity as a result of updates to the list of acceptable loan counterparties	Support of the draft Treasury Measurement Strategy Statement and Annual Investment Strategy
	Considered governance and finance issues at East Midlands Councils	Received presentation on the Local Government Governance Review		

### **External Audit**

The 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 Council which contribute to the production of the Annual Statement of Accounts. The Council's external auditors PricewaterhouseCoopers (PwC) review these arrangements and detail findings from their planned audit work to those charged with governance.

Key conclusions from work undertaken during 2013/14 can provide the public with assurance that the Council has:

- Applied a number of prudent assumptions in setting its MTFS, which will help manage financial risks, with robust programme management arrangements in place to ensure that saving targets will be achieved;
- Demonstrated value for money on a number of key areas when compared with other County Councils and has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources;
- Incorporated significant Member involvement in the development of the MTFS and has set aside an appropriate level of earmarked reserves and contingency to manage future cost pressures;
- 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.

### **The Role of the Chief Financial Officer (CFO)**

From 1st March 2014, the Assistant Director Strategic Finance & Property took over responsibilities of the CFO for the Council. To ensure continuity, the new 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 new CFO is aware of, and committed to, the five key principles that underpin the role of the CFO, and has completed an assurance statement that provides evidence against core activities which strengthen governance and financial management across the Council. The Director of Corporate Resources (former CFO) has supported the transition and will continue to oversee the role, thus ensuring that the 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).

### **The Role of the Head of Internal Audit**

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.

## 6. **GOVERNANCE ISSUES AND AREAS FOR IMPROVEMENT**

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 2013/14 are sound.

Details of a fraud committed at Leicestershire Highways Operations (LHO) were identified in 2010. The Council has been prudent in providing details of this issue in the AGS, during investigation stages and in anticipation of an outcome following court proceedings:

Governance Issue	Update on position
<ul style="list-style-type: none"> <li>Two employees and two external associates created a new company that was used to defraud the Council.</li> <li>Neither employee declared personal interests in the Company.</li> <li>Goods were provided to the Council but at excessive prices.</li> <li>The fraudulent activity existed between December 2004 and August 2010.</li> </ul>	<ul style="list-style-type: none"> <li>An internal investigation commenced in November 2010 and concluded with a disciplinary hearing in May 2011.</li> <li>A review of control processes was undertaken with actions implemented to strengthen any gaps identified. Key improvements have included the implementation of an electronic purchase order system and a resource allocation process which aids detection of any irregularities in purchasing activities.</li> <li>Internal Audit Service has conducted three separate audits of processes; giving overall reasonable assurance that control has been re-established.</li> <li>Two former officers were found guilty at Leicester Crown Court in March 2014 regarding 5 charges related to conspiracy to defraud the County Council.</li> <li>Ex-employees due to be sentenced in May 2014</li> </ul>

### Progress on issues previously identified:

The table below describes the governance issue identified during 2012/13 and the progress made against addressing this during 2013/14:

Issue	Update on position	Carry forward for 2014/15
<p>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:</p> <ul style="list-style-type: none"> <li>The Corporate Governance Committee received regular and detailed reports allowing Members to ensure that issues had been properly</li> </ul>	<ul style="list-style-type: none"> <li>The former Leader is no longer a Member of the Council;</li> <li>Following local elections in May 2013, all Members received training on the revised Code of Conduct for Members;</li> <li>The Monitoring Officer has also issued a guide on the Code and copies were circulated to all members;</li> <li>Progress on debt recovery is reported to the Corporate Governance Committee.</li> </ul>	Complete

addressed; • Complaints were addressed through Standards procedures; • Action was taken to address the matter by the controlling Conservative Group; • The three Political Groups have all taken steps to strengthen their conduct and behaviour procedures		
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#### Key Improvement Areas – 2014/15

Whilst the review of effectiveness concluded the Council's overall financial management and corporate governance arrangements are sound, the assurance gathering process identified some areas of improvement. Implementing actions to address these will ensure that 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 2013/14 to carry forward for monitoring within 2014/15:

Key Improvement Areas – Principle B	Lead Officer	Deadline
<u>Partnership Working</u> Partnership working and the investment of County Council funding is becoming potentially more complex meaning that partnership protocols and governance arrangements need to be reviewed. To this effect, a self-assessment of existing partnerships has been carried out and this provides intelligence on how partnerships perform in relation to the various governance benchmarks. Department's need to ensure they are aware of the partnerships /joint working arrangements within their areas and have duly considered any risks to the Authority.	Departmental Management Teams	December 2014

Key Improvement Areas – Principle C	Lead Officer	Deadline
<u>Whistleblowing</u> The County Council's current Employee Code of Conduct and Whistleblowing Policy needs to be revised taking into account recent best practice. To this effect the County Solicitor has commissioned a team to review the Council's existing policy and procedures.	Monitoring Officer	September 2014

Key Improvement Areas – Principle D	Lead Officer	Deadline
<u>Business Intelligence (BI)</u> Actions to improve BI will enhance the effectiveness of decision making at both departmental and corporate level aiding the forthcoming transformation agenda. A cross department review of BI and Data Management has been conducted. A Data and BI Board and action plan, focusing on 4 key work streams is being developed and will be part of the Transformation Programme and will deliver a focused programme of work to bring improvement and mitigate risk.	Assistant Director Strategic Information & Technology and Acting Assistant Chief Executive	December 2014

Key Improvement Areas – Principle E	Lead Officer	Deadline
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<u>Succession Planning</u> The County Council recognises that there is a need to focus on improving succession planning. The People Strategy Board has agreed a pilot approach to 'Talent Management' and Succession Planning which is due to commence in April 2014 with 3 areas within the Council. A report on this will be taken to Corporate Management Team once the pilot has taken place and the outcome and future proposal is known.	Learning & Development Manager	December 2014
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Key Improvement Areas – Principle F	Lead Officer	Deadline
<u>External Website</u> The County Council recognises that engagement with officers and the public is vital to achieving objectives and is committed to publishing information for both internal and external customers. To this effect, an Online Services Project is underway which will radically overhaul technology, content, approach and governance of the website to make it customer-focussed and evidence based.	Assistant Director Strategic Information & Technology	December 2014

## 7. FUTURE CHALLENGES

### Transformation

In order to deliver the priorities and to meet the significant financial challenges facing the Council there is an urgent need to transform services and the way in which the Council operates. At the heart of transformation is a renewed focus on the priorities, our customers and our communities, with a determination to put people and outcomes ahead of organisational boundaries and bureaucracy. To achieve this, the Transformation Programme focuses on a number of objectives that will be used when redesigning services and will be explicit in service plans to provide a focus for innovation and change:

- **To work the Leicestershire Pound** - reducing cost and maximising funding available to the Council and other bodies.
- **To manage the demand for services through increased prevention** – reducing pressures on the front line.
- **To integrate services** and pool budgets with partners wherever possible - creating better experiences for service users and staff.
- **To recognise communities and individuals** – helping active communities deliver better results.
- **To work effectively** – in a culture that focuses on priorities, people and outcomes

The new vision states:

***“The County Council will lead Leicestershire by working with our communities and partners for the benefit of everyone”***

This statement is underpinned by six strategic imperatives that serve as the unconditional requirements to drive the Council's approach;

- Lead Leicestershire;
- Support and protect the most vulnerable people/communities;
- Enable & support communities, individuals and families;
- Make Leicestershire a better place;
- Manage public sector resources effectively;





- Have the right organisational structures and behaviours to deliver this approach.

In order to ensure the necessary transformation, new governance arrangements will be required. The overall approach to this will be overseen by the cross-party Transformation Board which comprises the leaders and deputy leaders of the three main political groups as well as the cabinet lead members for major service areas. The Transformation Programme will also be supported by a new small-scale Transformation Unit.







### Other




The other challenges faced by the County Council 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 of the County Council.

The table below summarises risks currently on the Corporate Risk Register and the actions being taken to mitigate.

Risk Description	Actions to Mitigate	Direction of Travel
Proposals in the Government's Care Bill (Dilnot Reform) which provide for very significant changes and implications for Adult Social Care and the whole Council	The key risks and implications to LCC were identified and included for feedback to the Department of Health through a consultation. The Government were due to publish the results of this consultation but these are still awaited. A project board has been established to respond to the emerging risks and oversee planning for the reforms.	 Over the next 12 months the residual risk is expected to remain high
Outcomes relating to Supporting Leicestershire Families (SLF) not being achieved.	The allocations process is being developed in order to link direct work more robustly to identified families. Data processes for PBR (payment by results) have been further developed to include a wider range of data sources which is being utilised to identify families.	 Over the next 12 months the residual risk is expected to remain high
Maintaining ICT systems and having the ability to restore services quickly and effectively in the event of an outage.	The replacement SAN (Storage Area Network) gives both a more resilient infrastructure and a vastly improved position with regards to data recovery in the event of an outage. Options appraisal to re-provision current datacentre(s) is nearing completion and a programme of work on Disaster Recovery is underway.	 Over the next 12 months the residual risk score is expected to move to medium
Continuing risk of failure of information security.	The Council has now achieved PSN (Public Services Network) compliance. A small number of actions are being completed, including the full roll-out of a mobile device management solution. Work is also underway to meet the 2014 PSN standards and to ensure that compliance is built into key business as usual processes.	 Over the next 12 months the residual risk score is expected to move to medium



Impact of academy and secondary age conversion on home to school transport policy.	A consultation exercise on the earlier policy proposals (which were discussed at Scrutiny Commission) closed in March 2014 with over 2,000 responses received along with a number of alternative policy suggestions. In the light of the considerable public interest and the need for further consultation before a decision can be taken, the Cabinet approved a further round of consultation on the Mainstream Home to School Transport Policy with results expected in July 2014	 Over the next 12 months the residual risk is expected to remain high 
Challenges caused by the Welfare Reform Act.	Work continues with service users, providing assistance to maximise income throughout the benefit changes.	Over the next 12 months the residual risk is expected to remain high
Failure by LCC to ascertain, understand and manage increased demand for services.	A cross departmental review of Business Intelligence (BI) and Data Management has been conducted with an overview presented to the Corporate Management Team. A Data and BI Board and action plan, focusing on 4 key work streams is being developed and will be part of the Transformation Programme.	 Over the next 12 months the residual risk is expected to remain high
Ability to effectively contract manage devolved services through new service delivery models.	The Corporate Commissioning Contracts Board has been monitoring the performance of 23 of the Council's key contracts. Further works being initiated include identification of all key suppliers for business critical services (based on business continuity plans) and the roll-out of e-tendering (contract management module) to allow greater visibility of contract data.	 Over the next 12 months the residual risk score is expected to move to medium
Insufficient capacity to provide Information & Technology solutions.	There is regular review of capacity versus demand, with further work to assess the impact on strategy of transformation activities.	 Over the next 12 months the residual risk is expected to remain high
Risk around our ability to deliver savings and efficiencies through service redesign and transformation as required in the MTFS	In April 2014 the Cabinet was presented with a report detailing implications of the Chancellor Budget Statement 2014, in particular: •Projected austerity beyond 2017/18 requiring LCC to find additional estimated savings (increase of £27.5m); •The Statement did not contain any reference to costs of Care Bill and Dilnot reforms; •Significant changes to pensions have added further uncertainty to long term financial costs.	 Over the next 12 months the residual risk is expected to remain 'high/red'

	As part of the wider work on transformation, the Council continues to identify savings to bridge the funding 'gap' and there will be further reports to the Cabinet and Scrutiny Commission in due course.	
Risk around achievement of funding for the Better Care Fund (previously referred to as the Integration Transformation Fund)	Following approval of the draft BCF Plan, components were subject to further analysis to assess anticipated impact and benefits. The outcome of the regional assurance review showed no major concern with the Leicestershire BCF Plan. A final BCF Plan was submitted to NHS England on 4 April 2014. A new Integration Executive has been established and will oversee delivery of the BCF Plan and the associated pooled budget.	 Over the next 12 months the residual risk is expected to remain 'high/red'
Impact of an increase in unplanned and speculative local developments to address the shortfall in the 5 year housing supply.	Local Planning Authorities (i.e. district councils) need to demonstrate a 5 year supply in housing. The role of LCC is to ensure that appropriate impact assessments are being completed so that development can be properly accommodated. An increase in both the number and complexity of planning applications will make it difficult to ensure that appropriate assessments are being completed, thus impacting on our ability to secure appropriate transport improvements.	 Over the next 12 months the residual risk score is expected to move to 'medium/amber'
Cost of school sponsorship to LCC prior to conversion.	When LA schools are directed to become a Sponsored Academy by the DfE, there is a legal requirement, prior to conversion, for LCC to absorb any deficit budgets. As well as this, sponsors are now seeking building repairs/updates before agreeing to sponsor the school. If not addressed, both of the above will result in significant negative financial and reputational impact for LCC. The Corporate School group continues to monitor any development and agree actions.	 Over the next 12 months the residual risk has the potential to diminish but will be influenced by OFSTED judgments of LA maintained schools

## 8. 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 6. 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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