LEICESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT 2013-14

1. Background

Leicester City 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.

It 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, Leicester City 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.

Leicester City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives (CIPFA/SOLACE) framework *Delivering Good Governance in Local Government*. A copy of the code is on our website under 'Council and Democracy' or can be obtained from Customer Services.

This statement is produced in fulfilment of the requirements of regulations 4(2) and 4(3) of the Accounts and Audit (England) Regulations 2011.

2. Introduction

The Council's governance framework comprises both the systems and processes and the 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 Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

Local Government has been undergoing significant change and the environment in which it works is increasingly complex. As well as being provided directly, public services are increasingly delivered through commissioning, partnerships and collaboration, with many shared services and partnership boards now in existence. The introduction of new structures and ways of working provides challenges for managing risk, ensuring transparency and demonstrating accountability.

The system of internal control is the significant part of the Council's governance 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 may only provide reasonable, not absolute, assurance of effectiveness.

The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of the 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 Leicester City Council for the year ended 31 March 2014 and up to the date of approval of the accounts.

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3. The Governance Framework

The Council has in place an assurance framework that takes the Council's principal strategic and organisational objectives as its starting point, including the City Mayor's 2013-14 Delivery Plan. Key strategies and plans translate these objectives into deliverable actions. High-level risks that threaten the achievement of objectives are identified in the strategic and operational risk registers. It is the responsibility of management to establish and maintain effective systems of governance and internal control to ensure that the Council's service objectives are delivered and risks to those objectives are managed in accordance with the Council's Risk Management Strategy and Policy.

In order that the Council's business is delivered in a way that promotes public trust and confidence, there must be sufficient assurance that sound internal control arrangements are in place and operating effectively. The assurance framework brings together various internal and external sources of assurance with internal audit being fundamental to this.

The Council is also required to carry out, at least annually, a review of the effectiveness of its system of internal control. This is done by all Directors by means of positive assurance in the form attached at Appendix 1. The intention of the assurance framework is, therefore, to set out a structured and coordinated process, drawing together the outcomes of the various assurance, governance and control mechanisms to ensure that the Annual Governance Statement is comprehensive in its coverage and reliable in its content

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4. Review of Effectiveness

The Council is committed to the maintenance of a system of internal control which:

- Demonstrates openness, accountability and integrity;

- Monitors and reviews compliance with policies, procedures, laws and regulations and effectiveness against agreed standards and targets;

- Monitors and reviews the effectiveness of the operation of controls that have been put in place;

- Identifies, profiles, controls and monitors all significant strategic and operational risks.

The risks identified are subject to regular review and appropriate controls are identified to manage them. The results of that review, together with the three measures below, provide the core information for the preparation of the Annual Governance Statement:

- An independent review of the effectiveness of internal control carried out by the Council's Internal Audit team

- An annual review of the Effectiveness of the System of Internal Audit, as required by the Accounts and Audit Regulations (England) 2011

- The External Auditor's Annual Audit Letter and Annual Governance Report which include findings from the work of other inspection regimes,

Leicester City 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, Internal Audit's annual report and the Summary of Internal Audit Conclusions, and by comments made by the external auditors and other review agencies and statutory inspectorates.

The Council's Local Code of Corporate Governance complies with CIPFA/SOLACE's guidance *Delivering Good Governance in Local Government* and includes a self-assessment of compliance with the six core principles of good governance. The results of that assessment are set out in the Directors' Certification at Appendix 1.

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5. Significant Governance Issues

The Council's control frameworks enable the identification of any areas of the Council's activities where there are significant concerns in the financial controls, governance arrangements or the management of risk. Having considered all the principles within the CIPFA 'Code of Practice on Managing the Risk of Fraud and Corruption', we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Overall, it can be concluded that controls are operationally sound and that the Council's financial management arrangements conform with the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government (2010)' as set out in the Application Note to 'Delivering Good Governance in Local Government: Framework'.

Areas of significant risk or priorities for action have been identified and are listed at Appendix 1 below. This is in two parts:

- Those items identified in the Annual Governance Statement for 2012-13, with the action taken since to address them

- Additional items identified in 2013-14, together with a summary of the action being taken or planned to make the necessary improvements.

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 or our next annual review.

Signed:

.... **(City Mayor)**   .... **(Date)**

.... **(Chief Operating Officer)**   .... **(Date)**

.... **(Director of Finance)**   .... **(Date)**

Appendix 1 - Leicester City Council Annual Governance Statement 2013-14

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:

- o Major strategic documents setting out the vision for specific areas of work are in place, including the Economic Action Plan, Health and Wellbeing Strategy, Climate Change programme of action, Children & Young People's Plan and Heritage Action Plan.

- o A major programme of work is being successfully delivered to support 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 place, most notably the Leicester & Leicestershire Enterprise Partnership.

- o 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. A review of progress and performance against the 2013/14 plan is being compiled for reporting in due course.

- o The Council has an equality and diversity strategy which 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.

- o Robust safeguarding arrangements are in place to mitigate the risk of harm to children and vulnerable adults, supported by established Safeguarding Boards.

- o Departments have established their own performance management arrangements to underpin both the City Mayor's Delivery Plan and the wider operational activity of divisions including, where appropriate, departmental plans and regular performance monitoring and reporting.

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

- o The Council's Constitution has been updated to reflect a changed governance framework, with particular reference to the Mayoral Model and is kept under regular review.

- o The 'Political Conventions' within the Constitution have been revised to offer clearer advice on member and officer co-working.

o Formal and informal working between the Executive and officers is well established.

o 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;

o The code of conduct and standards regime for elected members which was introduced in July 2012 is becoming embedded and has been reviewed to ensure it remains fit for purpose. New independent members have been appointed to fill vacancies which existed on the Standards Committee.

o The staff code of conduct was revised and agreed in 2013/14.

o A programme of reviews of key human resources policies and associated procedures continues and includes, for example, a review of the attendance management policy and procedure.

o The number of complaints to the Local Government Ombudsman has reduced.

o More robust management practices have been introduced around issues such as attendance management and controls around spending e.g. agency staff, consultancy, etc.

o There are regular mechanisms for engagement with the recognised trade unions around staffing and workforce issues.

o There are well established programme and management standards along with corporate oversight and support to ensure those involved in the governance and delivery of projects and programmes understand and are able to adhere to the expected standards.

o 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;

o Financial, legal, equalities and sustainability implications are considered within the decisions taken.

o Strategic and operational risk registers are regularly considered and reviewed.

o 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.

o Processes for forward planning, taking and publication of Executive decisions under the mayoral model are defined and are supported by officer guidance.

o There is a recognised approach for taking officer executive decisions in line with recently changed legislation on this issue.

o There is a need to continue to look at how scrutiny is supported to ensure that it works efficiently and effectively. Currently, lead Directors support each scrutiny commission along with the dedicated scrutiny support team who have recently been released from supporting ward community meetings (when that support function transferred to Community Services) and are now focused solely on supporting scrutiny. An annual report on the work of scrutiny has been produced. Other development work includes improving the scoping of scrutiny reviews and providing specific training for members involved in scrutiny.

o A Capital Advisory Board is now well established, chaired by the Strategic Director for City development and Neighbourhoods. This has senior officer representation from legal, finance, property, procurement, governance and programme management who provide rigorous challenge and oversight of capital projects and programmes at key gateway points.

o An independent equal pay audit was commissioned in 2013/14 to ensure that the Council's pay structure remains transparent and free from gender bias. This found no significant areas of concern and that, in general, risk of the Council being vulnerable to equal pay claims to be low. Recommendations from the audit are being actively implemented.

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

o There is a nominated workforce development lead for member development. A new training handbook for members was published in 2013/14 and this includes training sessions specifically for scrutiny members on aspects such as chairing and effective scrutiny reviews.

o The accommodation strategy seeks to maximise the productivity of the workforce and support positive collaboration.

o The Leicester Leaders training and development programme has successfully engaged many senior managers.

o The HR service has been reviewed to ensure resources are properly aligned to priority areas of support.

o It is recognised there are aspects of people management that need to be improved. A strategic HR work programme for 2013-2017 has been developed with a focus on these areas, including workforce planning, staff performance management, workforce development and workforce representation.

- A framework and training programme is under development to support service redesign and transformation which continues to be a major demand in terms of skills and capacity given the scale of change and savings that still need to be achieved.

- A new staff intranet was launched in 2013/14, which provides a key source of guidance for staff on policies, procedures, governance and other aspects of the Council's operations.

- Work is currently underway to develop and implement an internal jobs market as a means of effectively recruiting staff and minimising the costs associated with redundancy.

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.

- The consultation platform, Citizen Hub, provides an effective on-line approach to support consultations across the Council.

- There is a strong focus on media engagement and external communication with core capacity boosted to support this.

- Key strategic partnerships are in place around major themes and operating in accordance with legislation where relevant, such as Health and Wellbeing.

- A City Mayor's Faith and Community Forum has been established to support effective engagement with key communities, especially (but not exclusively) those identifying with the protected characteristic of religion or belief. This is key to supporting integration and cohesion with the city and our public sector equality duty.

- A short digest of our constitution has been published on our website aimed at making the key governance arrangements of the Council clearer and more accessible and we have reviewed our website in terms of guidance for the public in relation to engagement in policy development and decision-making.

- A new corporate website is in development which will have improved functionality in terms of supporting on-line transactions and engagement and will provide key up to date and relevant information to the public in an easily accessible and user friendly format.

- The Council has reviewed the services it commissions from the voluntary and community sector to support engagement with key communities across the protected characteristics of faith, race, sexual orientation and gender identity and is putting in place newly commissioned services to support this key work.

- 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 2012-13, with the action taken since to address them.

Area of significant risk or priority for action	Comment	Action planned	Action taken
2012-13			
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.	The Council's spending review programme is designed to address the need to reduce budgets.

Area of significant risk or priority for action	Comment	Action planned	Action taken
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.	Departments have established their own performance management arrangements to underpin the City Mayor's Delivery Plan and other strategic plans, as well as wider operational delivery. This is supported by key systems including the new Liquid Logic system across adult and children's social care, although some of these systems are still bedding in.
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.	A Capital Advisory Board is now well established, chaired by the Strategic Director for City development and Neighbourhoods. This has senior officer representation from legal, finance, property, procurement, governance and programme management who provide rigorous challenge and oversight of capital projects and programmes at key gateway points.
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.	The VCS Engagement Manager has been in post now for 12 months and is providing a key point of contact for the VCS and is actively engaged in networking and communications across the sector. The Council has also just reviewed the services it commissions in relation to three strands of activity: • Support for the City's VCS; • Engagement to support a cohesive Leicester; and, • Support for volunteering in the city. New services across these three strands are being commissioned and will need to be embedded and proactively managed to maximise impact in the future.

Area of significant risk or priority for action	Comment	Action planned	Action taken
Implications of the appointment of the Police and Crime Commissioner and the establishment of the Leicestershire Police and Crime Panel.	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. 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. 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).	Leicester City Council panel members to continue to provide reporting and scrutiny links between the panel and Council Committees.	The Assistant Mayor with responsibility for Neighbourhood Services and the Strategic Director for City Developments & Neighbourhoods represent the city council on the Leicestershire Police and Crime Panel The city's Community Safety Partnership – "the Safer Leicester Partnership" ensures that both strategic and operational links are made between the work of the PCC and that of the city within the community safety agenda.

Area of significant risk or priority for action	Comment	Action planned	Action taken
Health and Social Care Act 2012	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 & wellbeing.	Continued integration of the public health function within the City Council along with a greater understanding of the risks this brings. Continued support for the Health & Wellbeing Board (statutorily required now under the Act). Monitoring of delivery of the H&WBB's agreed priorities.	The main actions taken to govern this transition include: • Successfully delivery of the Public Health Transition which transferred a range of public health responsibilities, funding and staff from the former PCT to the Council (and other bodies) from April 2013 • Establishment of the Health and Wellbeing Board as a Committee of the Council in April 2013 and regular meetings of the H&WB Board throughout 2013/14 • The development and approval of 'Closing the Gap' the Joint Health and Wellbeing Strategy 2013-16 which was approved by the H&WB Board in April 2013. The H&WB Board received regular up-dates on progress towards implementing the Strategy through 2013/14 • In terms of additional assurance, Leicester City Council applied to LGA's health and wellbeing system improvement programme and participated in a Health and Wellbeing Peer Challenge in February 2014. The Peer review confirmed that Leicester's Health and Wellbeing Board is appropriately established and operating and that public health transition 'landed well' in the local authority.

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 2013-14 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 2012-13 above.	As 2012-13 above.
Management and letting of contracts	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. 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.	Internal Audit has re-established 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 was a priority in the 2013-14 Internal Audit plan.

B. Additional items identified in 2013-14, 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
Management of Payments to Service Users	An Internal Audit identified significant weaknesses in the procedure for managing payments to service users.	Implementation of the Audit recommendations will be managed in a joint response by the Adult Social Care and Business Service Centre teams.
Improve engagement with stakeholders within Adult Social Care.	Adult Social Care has now approved a Stakeholder Engagement Strategy to ensure effective engagement and increase co-production with their stakeholders.	Fully implement the Stakeholder Engagement Strategy.

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.