

# Appendix 1 - LEICESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT 2015-16

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## 1. Background

Leicester City Council is responsible for ensuring that its business is conducted in accordance with the law; proper standards; that public money is safeguarded; 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 or it 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.

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## 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 continues to undergo significant changes and the environment in which it works remains 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 most 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 2016 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 five 'pledges' for Leicester. 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. All Directors do this by means of positive assurance in the form attached at Appendix A. 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 opinion, 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 A.

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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 A below.

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.

**Signed:**

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

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

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

**Appendix A - Leicester City Council Annual Governance  
Statement 2015-16  
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:**

- The pledges set out in Labour's 2015 manifesto form the basis of the key priorities and focus of work for the authority. Major strategic documents setting out the vision for specific areas of work are in place, including the Economic Action Plan, Local Transport Plan, Health and Wellbeing Strategy, Sustainability Action Plan, Children's Improvement Plan and Heritage Action Plan.
- A major programme of work is being successfully delivered to support regeneration and economic development in the City. This includes a significant 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 Council has an equality and diversity strategy which helps 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.
- Robust safeguarding arrangements are in place to mitigate the risk of harm to children and vulnerable adults, supported by established Safeguarding Boards.
- Departments have established their own performance management arrangements to underpin both the vision and manifesto commitments including, where appropriate, departmental plans and regular performance monitoring and reporting. A Performance Group for Children's social care and safeguarding services has been established to reinforce the departmental performance management arrangements in this critical area. Housing have developed a rolling programme of peer challenge using Performance Clinics'. Continuing to improve the rigour of performance management across the Council remains a priority.
- Organisational vision and values have been developed for staff and work continues to implement these which will underpin policies like performance management.

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

- The Council's Constitution is kept under regular review and has been extensively updated in a number of areas to account for both legislative changes and the continued development of governance arrangements and practice.
- The 'Political Conventions' within the Constitution offer clear advice on the working relationships between officers and members and the City Mayor and his Executive.
- 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;**

- 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.
- The staff code of conduct was revised and agreed in 2013-14.
- As noted above a defined organisational vision and values have been developed to reinforce the organisational purpose, vision and values to staff and a programme to formally launch and embed these is now in development.
- A programme of reviews of key human resources policies and associated procedures continues for example, the attendance management policy and procedure was reviewed and a new policy and procedure agreed in 2014-15.
- The number of complaints to the Local Government Ombudsman has reduced.
- Robust management practices continue for 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 are well established programme and project 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.
- 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.

- The Council's Fraud and Investigations teams have been thoroughly reviewed, re-organised and re-launched and have given added emphasis to the Council's 'zero tolerance' attitude to fraud.

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

- 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 executive decisions in line with recently changed legislation on this issue.
- Work has been done to define and develop procedures for the taking and recording of formal officer decisions.
- 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.
- There is a regular review of pay including the process by which posts are evaluated to ensure this is consistent and robust.

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

- A comprehensive programme of induction for members was delivered following the May 2015 elections. A rolling member development programme for members is being implemented which has included ensuring there are identified dates throughout the municipal year kept clear of formal governance meetings and earmarked for member development sessions.
- Member and Civic Support Services are taking a lead on scoping, planning and supporting delivery of member development.
- The accommodation strategy seeks to maximise the productivity of the workforce and support positive collaboration.
- The HR review, which took place in 2015, defined a new approach to staff development and put in place an Organisational Development Team which replaced the previous Learning and

Development function. This new team is working to define and develop an approach to development which is better informed and needs led.

- The staff intranet continues to provide a key source of guidance for staff on policies, procedures, governance and other aspects of the Council's operations.

**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 Communications and Marketing Team.
- The consultation platform, Citizen Hub, provides an effective on-line approach to support consultations across the Council.
- There remains a strong focus on media engagement and external communication. Work is underway to develop a new e-newsletter for residents. The number of followers of the Council's social media profiles continues to increase monthly.
- Key strategic partnerships are in place around major themes and operating in accordance with legislation where relevant, such as Health and Wellbeing and Leicester and Leicestershire Economic Partnership.
- The City Mayor's Faith and Community Forum has been operating for over a year 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 is published on our website aimed at making the key governance arrangements of the Council clearer and more accessible.
- The Council's website has been fundamentally redeveloped to support on-line transactions and engagement and to provide key up to date and relevant information to the public in an easily accessible and user friendly format. Feedback to date has been very positive and the numbers of users continues to grow.
- 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. A new community engagement fund has been launched to support the Council in meeting its Public Sector Equality Duty.
- A programme to drive forward channel shift is in place. Channel shift is about moving as much customer contact away from expensive face to face and telephony channels as possible. In doing so improving service standards and the user experience, and protecting a core face to face service for those who really need it. This is underpinned by a new customer relationship management (CRM) system which has been procured and implemented.



- Work has taken place to review the Council's complaints and enquiries system and to link this with the new CRM system, in order to improve the management and reporting of complaints.
- To ensure compliance with 'Homes and Community Agency' standards, and specifically the 'Neighbourhood Standard', Housing have introduced a 'Maintaining and Improving Neighbourhoods' policy and appropriate operational procedures to support and deliver this.
- 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:

Area of significant risk/priority for action	Comment	Current Position and actions to be taken
Medium-term financial strategy	<p>Since 2010/11, our grant cuts have amounted to some £103m, or 36% of the equivalent grant in 2010/11 (46% in real terms). By 2019/20, this is expected to increase to 56% in real terms. Cuts in excess of £100m have so far been made to council services.</p> <p>When the budget was set in February, a gap between forecast spending and resources of £55m was estimated by 2019/20, prior to any additional savings being approved.</p>	<p>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.</p> <p>In the last three budgets, the Council's approach to savings has been the Spending Review Programme. This comprises a set of 21 discrete reviews, aiming to reduce spending by £45m per year. The Spending Review Programme has been complemented by the Managed Reserves Strategy. Reserves have been deliberately built up to buy time, thus enabling the Spending Review Programme to be carried out in a considered way. Crisis cuts have so far been avoided as a consequence. Our last reserves will be used in 2017/18, and none will be available to cushion cuts in 2018/19.</p> <p>In order to achieve further savings, services not previously subject to spending reviews have been considered and added to the programme and other actions are being considered such as potential changes to employee terms and conditions.</p> <p>The HRA is working on a programme of change to the business to address and meet significant budget reductions over the next four years. These are being undertaken within the structure of the Housing Transformation spending review and cross cutting spending reviews.</p> <p>The implementation and requirements of the national strategy for the introduction and increases to the National Living Wage and the Apprenticeship levy will impact further as will continue demand pressures from Adult Social Care.</p>

Area of significant risk/priority for action	Comment	Current Position and actions to be taken
Performance management	There is a need to continue to ensure the effectiveness of performance management across the Council.	<p>Children's Performance Group in place to review and strengthen performance management in this area. Corporate Management Team have introduced a monthly business and performance meeting into their cycle. Departments have established their own performance management arrangements to underpin strategic priorities and 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. There is a continued need to embed and assure the strength of these arrangements. This also relates to the performance management of contracted services and ensuring there is a robust approach to both letting and management of significant contracts.</p> <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. Some concerns remain, however, in relation to the management of contracts and 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 remains a priority in Internal Audit planning HR will also include in their future work programme, particularly in terms of organisational development activity, the need to focus on embedding robust and consistent practice in terms of employee performance management and manager accountability.</p>
Stakeholder Engagement	The level of savings needed and scale of change that is needed as a result does risk impacting on relationships with stakeholders including residents and the voluntary and community sector,	<p>Robust arrangements are in place to properly engage and consult with stakeholders and comply with stakeholder engagement outcomes. This is supported by the Communications and Marketing Team. Within Adult Social Care an approved Stakeholder Engagement Strategy to ensure effective engagement and increase co-production with their stakeholders has been fully implemented and is used in key project activity.</p> <p>Work continues with Voluntary Action Leicestershire as the commissioned provider for engagement with the VCS around effective involvement of the VCS in key areas of work.</p>

Area of significant risk/priority for action	Comment	Current Position and actions to be taken
Response to the 2015 'OFSTED' inspection.	<p>An Ofsted 'Inspection of Services for Children in Need of Help and Protection, Children Looked After and Care Leavers' published on 20<sup>th</sup> March 2015, graded Leicester's children's services as 'inadequate'.</p> <p>Based on experience of other similar improvement journeys, the implementation plan and the impact of this is expected to take a medium to long-term period of time and it was anticipated therefore that this would remain a priority for action in relation to the Council's governance and performance.</p>	<p>In line with national requirements from the Department for Education (DFE) we have established an Improvement Board chaired by an experienced person approved by the DfE; and submitted our Improvement Plan to Ofsted on 22<sup>nd</sup> June 2015.</p> <p>There are also a number of internal controls in place to ensure that work on the Ofsted recommendations progresses satisfactorily:</p> <ul style="list-style-type: none"> <li>• The Operational Improvement Group (which meets fortnightly) chaired by the Divisional Director, monitoring detailed service improvement plans for Early Help, Children in Need, Children Looked After and Workforce</li> <li>• The Performance Group (which meets monthly) examining the monthly report on key performance indicators and any other significant areas of Performance and Quality including progress against the Workforce Strategy</li> <li>• Service Performance Meetings in Early Help, CIN (Children in Need) and Children Looked After</li> <li>• Quality Assurance work being carried out to audit case files by external auditors</li> </ul> <p>Regular reviews of progress and reports to the Audit and Risk Committee by Internal Audit.</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.