

# Annual Governance Statement 2008/09

## 1. SCOPE OF RESPONSIBILITY

Leicestershire County Council 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, facilitating the effective exercise of its functions, and 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 the County Council's website under 'Code of Corporate Governance' and this statement explains how Leicestershire County Council has complied with the code.

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. 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, cost-effective services.

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 governance framework has been in place at Leicestershire County Council for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

## 3. THE GOVERNANCE FRAMEWORK

A Corporate Governance Committee was established in 2005. This Committee promotes and maintains high standards in relation to the operation of the Council's Code of Corporate Governance. The Committee also ensures that the County Council operates within the law, in accordance with the Authority's internal procedures and follows the framework and guidance issued by CIPFA. The Committee is also responsible for monitoring and maintaining the risk management framework and the associated control environment and also ensuring that the Authority's financial and non financial performance is properly monitored. The Committee receives reports on a regular basis covering issues such as: Risk Management and the Corporate Risk Register; Internal Audit and Governance Arrangements; The Annual Governance Statement; External Audit and Inspection Plans; Results of external audit work; The effectiveness of Systems of Internal Audit and progress reports on Internal Audit work.

Members of the Corporate Governance Committee also need to satisfy themselves that the County Council's Statement of Accounts and those relating to the Leicestershire Pension Fund have been prepared in accordance with best practice.

Leicestershire County Council promotes its purpose and vision through the Sustainable Community Strategy. The Sustainable Community Strategy has been developed in consultation with Leicestershire Together, which is the Local Strategic Partnership for Leicestershire, with the Local Area Agreement being the key delivery framework for the strategy. The Sustainable Community Strategy is available to view at: [www.leicestershiretogether.org](http://www.leicestershiretogether.org). For the past twelve years, the Council has expressed its high-level medium term corporate and service improvement priorities through its Medium Term Corporate Strategy (MTCS). The MTCS provided the main platform for the Corporate Performance Management System and it has successfully helped to assist the Council in achieving four-stars under the Comprehensive Performance Assessment. The impact of the Authority's vision on the Council's governance arrangements is considered through the Code of Corporate Governance and also through the preparation of the Corporate Assurance Statement.

The County Council has an established Performance Management Framework and this framework requires each Department to produce annual service plans, setting out their objectives and targets in relation to the Council's policy priorities. These plans form the basis of the Council's Annual Report, which summarises progress against targets and sets out proposed improvements in performance and service standards. Progress on the delivery of the Sustainable Community Strategy is available on the Leicestershire Together Website. Other performance information is made available to the public through Leicestershire Matters, the Council's website and the Annual Report.

To ensure effective leadership throughout the authority, members and officers work together to deliver a common purpose with clearly defined functions and roles. The County Council's Constitution includes details of the role and responsibilities of the Executive, Committees, the full Council and Chief Officers and the rules under which they operate. The Constitution is subject to annual review and is revised as necessary during the intervening period. The Council's political structure and roles and responsibilities of Cabinet members are detailed on the Council's website and the Leader of the Council sets specific job descriptions and targets for Cabinet Lead and Support Members. The County Solicitor is the designated Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by the Council, Cabinet, its Committees and officers, providing support and advice on the maintenance of ethical standards and advising the Council's Standards Committee. As Chief Financial Officer, the Director of Corporate Resources is responsible for the proper administration of the Council's financial affairs.

The success of County Council services relies substantially on the contribution of staff to the planning, development and delivery of services. The County Council recognises that the value of staff contributions will be enhanced through: clear communication of the Council's expectations; nurturing and developing staff skills and abilities; encouraging, celebrating and rewarding achievements; providing a safe, healthy, supportive and inclusive working environment and by treating all people fairly and with respect. During 2008/09 the County Council achieved Level 3 of the Equality Standard for Local Government. This achievement shows that there is a strong commitment to equalities across the Authority, that equality and diversity policies and processes are effectively embedded into day to day business and that as an Authority we are acting upon issues across all departments and at all levels. The particular skills and talents that Council staff uses every day will make a difference to people in Leicestershire, whether they work directly with people in the community, managing local facilities or providing support services to colleagues involved in such activities.

There is a cross-party Member Learning and Development Working Party which oversees the implementation of a Member Learning and Development Strategy. This covers the induction of members, the identification of development needs of members and the development of personal development plans, as well as the need of the organisation as a whole. Having regard to the election of a new Council in June 2009, plans are being prepared for a new development and training offer to apply in the future and will deal with the induction programme for new members and a tailored programme to be provided on an ongoing basis. The County Council has a Learning and Development Strategy which includes processes such as Performance and Development Reviews. The Management Competency framework supports the development of senior officers within the Council.

The importance of a strong ethical framework and culture has always been recognised by the County Council. The County Council first adopted a Code of Conduct for Members in March 2002 which was revised in September 2007 in accordance with statutory requirements. The Standards Committee arranged training on the revised Code. Arrangements are made for all members to sign a declaration on acceptance of office which includes an undertaking to follow the Code of Conduct when they take up office. The standard of conduct expected from Council employees is set out in an Employee Code of Conduct and the County Council's Organisational Values underpin all aspects of the Code and describe the attitudes and attributes expected of all Leicestershire employees. The values embedded in the Code of Conduct define the standards of behaviour for all members and staff. The system of internal financial control is based on a framework of regular management information, financial procedure rules and standard financial instructions, contract procedure rules, administration arrangements (including segregation of duties), management supervision and a system of delegation and accountability. The Corporate Governance and Standards Committees both have a role in ensuring that systems and processes within the Council conform to ethical standards. The Chief Executive of the County Council recognises that it is essential to communicate to staff the importance of ethical behaviour. Hence, his regular newsletter, which is sent to all staff, reminded everyone of the Employee Code of Conduct and the various procedures in place, such as registration of gifts and hospitality and declarations of interest that help encourage this culture.

The Council actively recognises the necessity of compliance with relevant laws, regulations, internal policies and procedures. Democratic Services staff monitors reports to ensure propriety of decision making and that legal advice is included where necessary and appropriate and lawyers are involved in policy development, major projects, programme boards and Scrutiny processes. In order to achieve consistent good practice across all our departments, the Council revised its Contract Procedure Rules. This included: the introduction of category management, standardised thresholds for all departments and clear provision for contract extension and variation. The County Council has an embedded 'Whistleblowing' procedure which is also publicised as part of the Council's ethical framework. By encouraging all employees to use the Whistleblowing procedure, the County Council has put into place a further measure to remind everyone of the importance of good ethical behaviour and employees are regularly reminded of this policy through regular alerts via the Council's intranet. A Contractors' Whistleblowing Policy has also been approved and included with Procurement documentation and by requesting suppliers to accept the Supplier Whistleblowing Procedures, demonstrates that they have confidence and assurance in the Council's processes. The Customer Service Centre within Highways, Transportation and Waste Management has also improved the County Council's complaint handling process.

The Sustainable Community Strategy identifies the key issues that the Leicestershire Local Strategic Partnership as a whole and its constituent members need to consider and the actions that will be undertaken to address them. The Council has ensured that clear channels of communication are in place with all sections of the community and other stakeholders through: Community Forums, the Leicestershire Together Forum, Citizen's Panels, Community

Cohesion, Leicestershire Together Engagement Framework, Parish Plans and Consultation Standards. The 'Have Your Say' section of the Council's website contains information regarding the various ways in which the Council consults stakeholders.

Leicestershire Together is the Local Strategic Partnership for Leicestershire and is underpinned by a Partnership Agreement and includes a section on compliance with the Code of Governance. The Council's other significant partnerships have been identified and assessed for risk, business continuity and governance and a high level review shows that appropriate arrangements are in place. It is the Council's aim to ensure that all future and new agreements and partnerships continue to include a section on compliance with the Code of Governance.

#### **4. REVIEW OF EFFECTIVENESS**

The County Council has an effective system of internal control which includes:

- Providing effective internal audit
- Effective risk management arrangements
- Overview & Scrutiny Committees
- An established Corporate Governance Committee
- A Code of Corporate Governance
- Standing Financial Instructions and Contract Procedure Rules
- Scheme of delegation
- Ensuring compliance with relevant laws and regulations

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 authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Chief Executive has a duty to monitor and review the operation of the Constitution and the Monitoring Officer (County Solicitor) 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. As part of the 2008/09 Corporate Governance Audit Plan, the Council's Head of Internal Audit carried out an audit on the 2007/08 Annual Governance Statement, the objective of the review being to confirm the quality of the 'Internal Control Environment'. Based on the testing undertaken and samples selected as evidence obtained during the audit, substantial assurance was given that the internal controls tested are operating adequately as intended and reduce exposure to those associated risks currently material to the system's objectives. Any recommendations from the audit were incorporated into an agreed action plan that was used before the production of this statement.

The Chief Executive conducted the annual review of the Constitution during the year which led to the County Council at its meeting on 27 September 2008 agreeing a number of changes on the recommendation of the Constitution Committee. Overview and Scrutiny Committees support the work of the Executive and the Council as a whole, by producing reports and recommendations, which advise the Executive and the Council on its policies, budget and service delivery. A review of the effectiveness and operation of the Overview and Scrutiny function of the County Council was undertaken by external consultants during 2008 and the recommendations of that review accepted. Action has been taken or is planned in response to those recommendations as agreed by the Scrutiny Commission held on 3<sup>rd</sup> September 2008.

Decisions by the Cabinet are monitored by these committees who have the facility to examine them in detail. In the case of 'key decisions' they are able to 'call in' the decision which means that implementation is delayed to enable the Scrutiny Committee's views to be considered by the Cabinet.

The Corporate Governance Committee plays a key role in monitoring and reviewing the effectiveness of the system of internal control by promoting and maintaining high standards within the Authority in relation to the operation of the Council's Code of Governance. This includes: monitoring the effectiveness of officer arrangements for ensuring an adequate internal control environment; combating fraud and corruption; ensuring that an adequate risk management framework and associated control environment is in place and considering the Annual Governance Statement. The Committee also considers the findings of the annual review into the effectiveness of the system of internal audit.

The effectiveness of the Council's internal controls is examined in detail through the work of Internal Audit. The section's strategic plan is based on an assessment process that focuses resources on higher risk areas and meets the professional standards required by CIPFA and from this an annual audit plan is produced. Audit findings are reported to the relevant Chief Officer and Service Manager, together with recommendations for improvement and agreed action plans. Checks are undertaken by Internal Audit to ensure agreed major recommendations have been implemented. Regular progress reports on the work of the Internal Audit section, including high importance recommendations from specific audits, are reported to the Corporate Governance Committee.

A review into the effectiveness of the system of Internal Audit was undertaken during 2008/09 and considered performance in a range of areas in order to produce a self assessment of the quality of internal audit arrangements within the Council. Overall the review concluded that the Council's system of Internal Audit is effective. The Corporate Governance Committee considered the findings of this review and supported the review's conclusion.

Based on evidence from planned audits and any special investigations, the Chief Internal Auditor reports each year to the Director of Corporate Resources and to members of the Council on any major weaknesses that have been identified in the internal controls examined and highlights where important improvements are considered necessary. The Director of Corporate Resources reviews this information along with other relevant information such as budget monitoring reports and departmental assurance statements in compiling this statement. The work of Internal Audit and the wider financial aspects of corporate governance and performance management are examined each year by the Council's external auditors.

Risk management is undertaken as part of the normal service planning and project management process. As part of the 2008/09 Corporate Governance Audit Plan, the Council's Head of Internal Audit carried out an audit on the risk management arrangements of the County Council, the objective of the review being to ensure that an effective risk management system is in place. Based on the testing undertaken and samples selected as evidence obtained during the audit, substantial assurance was given that the internal controls tested are operating adequately as intended and reduce exposure to those associated risks currently material to the system's objectives. Any recommendations from the audit were incorporated into an agreed action plan.

Further assurance is provided by regular reports produced by independent review bodies including the Audit Commission, Commission for Social Care Inspection, Ofsted etc. As part of the Audit Commission's Comprehensive Performance Assessment, the County Council once again achieved a 4 star overall performance in 2008. In addition, the Council was judged to be 'improving strongly' under the framework for assessing the 'Direction of Travel' and achieved level 4 in the 'Use of Resources' assessment.

## **5. GOVERNANCE ISSUES**

The reviews of effectiveness undertaken by both Internal and External Audit have advised that the Council's overall financial management and corporate governance arrangements during 2008/09 are sound. The review of the Council's governance arrangements in 2007/08 identified a number of minor governance issues that required attention and set out below are the positive steps that have been taken over the last year to address these ongoing issues.

An area identified in 2007/08 for improvement was the need for the Council "to ensure that its excellent relationships with most stakeholders are also replicated with its district councils". As quoted in the current Annual Audit & Inspection Letter "Joint working with district councils is beginning to improve with some progress in the last year, but challenges remain in developing shared services that will deliver more joined up service delivery for residents as well as efficiencies". As part of the ongoing Corporate Improvement Plan the Council will work to build and develop these relationships.

In 2007/08 it was noted that there is some inconsistency on corporate complaint handling and reporting across the Council. Complaints against the Authority have been dealt with at a local and departmental level. Those dealt with under statutory Social Services procedure, now through the Children & Young People's and Adult Social Care Services are recorded well and reported appropriately. A review of the corporate complaints process has been undertaken and reported to the Corporate Management Team and it has been agreed to make use of the opportunities offered by the Customer First programme and work is underway to address the issue.

During the preparation of the 2007/08 Corporate Assurance Statement several Human Resource issues were identified such as inconsistency of the induction process and results stating that not all employees had received a Performance Development Review. During 2008/09 HR and Payroll services went through significant transformation to create a modern, efficient and business focused HR service. During the year, significant progress has been made on the Council's People Strategy to develop and maintain a world class workforce. A work programme has been approved for 2009/10 and includes a revised Management Competency programme, a review of the Induction and Personal Development Review process and a new Leadership and Management Development programme.

The economic downturn will present new pressures for the County Council, however the Audit Commission in the Annual Audit & Inspection letter, states that Leicestershire County Council has the capacity to continue to deliver its priorities effectively. The County Council will be proactive in addressing the impact of the recession on the Authority and the services it provides to the people of Leicestershire.

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 throughout the year.

In the period following March 31 2009 complaints against the Leader and former Deputy Leader are being investigated and in August 2009 complaints from a former councilor alleging they had breached the Member Code of Conduct were assessed by the Standards Assessment Subcommittee which referred them for investigation by the Standards Board for England. In September 2009 the County Council received notification from the SPE that after consideration of the information provided they had decided to take no further action.

**John Sinnott**  
**Chief Executive**

**David Parsons**  
**Leader of the Council and**  
**Chairman of the Constitution Committee**