

**Leicester City Council**  
**Annual Governance Statement 2012-13**  
**Directors' Certification**

Leicester City Council is required to demonstrate that its governance processes and procedures comply with the six CIPFA/SOLACE fundamental principles of corporate governance. These are listed below with the principal sources of evidence or assurance:

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

- Major strategic documents setting out the vision for specific areas of work are in place or have been developed, including the Economic Action Plan, Climate Change Plan and the Children & Young People's Plan.
- A major programme of work is being successfully delivered to support the regeneration and economic development in the City. This includes a £400m programme of capital projects and programme of activity to support business growth and increased employment levels for Leicester's residents. Appropriate programme management and partnership arrangements are in place, most notably the Leicester & Leicestershire Enterprise Partnership.
- The City Mayor's Delivery Plan gives the current focus in terms of priorities and activity and reflects the City Mayor's vision from his manifesto.
- The recently refreshed equality and diversity strategy has been launched and is being implemented to ensure we meet our public sector equality duties and focus on the needs of communities particularly in relation to the 'protected characteristics' defined by the 2010 Equality Act.
- Front-line service departments have or are developing plans which reflect the City Mayor's Delivery Plan, for example, the City Development & Neighbourhoods Departmental Delivery Plan.
- Robust safeguarding arrangements are in place to mitigate the risk of harm to children and vulnerable adults, supported by established Safeguarding Boards.
- We are working on the development of the performance management arrangements to ensure the strategic vision is having the desired effect – but there is still some way to go to fully develop and implement this.

**B. Members and officers working together to achieve a common purpose with clearly defined functions and roles;**

- The Council's Constitution has been updated to reflect a changed governance framework, with particular reference to the Mayoral Model.
- The 'Political Conventions' within the Constitution have been revised to offer clearer advice on member and officer co-working.

- Formal and informal working between the Executive and officers is well established.
- Lead Directors are in place to support scrutiny commissions.

**C. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;**

- A new code of conduct and standards regime for elected members was introduced in July 2012 and is becoming embedded.
- A revised staff code of conduct has been developed and consulted on and is now in place.
- A programme of reviews of key human resources policies is under way.
- The number of complaints to the Local Government Ombudsman has reduced.
- More robust management practices have been introduced around issues such as attendance management and controls around spending e.g. agency staff, consultancy, etc.
- There are regular mechanisms for engagement with the recognised trade unions around staffing and workforce issues.
- There is an established and effective system of internal control and internal audit, aimed at ensuring proper use of resources and giving assurance on the effectiveness of the arrangements for the management of risk. The system of internal audit, which includes the fulfilment of its role by the Audit & Risk Committee, has been reviewed for effectiveness.

**D. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;**

- Financial, legal, equalities and sustainability implications are considered within the decisions taken.
- Strategic and operational risk registers are regularly considered and reviewed.
- Information assets and the supporting information infrastructure are subject to appropriate governance controls to mitigate risk whilst supporting partnership working and compliance with transparency requirements.
- Processes for forward planning, taking and publication of Executive decisions under the mayoral model are defined and are supported by officer guidance.
- There is a recognised approach for taking officer executive decisions in line with recently changed legislation on this issue.
- There is a need to continue to look at how scrutiny is supported to ensure that it works efficiently and effectively.
- Themed Council debates have opened up the engagement of all councillors in major policy themes, such as health.

**E. Developing the capacity and capability of members and officers to be effective;**

- There is a nominated workforce development lead for member development.
- The accommodation strategy seeks to maximise the productivity of the workforce and support positive collaboration.
- The Leicester Leaders training and development programme has successfully engaged many senior managers.
- However, the capacity to deliver major transformation is an issue in the context of the scale of change and savings that need to be achieved.
- It is recognised that there are aspects of elected member development that could be improved.

**F. Engaging with local people and other stakeholders to ensure robust public accountability.**

- There is a more robust and consistent approach to consultation through the work of the Research & Intelligence Team.
- There is a strong focus on media engagement and external communication with core capacity boosted to support this.
- A City Partnership Board involving representation from the key public sector organisations as well as the private and voluntary/community sectors is in place and is focused on major themes and priorities for the city, including the economy, health & wellbeing, etc. The underpinning partnership arrangements have been reviewed and key partnerships are in place around major themes established in accordance with legislation where relevant, such as Health & Wellbeing.
- A public guide to engagement in policy development and decision-making is in development.
- The Council has in place processes for responding to external audit and inspection arrangements, with particular reference to the annual audit of the Council's published financial statements and the Annual Governance Statement.

**Significant Governance Issues**

The Council's control frameworks enable the identification of any areas of the Council's activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk. Overall, it can be concluded that controls are operationally sound.

The areas of significant risk or priorities for action that have been identified are listed below. This is in two parts:

**A. Items identified in the Annual Governance Statement for 2011-12, with the action taken since to address them.**

Area of significant risk or priority for action	Comment	Action planned	Action taken
<b>2011-12</b>			
Management and letting of contracts	<p>Significant work is being carried out to develop a procurement approach which delivers value for money from procuring goods and services whilst improving the skills and knowledge within the procurement teams.</p> <p>Some concerns remain, however, in relation to the management of contracts and the Internal Audit Contract Audit Plan for 2012-13 includes a number of contracts and procurement-related audits to help provide assurance in relation to this area.</p>	<p>The Internal Audit Plan 2012-13 will focus on contract auditing across the Council, but in particular in Highways, Property Services, Housing and Adults &amp; Communities. This means testing a sample of contracts against the proper procurement process. Internal Audit will also examine tendering arrangements across the Council.</p>	<p>In progress.</p> <p>As a result of staff changes, Internal Audit has had to re-establish its contract audit capacity. It now has a programme of contract audits, the scope of which includes the processes for procurement and contract management. Contract audit is a priority for the 2013-14 Internal Audit plan.</p>

## Director's Certification for the Annual Governance Statement 2012-13

Area of significant risk or priority for action	Comment	Action planned	Action taken
Continuing variable compliance with rules and procedures.	There is an increased risk that controls will be diluted as a result of streamlining of management structures in response to the current financial pressures. The consequent loss of experienced staff increases the risk of error. Moreover, these factors combined with the increased incentive brought about by financial hardship during a recession increase the risk of fraud.	Internal Audit assurance work in the 2012-13 audit plan.	Continuing requirement. Strengthening of senior management monitoring of compliance. Internal Audit has maintained an extensive programme of planned audit reviews supplemented by specially commissioned audits undertaken on the basis of risk to the Council. Service management has responded constructively to the conclusions of audit reviews and the recommendations made. Any matters of concern together with any non-implementation of recommendations are reported to the Audit & Risk Committee on a regular basis throughout the year.

## Previous years

Area of significant risk or priority for action	Comment	Action taken
Continuing variable compliance with rules and procedures	As 2011-12 above.	As 2011-12 above.
Management arrangements at De Montfort Hall	Internal Audit and other work associated with De Montfort Hall identified significant failings in the management and administration of De Montfort Hall. Much management attention has been given to addressing the matters identified.	Management improvement plan, supplemented by follow-up Internal Audit review, which found that all necessary improvements had been satisfactorily implemented. Now cleared.

**B. Additional items identified in 2012-13, together with a summary of the action being taken or planned to make the necessary improvements.**

Area of significant risk or priority for action	Comment	Action planned
Medium-term financial strategy	The Council has made £85m of spending cuts since 2010-11 in response to a 40% real terms cut in government funding. Whilst this has been carefully managed and the Council continues to live within its available resources, the government's most recent spending plans (July 2013) indicate a continued trajectory of unprecedented reductions. The methodology adopted by government further adversely affects deprived authorities such as Leicester, who are more reliant on government grant.	The Council continues to manage its medium term-financial strategy carefully, with significant input from the City Mayor and Executive. A process has been agreed and is under way to address the funding challenges the Council faces. In previous budget strategies the Council has agreed £85m of spending reductions in order to deliver a balanced budget. This also includes a managed reserves strategy to enable the City Mayor and Executive to properly plan and consider future reductions appropriately.
Performance management	There is a need to develop the Council's performance management process, with particular reference to the City Mayor's Delivery Plan requirements and to ensure adequate coverage of operational service delivery performance.	Further development work on the required performance indicators and the supporting IT and management systems. Internal Audit has included a review of the new performance management arrangements in its 2013-14 audit plan.
Capital programme monitoring	Monitoring of capital schemes is always challenging, with risks associated with delivery of schemes to specification, on time and within budget.	Establishment of a corporate capital board to ensure that appropriate governance, project management and procurement arrangements are in place for capital projects across the Council.
Voluntary and community sector engagement	There is a need for a more co-ordinated approach to managing our engagement with the Voluntary and Community Sector (VCS) and to be aware at an earlier stage of any emerging issues.	The Council has appointed a Voluntary & Community Sector (VCS) Engagement Manager. The new appointment will play a key role in liaising with the voluntary and community sector and will maintain an overview of our relationships and engagement with the VCS, as well as identifying what we can do as a Council to improve engagement and help ensure the sector is able to respond effectively as a key strategic and delivery partner for the Council.

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Area of significant risk or priority for action	Comment	Action planned
<p>Implications of the appointment of the Police and Crime Commissioner and the establishment of the Leicestershire Police and Crime Panel.</p>	<p>Police and Crime Panels (along with elected Police and Crime Commissioners) were introduced by the 2011 Police Reform and Social Responsibility Act. 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.</p> <p>The Leicester City, Leicestershire and Rutland Police and Crime Panel is responsible for publicly scrutinising the actions and decisions of the Police and Crime Commissioner and holding him to account. The Panel should also act as a support for the Commissioner in carrying out his responsibilities.</p> <p>The Panel is made up of one representative from each of the local authorities in the Leicestershire Police Service area. In addition, three further members have been co-opted from Leicester City Council to ensure the Panel better represents the geographical and political balance of the area. The Panel also has two independent co-opted members (who must not be members of any local authority).</p>	<p>Leicester City Council panel members to continue to provide reporting and scrutiny links between the panel and Council Committees.</p>
<p>Health and Social Care Act 2012</p>	<p>This Act signalled wide-ranging reorganisation of the NHS with significant implications for local government. It places greater emphasis on integration between health agencies, social care and other council services to deliver person-centric support that promotes early intervention, independence and health &amp; wellbeing.</p>	<p>Continued integration of the public health function within the City Council along with a greater understanding of the risks this brings.</p> <p>Continued support for the Health &amp; Wellbeing Board (statutorily required now under the Act). Monitoring of delivery of the H&amp;WBB's agreed priorities.</p>

Therefore, all Directors have confirmed that they understand the responsibilities placed upon them and in particular that:

- Subject to the identified areas of significant risk and priorities for action, all of the services for which they are responsible have in place processes and procedures that align to these principles and to the best of their knowledge and belief these processes are operating satisfactorily;
- The Directors as a management team set the 'tone from the top', embedding core values and principles throughout all Council service areas.