



## CORPORATE GOVERNANCE AND AUDIT COMMITTEE

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Meeting to be held in Civic Hall, Leeds on  
Friday, 16th March, 2018 at 10.00 am

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### MEMBERSHIP

#### Councillors

K Bruce	J Bentley	R Wood
N Dawson		P Harrand
J Illingworth		
G Hussain		
P Davey (Chair)		
J Heselwood		

## A G E N D A

Item No	Ward	Item Not Open		Page No
1			<p><b>APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</b></p> <p>To consider any appeals in accordance with Procedure Rule 15.2 of the Access to Information Procedure Rules (in the event of an Appeal the press and public will be excluded).</p> <p>(*In accordance with Procedure Rule 15.2, written notice of an appeal must be received by the Head of Governance Services at least 24 hours before the meeting)</p>	
2			<p><b>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC</b></p> <ol style="list-style-type: none"> <li>1 To highlight reports or appendices which officers have identified as containing exempt information, and where officers consider that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.</li> <li>2 To consider whether or not to accept the officers recommendation in respect of the above information.</li> <li>3 If so, to formally pass the following resolution:-</li> </ol> <p><b>RESOLVED</b> – That the press and public be excluded from the meeting during consideration of the following parts of the agenda designated as containing exempt information on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information, as follows:-</p>	

Item No	Ward	Item Not Open		Page No
3			<p><b>LATE ITEMS</b></p> <p>To identify items which have been admitted to the agenda by the Chair for consideration</p> <p>(The special circumstances shall be specified in the minutes)</p>	
4			<p><b>DECLARATION OF DISCLOSABLE PECUNIARY AND OTHER INTERESTS'</b></p> <p>To disclose or draw attention to any disclosable pecuniary interests for the purposes of Section 31 of the Localism Act 2011 and paragraphs 13-16 of the Members' Code of Conduct.</p>	
5			<p><b>APOLOGIES FOR ABSENCE</b></p> <p>To receive apologies for absence (If any)</p>	
6			<p><b>MINUTES FOR THE PREVIOUS MEETING</b></p> <p>To receive and approve the Minutes of the previous meeting held on 22<sup>nd</sup> January 2018.</p> <p>(Copy attached)</p>	1 - 10
7			<p><b>MATTERS ARISING FROM THE MINUTES</b></p> <p>To consider any matters arising from the minutes. (If any)</p>	
8			<p><b>ANNUAL INFORMATION GOVERNANCE REPORT</b></p> <p>To consider a report by the Director and Resources and Housing which presents the Annual Information Governance report.</p> <p>The report sets out the steps being taken to improve Leeds City Council's information governance in order to provide assurance for the annual governance statement.</p> <p>(Report attached)</p>	11 - 32

Item No	Ward	Item Not Open		Page No
9			<p><b>PROCUREMENT ASSURANCE REPORT</b></p> <p>To consider a report by the Chief Officer Projects Programmes and Procurement Unit which presents the Annual Procurement Assurance report.</p> <p>The report sets out details of the Council's procurement function and the ongoing work to maintain effective procurement support tools and guidance.</p> <p>(Report attached)</p>	33 - 48
10			<p><b>ANNUAL BUSINESS CONTINUITY REPORT</b></p> <p>To consider a report by the Director of Resources and Housing which presents the Annual Business Continuity report.</p> <p>The report seeks to provide assurance that Leeds City Council (LCC) maintains compliance with the statutory duties contained within the Civil Contingencies Act 2004.</p> <p>(Report attached)</p>	49 - 60
11			<p><b>INTERNAL AUDIT UPDATE REPORT JANUARY TO FEBRUARY 2018</b></p> <p>To consider a report by the Chief Officer Financial Services which provides a summary of the Internal Audit activity for the period January to February 2018 and highlight the incidence of any significant control failings or weaknesses.</p> <p>The report also provides information from the Head of Service (Legal) about the recent use of the council's surveillance powers under RIPA.</p> <p>(Report attached)</p>	61 - 72

Item No	Ward	Item Not Open		Page No
12			<p><b>INTERNAL AUDIT PLAN 2018-19</b></p> <p>To consider a report by the Chief Officer Financial Services which presents the proposed Internal Audit Plan for 2018-19 for review and approval.</p> <p>The report also includes a summary of the basis for the plan which has been developed in consultation with senior management.</p> <p>(Report attached)</p>	73 - 88
13			<p><b>REVIEW OF THE WHISTLEBLOWING AND RAISING CONCERNS POLICY</b></p> <p>To consider a report by the Chief Officer Financial Services which sets out details of the revisions to the Whistleblowing Policy and Raising Concerns Policies.</p> <p>The report also provides Members with an opportunity to comment on the updated policies prior to publication.</p> <p>(Report attached)</p>	89 - 114
14			<p><b>ANNUAL ASSURANCE REPORT ON THE FINANCIAL MANAGEMENT AND CONTROL ARRANGEMENTS AND COMPLIANCE WITH THE CHIEF FINANCE OFFICER PROTOCOL</b></p> <p>To consider a report by the Chief Officer Financial Services which aims to provide assurance to Members that the financial control and financial governance arrangements that are in place are fit for purpose, up to date and embedded across the organisation.</p> <p>(Report attached)</p>	115 - 142
15			<p><b>WORK PROGRAMME 2018/19</b></p> <p>To receive a report of the City Solicitor which notifies Members of the Committee's draft Work Programme for 2018/19</p> <p>(Report attached)</p>	143 - 148

Item No	Ward	Item Not Open		Page No
16			<p><b>DATE AND TIME OF NEXT MEETING</b></p> <p>To note that the next meeting will take place on Tuesday, 26<sup>th</sup> June 2018 at 10.00am in the Civic Hall, Leeds.</p>	

## Corporate Governance and Audit Committee

Monday, 22nd January, 2018

**PRESENT:** Councillor P Davey in the Chair  
Councillors R Wood, J Bentley, K Bruce,  
J Illingworth, G Hussain and J Heselwood

### **32 Appeals Against Refusal of Inspection of Documents**

There were no appeals against the refusal of inspection of documents.

### **33 Exempt Information - Possible Exclusion of the Press and Public**

There were no items identified where it was considered necessary to exclude the press or public from the meeting due to the nature of the business to be considered.

### **34 Late Items**

There were no late item of business.

### **35 Declaration of Disclosable Pecuniary and Other Interests'**

There were no declarations of disclosable pecuniary interest made at the meeting.

### **36 Apologies for Absence**

Apologies for absence were received from: Councillors: N Dawson and P Harrand

Members noted that at the last meeting of Council on 10<sup>th</sup> January 2018 Membership of this Committee had been revised with the size being reduced by one member and Councillor Sobel MP was no longer a Member of the Committee.

### **37 Minutes of the Previous Meeting**

**RESOLVED** – That the minutes of the previous meeting held on 22<sup>nd</sup> September 2017 were accepted as a true and correct record.

### **38 Matters Arising from the Minutes**

- (i) Internal Audit Report June to August 2017 – (Minute No. 25 referred) – With reference to resolution (vi) the Head of Governance and Scrutiny Support said that a letter had been

sent on behalf of this Committee to the West Yorkshire Police Crime Commissioner in relation to the Internal Audit Report into former Neil Taggart and the use of council resources and suggesting the police may wish to undertake their own investigations.

In a response dated 21<sup>st</sup> December 2017 the West Yorkshire Police Crime Commissioner said staff from his office were also looking into this matter.

In respect of resolution (v) Members undertaking checks through the Disclosure and Barring Service. The Head of Civic and Member Support reported that progress was been made, at the last meeting there were 24 outstanding DBS checks, that number had now been reduced to 14 of which 4 Members were not seeking re-election.

It was suggested that the issue be referred to the Member Management Committee for consideration with a report being presented by the end of Municipal year

The Head of Governance and Scrutiny Support reported that the issues concerning measures to supplement the existing web filtering controls had been progressed by ICT colleagues. Agreement had been reached for the authority to sign up to The Internet Watch Foundation.

- (ii) Annual Information Governance Report – Update on Cyber Position – (Minutes No. 26 referred) – It was reported that a separate report on this issue appeared elsewhere on the agenda
- (iii) Approval of the Audited Statement of Accounts and KPMG Audit Report – (Minute No. 27 referred) - The Head of Governance and Scrutiny Support reported that one objection to the accounts remained under consideration by KPMG, and had resulted in a delay in the completion of the overall audit.
- (iv) Appointment of Head of Audit – The Chair reported that he'd been a Member of the Stakeholders Panel which considered the appointment of the Head of Audit and he had pleasure in supporting the recommendation of the Panel in appointing Sonya McDonald to the position of Head of Audit

### **39 Customer Contact and Satisfaction - Annual Report.**

The Chief Officer Customer Access submitted a report which provide the annual update on customer contact/ satisfaction levels with customer services delivered by the City Council.



Appended to the report was a copy of the following document:

- Feedback from service areas as to complaint trends and learning points (Appendix 1 referred)

The Chief Officer Customer Services, Communities & Environment presented the report and responded to Members queries and questions.

Detailed discussion ensued on the contents of the report which included:

- An overview of Customer Contact
- Customer Satisfaction for Customer Access
- Compliments and Complaints – Council Wider
- Actions taken in the previous 12 months to improve customer access and satisfaction
- Community Hub Developments
- Customer Relations Pilot Update
- Corporate Review of Compliments and Complaints

Referring to paragraph 3.5 of the submitted report; Volumes of Contacts, Members queried why there was no reference or statistics for social media contact; Facebook and Twitter. A further query was raised about the use of Community Libraries, Members noted there were 1.5m contacts per year but sought further information on what was included in these figures as library book loans may also be included.

In responding the Chief Customer Services Officer said the information for both queries was not readily available and that a detailed response would be circulated to all Members of the Committee.

Referring to Compliments and Complaints Members queried the figures in respect of the Adult Social Care and Children's Services (stage 1 and 2 complaints) and requested if further information could also be provided clarifying the reasoning behind the figures.

Members noted there was no reference to Member's case work and asked if this could be captured as data to inform in future Annual Assurance Reports.

In responding the Chief Customer Services Officer confirmed it was his intension to include Members case work in future reports to this Committee.

Whilst noting the assurance provided by the Chief Customer Services Officers Members emphasised their own observations with regard to constituency case work which often highlighted real frustration with respect to customer contact with the Council

In considering Appendix 1, Members expressed disappointment and concern that staff attitude / conduct appeared to be a common complaint.

Members suggested that the matter be referred to Scrutiny Board (Adults and Health) with a view to investigating the matter further.

Reference was made to Community Hub Developments, Members were supportive of such facilities but noted they were not yet located in all areas of the city. It was highlighted by Members that numerous Council owned properties were available to fulfil this role but many had stood vacant for years and had fallen into a state of disrepair and neglect; Abbey Mills and Rothwell Civic Buildings were provided as two examples by Members. Members expressed concern about the management of such Council Assets and requested that a report be prepared by the Director of City Development with a view to providing assurance as to the governance arrangements to manage/ maintain and make best use of council buildings including those with Listed Status.

#### **RESOLVED –**

- (i) That the contents of the report and the assurances provided be noted
- (ii) Further details be provided to Members about; the volume of contacts made with the Council by Social Media and to also provide clarification as to what the 1.5m Community Libraries contacts represented
- (iii) That constituency case work be captured and included in future annual assurance reports to this Committee
- (iv) That the complaints about staff attitude / conduct in Adult Social Care be referred to Scrutiny Board (Adults and Health) with a view to further investigation of the matter and classification of the breach of complaints data reported by the Directorate
- (v) That a report be prepared by the Director of City Development with a view to providing assurance as to the governance arrangements to manage/ maintain and make best use of council buildings including those with Listed Status.

#### **40 Information Management and Governance - Update on Public Services Network (PSN) Submission and Cyber Position and the Implementation of the new Data Protection Framework (GDPR)**

The Director of Resources and Housing submitted a report which provided an update on the current position on Cyber Assurance and Compliance,

specifically compliance to the PSN Assurance standard and sets out progress on the council's plans for implementation of GDPR.

It was reported that Members had previously been circulated a link to the National Audit Office briefing papers to Audit Committees on Cyber Security.

<https://www.nao.org.uk/wp-content/uploads/2017/09/Cyber-and-information-security-guide.pdf>

Members noted that Elected Members were personally responsible as data practitioners for the management of personal information they hold in their capacity as Ward Councillors

The Committee took the view that there was a necessity that all Elected Members be reminded of their personal accountabilities and that Member Management Committee consider receiving a plan to engage Members in cyber resilience training and the requirements of GDPR

The Head of Information Management & Governance said a briefing note was currently being prepared regarding GDPR for Elected Members and it was anticipated briefing sessions and training packages could also be provided.

Members welcomed the report and acknowledged the measures been undertaken to achieve PSN and GDRP compliance

#### **RESOLVED –**

- (i) That the contents of the report be noted.
- (ii) To acknowledge the efforts being undertaken to rectify the current situation with regard to the Council's approach to information governance and specifically PSN compliance.
- (iii) To acknowledge the approach to implementation of the changes required to achieve compliance with the new Data Protection legislation from May 2018
- (iv) That the Member Management Committee be recommended to consider receiving an assurance as to the arrangements in place to engage Members in cyber resilience training, the requirements of GDPR and an understanding of their personal responsibilities.

#### **41 KPMG Annual Audit Letter 2016/17**

The Chief Finance Officer submitted a report which provided a summary of the key external audit findings in respect of the 2016/17 financial year.

Appended to the report was a copy of the following document:

Draft minutes to be approved at the meeting  
to be held on Friday, 16th March, 2018

- KPMG Annual Audit Letter 2016/17 (Appendix 1 referred)

The Principal Financial Manager presented the report, Mr Robert Fenton from KPMG was in attendance to respond to Members queries and questions.

Members were informed that the letter concluded that KPMG had been able to provide unqualified opinions in respect of all the areas they were required to assess.

It was noted that a final audit certificate for the 2016/17 audit had not yet been issued, due to work on an elector objection being not yet concluded.

The Chair sought assurance that the matter would be resolved quickly

In responding KPMG confirmed this was currently under review and was expected to be resolved satisfactorily in the near future.

Members were informed there were no major issues arising from the work of external audit, and officers would continue to address any recommendations raised in the reports.

## **RESOLVED –**

- (i) To receive KPMG's Annual Audit Letter
- (ii) To note the conclusions and recommendations arising from the 2016/17 audit process

## **42 KPMG Certification of Grants Report 2016/17**

The Chief Finance Officer submitted a report which provided details of the outcomes of the work of auditors in respect of the certification of grant claims in 2016/17.

Appended to the report was a copy of the following documents:

- 2016/17 Certification of Claims and Returns Action Plan (Appendix 1 referred)
- Follow up of 2015/16 Certification of Claims and Returns Recommendations (Appendix 2 referred)

The Principal Financial Manager presented the report, Mr Robert Fenton from KPMG was in attendance to respond to Members queries and questions.

It was noted that KPMG's audit work identified a number of minor errors in the Housing Benefit Subsidy claim which required qualification and amendment.

Members were informed that all grant claims and returns had been successfully completed and final approved claims submitted to the relevant granting organisation.

**RESOLVED –**

- (i) To receive KPMG's Certification of Grant Claims and Returns report
- (ii) To note the conclusions and recommendations arising from their 2016/17 audit work.

**43 2017/18 Accounts Timescales and KPMG Audit Plan**

The Chief Finance Officer submitted a report which informed Members of the earlier statutory deadlines for approval of the 2017/18 statement of accounts.

The report also provided details of KPMG's audit plan for the audit of the Council's accounts and value for money arrangements and highlights the risk based approach to the audit and the main risks they had identified for 2017/18.

Appended to the report was a copy of the following:

- KPMG External Audit Plan 2017/18 – Leeds City Council – January 2018 (Appendix 1 referred)

The Principal Financial Manager presented the report, Mr Robert Fenton from KPMG was in attendance to respond to Members queries and questions.

Members were informed that the new statutory timescales for local authority accounts would mean that the meeting of this committee which approved the final audited accounts was expected to be held in late July.

Members confirmed that they wished to also review the draft accounts at its meeting in June.

It was noted that KPMG had provided the Council with a plan for discharging their responsibilities in respect of the external audit of the Council's 2017/18 accounts and for assessing the Council's arrangements for securing value for money. The report also identified what was seen as the main risks.

With reference to page 71 of the submitted report, value for money arrangements and the release £3.7m into the Children and Families budget for 2017/18, Members queried whether bringing forward the use of some grant income within this figure was a correct accounting treatment.

The Head of Finance - Financial Management, confirmed that the accounting was correct and that additional funding had been provided to address a demographic pressure, with actions being identified for 2018/19 to manage the consequent effects.

Draft minutes to be approved at the meeting  
to be held on Friday, 16th March, 2018

## **RESOLVED –**

- (i) To receive and agree KPMG's Audit Plan for 2017/18
- (ii) To note the conclusions and recommendations arising from their 2016/17 audit work.
- (iii) That the draft statement of accounts 2017/18 be scheduled to come to this Committee in June 2018

### **44 Internal Audit Update Report September to December 2017**

The Chief Finance Officer submitted a report which provided a summary of the Internal Audit activity for the period September to December 2017 and highlighted incidence of any significant control failings or weaknesses.

The report also provided information from the Head of Service (Legal) about the recent use of the council's surveillance powers under RIPA.

The Head of Audit presented the report and responded to Members queries and questions

Referring to paragraph 3.2.5 of the submitted report, ICT Projects, Members expressed concern that no evidence had been provided to demonstrate that the benefit realisation exercise had been completed.

In responding the Head of Audit said a follow up audit would be undertaken which would specifically focus on how the benefits realisation process for ICT projects was being implemented across the authority and ensure clarity was provided as to who was responsible for undertaking those reviews

Referring to the Leeds Grand Theatre, it was understood by Members that there was an intension to produce a full lessons learnt report following the recent fraud investigation and subsequent prosecution. Members queried if such a report had been produced yet.

Members were informed that the Internal Audit team had worked closely with the Grand Theatre since the identification of the fraud to help them put the necessary measures in place. Wider fraud awareness training had also been provided.

Referring to the issue of proactive anti-fraud work, paragraph 3.2.17 refers, the Head of Audit reminded Members of an investigation into potential fraudulent activity at one Leeds school. It was reported that this case had now concluded and resulted in court proceedings in December 2017. The School Business Manager admitted to illegally obtaining £53,000 through forgery and was sentenced to 16 months in prison. The bank had since refunded the school and a follow up review had been completed.

Members were informed there were no issues identified by Internal Audit in the September to December 2017 Internal Audit Update Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.

**RESOLVED –**

- (i) To receive the Internal Audit Update Report covering the period from September to December 2017 and note the work undertaken by Internal Audit during the period covered by the report.
- (ii) To note that there had been no limitations in scope and nothing had arisen to compromise the independence of Internal Audit during the reporting period.
- (iii) That an audit of Customer Satisfaction be included in the audit plan for 2018/19
- (iv) To note the information in the report about the recent use of the council's surveillance powers under RIPA and the information provided by the Head of Service (Legal) about the recent use of the council's surveillance powers under RIPA.

**45 Treasury Management Governance Report 2017**

The Chief Finance Officer submitted a report which presented the Annual Treasury Management Governance Report 2017.

The report outlined the governance framework for the management of the Council's Treasury Management function and also reviewed compliance with updated CIPFA guidance notes for practitioners on the Prudential Code for Capital Finance in Local Authorities issued in 2017.

Members were informed that the treasury management governance framework was up to date and fit for purpose, that the Council was operating within its governance framework and as such was complying with the CIPFA Treasury Management Code of Practice, Prudential Code and updated guidance notes.

It was noted that a 2016/17 Internal Audit report gave Treasury Management substantial assurance on both control and compliance. The report also confirmed that the strategy was being monitored and reported back to Executive Board and full Council as appropriate.

**RESOLVED –**

- (i) To note that Treasury Management continues to adhere to its governance framework including the CIPFA Code of Practice, the Prudential Code and revised CIPFA guidance notes issued in 2013.
- (ii) To note that all borrowing and investments undertaken have been compliant with the governance framework.

#### **46 Work Programme 2018**

The Head of Governance and Scrutiny Support presented a report of the City Solicitor which set out the draft work programme for March 2018.

Following decisions made earlier on the agenda the following items be added to the future work programme of the Committee for 2018/19:

- Governance Arrangements to manage/ maintain and make best use of Council Buildings including those with Listed Status. (June 2018)
- Draft Statement of Account 2017/18 (June 2018)
- Annual Governance Statement (June 2018)
- Final Audited Accounts 2017/18 (July 2018).

**RESOLVED** – That with the inclusion of the above, to agree the work programme.

#### **47 Date and Time of Next Meeting**

**RESOLVED** – To note that the next meeting will take place on Friday, 16<sup>th</sup> March 2018 at 10.00am in the Civic Hall, Leeds.



## Report of Director of Resources and Housing

## Report to Corporate Governance and Audit Committee

**Date: 16<sup>th</sup> March 2018**

## Subject: Annual Information Governance Report

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

## Summary of main issues

1. Considerable progress has been made this year to resolve security issues. The Cabinet Office has de-escalated Leeds City Council's PSN (Public Services Network) status to Remediation, but we still remain non-compliant at present. Work is on-going to re-apply in May 2018.
2. The council continues to handle and process requests for information in accordance and compliance to appropriate legislation such as the Data Protection Act and Freedom of Information Act.
3. The General Data Protection Regulation (GDPR) will replace the current Data Protection Act 1998, and will pass directly into Member State law taking effect from 25th May 2018. The Regulation imposes new and significantly more stringent requirements for the handling of personal data.

## Recommendations

1. Corporate Governance and Audit Committee is asked to consider the contents of this report and the assurance provided as to the Council's approach to information governance.

## **Purpose of this report**

- 1.1 To provide Corporate Governance and Audit Committee with an annual report on the steps being taken to improve Leeds City Council's information governance in order to provide assurance for the annual governance statement.

## **2 Background information**

- 2.1 Leeds City Council recognises the need to protect its information assets from both accidental and malicious loss and damage. Information Governance is taken very seriously by the council and this is evidenced by the on-going work to improve the management and security of our information as outlined in this report.
- 2.2 The report provides Committee Members with an update on the more strategic and cross-council activity on-going to provide assurance on our approach to information governance.

## **3 Main issues**

### **3.1 Overall arrangements for Information Management and Governance Assurance**

- 3.1.1 The Council, in line with recommended practice for public authorities in the UK, continues to provide demonstrable arrangements which ensure that information assurance is addressed along with other aspects of information governance.
- 3.1.2 The Director of Resources and Housing continues in the role of SIRO. The SIRO is supported by the Chief Digital and Information Officer who has delegated decision making powers for information governance. The Chief Digital and Information Officer chairs the Council's Information Management Board which ensures good standard information management practice is embedded into business processes, and information standards and policy are fit for purpose and kept up to date. Decisions made by the Chief Digital and Information Officer at the Information Management Board are effectively communicated across each Directorate through the Information Management and Governance Team.
- 3.1.3 The Director for Adult Social Care and Public Health is the Council's Caldicott Guardian. This is a strategic role responsible for protecting the confidentiality of patient and service-user information and enabling appropriate information sharing across Health and Social Care.
- 3.1.4 The Council's Head of Information Management and Governance has been appointed as Data Protection Officer (DPO). This decision was ratified by the Information Management Board on 9th August 2017, the appointment being made with immediate effect. The GDPR requires the council, as a public authority, to designate a Data Protection Officer. The main tasks of the DPO are: to inform and advise the council of its obligations under GDPR when processing personal data; to monitor compliance with the GDPR; to provide advice where requested, particularly, with regards to data protection impact assessments and other high risk processing activities; and to act as the contact point with the supervisory authority (the ICO).

3.1.5 The Head of Information Management and Governance role is now firmly established. The purpose of this role is:-

- To be accountable for developing and implementing frameworks that ensure that best value is achieved from the appropriate use of information to support the delivery of Council and City outcomes.
- To provide professional leadership on Information Management, Information Security, Information Risk Management, DPA and FOI and Knowledge Management to support improved service outcomes, through a 'One Council' approach to Information.
- To ensure there is a comprehensive set of Information related policies, strategies and ambitions in order to effectively direct and shape the service and ensure awareness and understanding for all officers, elected members and citizens where applicable across the Council.
- To act as the lead for enabling and supporting the councils Transparency and Open Data Strategy ensuring appropriate strategy and implementation across the council
- To oversee the effective underpinning of the Council's operations in the following areas:
  - Compliance and Cyber assurance
  - Information Risk Management
  - Information Quality
  - Information Access Law – Request Management
  - Arrangements for lawful disclosure of none public information
  - Open Data

3.1.6 This role also directly provides line management and leadership to four Information Governance leads and Information Governance teams across the Council.

- Cyber Assurance and Compliance
- Information Access and Compliance
- Records Management
- Change and Initiatives

3.1.7 Each of the Information Governance leads have developed work programmes, which are monitored and managed through the IM&G Management Team and in turn the Chief Digital and Information Officer.

## 3.2 Cyber Assurance and Compliance

- 3.2.1 The Public Services Network (PSN) was set up as an assured route for information sharing by central Government, to facilitate shared services and also serve as the assured route for (secure) GCSx mail. It acts as a compliance regime that serves as both a commitment to a basic level of information security for connecting authorities and also a level of trust between Leeds City Council and other public services.
- 3.2.2 Due to more stringent compliance control brought in by the Cabinet Office in 2014, Leeds City Council are presently unable to meet the PSN certification requirements. In January 2017, the Cabinet Office placed the Council into an 'escalation' process for PSN; a process by which the Cabinet Office seek commitment from the Chief Executive and provide further support in remediation against the controls.
- 3.2.3 A re-application for PSN Certification was made to the Cabinet Office on the 30<sup>th</sup> September 2017. The Cabinet Office responded to this submission on the 29<sup>th</sup> January 2018, stating that they were not able to renew our certificate at this time.
- 3.2.4 The Cabinet Office has 4 levels in which they work:
- In Certificate
  - Remediation
  - Escalation (Stage 1)
  - Escalation (Stage 2)

In January 2017, Leeds City Council was placed into the Escalation (Stage 2). Following our September 2017 submission the Cabinet Office has moved the Council out of the Escalation process and we are now in the Remediation process. This is recognising that whilst we still have some unresolved issues, we have comprehensive plans in place to deal with those issues. At the time of writing this report, the revised re-submission date is still to be determined.

- 3.2.5 Over the last 12 months the PSN Remediation Board, with the Head of Information Management and Governance as Senior Responsible Officer (SRO), reporting to CLT and the Senior Information Risk Officer (SIRO) monthly, has made significant progress. The board meets bi-weekly to work through the compliance requirements and close down remediation tasks realised by the IT Health Check (ITHC) audit. Monthly meetings with the PSN Authority (PSNA) provide them with regular reports about the progress being made by the council.
- 3.2.6 The ITHC in February 2017 highlighted a large number of issues on a sample of the network. This was due to process defects with patching and configuration management. The estate is now being actively monitored for vulnerabilities and patched appropriately. Compliancy is now above 90% for Windows hosts (which comprises of the bulk of the estate) and which is an acceptable level for the

Regulators. 146 unsupported or un-patchable Windows servers have been removed from the estate,

- 3.2.7 Telephony – All Polycom devices have been updated and a process has been established to ensure they are kept up to date in the future.
- 3.2.8 All out of support Solaris servers and all occurrences of out of support Siebel have either been removed from the estate or upgraded appropriately.
- 3.2.9 32 Cloud suppliers have been identified. They have all been contacted regarding their compliance with the 14 PSN Cloud Security Principles. Cloud Security Principles have been added into technical specifications for all new contracts and renewals. In development is a 'Cloud Readiness Assessment' for external suppliers to ensure that they meet the Principles prior to tender.
- 3.2.10 Mobile Device Management – 1800 mobile devices have now been upgraded to include superior security measures. The support documentation has been amended in light of feedback received. A temporary pause in the full rollout has been called due to issues regarding the roll out to iPhones.
- 3.2.11 Network Segmentation / Authentication – The procurement of a network access control software is complete, implementation is planned before the end of March 2018. Network segmentation will follow the completion of this work.
- 3.2.12 In November 2017, a mid-year IT Health Check was instigated in order to ratify the Council's position. The results of the ITHC show a significant improvement. We can confirm that between February 2017 and November 2017, we reduced the number of the critical and high cyber security issues referred to in the PSN correspondence from 67,000 to 3,200. The vast majority of these issues are related to patching, which are dealt with by the Vulnerability Management Team established last year specifically to address these issues. We have firm plans in place for areas of non-compliance not directly related to patching, examples of which are given in 3.2.5 – 3.2.10. Where vulnerabilities were highlighted, there was nothing that we were not already aware of and plans were already in place to rectify.
- 3.2.13 We have invested in a software product called SureCloud, which now means we can monitor our own compliance without having to commission external IT Health Checks and this will enable us to evidence our compliance to the PSN Authority.
- 3.2.14 Due to the "Remediation" state we do not foresee, at this time, this causing us problems with regards to connecting to other government services.

### **3.3 Information Access and Compliance**

- 3.3.1 Information legislation provides rights for citizens to access information held by the council. In respect of the Data Protection Act (DPA) this provides a statutory right for citizens to access information held about them within forty calendar days of

submitting a request. Under the Freedom of Information Act (FOIA) citizens have a right to request information held by a public organisation, such as the council, and unless an exemption applies, the council is generally under a duty to provide this information within twenty working days of receiving a request.

- 3.3.2 The need to be able to locate and retrieve information is essential, both to enable the council to operate effectively and efficiently and to respond to information requests within the statutory timescales prescribed. The risk to the council of non-compliance would be enforcement action from the Regulator, the Information Commissioner's Office ("ICO"). The ICO currently has a range of enforcement actions it can impose, including issuing monetary penalty notices of up to £500,000 for serious breaches of the DPA; the issue of undertakings committing an organisation to a particular course of action in order to improve its compliance (DPA/FOIA); serve enforcement notices and 'stop now' orders on organisations (DPA/FOIA); and, prosecute those who commit criminal offences under the Act (DPA/FOIA).
- 3.3.3 A team of Information Practitioners ensure that all requests for information to the council are processed and dealt with according to respective legislation and within statutory timescales, and handle complaints from citizens and enquiries from the ICO. The ICO monitors the performance of all public authorities to ensure that they are compliant with legislation. The ICO's monitoring threshold for FOI is that an organisation should be processing 85% of its requests within the statutory 20 working day time limit; and, the monitoring threshold for SAR's is that an organisation should be processing 90% of its requests within the statutory 40 calendar day time limit. Therefore it is important the council performs well in dealing with citizens requests for information, and continues to improve information governance practice in information processes, systems and networks to improve access and availability of information. The council also has its own KPIs in relation to statutory requests and for 2017/18 these are 96% for FOI requests and 88% for SARs. The council is currently meeting both of these thresholds. The table below outlines the numbers of requests received and handled by the council for both the DPA and FOIA during 2015/16, 2016-17, and figures to date for 2017/18. These figures represent a 3% decrease in the number of FOI requests and a 37% increase in the number of SAR request received compared to the same period last year. SAR's are on average 300 pages per request.

	<b>2015/16</b>	<b>% compliance to statutory timescale</b>	<b>2016/17</b>	<b>% compliance to statutory timescale</b>	<b>2017/18 to Dec 2018</b>	<b>% compliance to statutory timescale</b>
DPA – Subject Access Requests	514	89.0	470	96.5	387	97

FOIA – Requests for Information	2017	96.4	2137	97.5	1327	98
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- 3.3.4 As from May this year, there will be a new data protection framework which will consist of the General Data Protection Regulation (“GDPR”) and the Data Protection Act 2018 (the Data Protection Bill is currently going through parliament). The latter replaces the current Data Protection Act 1998 and supplements the GDPR. This new framework builds on the principles contained within the 1998 Act with a greater emphasis on fairness, transparency, and accountability. A strategic working group was formed in August 2016 to scope out the work required for the Council to meet the compliance requirements set out in the GDPR and this working group, which is chaired by the Information Governance Lead for Access and Compliance, became the Strategic Implementation Board (“SIB”) in September of last year.
- 3.3.5 A project of this size is a significant programme of work and dedicated resource is required to make the relevant people, process and technology changes required across the council to enable us to be compliant by May 2018 and maintain that compliance thereafter. Furthermore, the GDPR contains increased enforcement powers with certain violations attracting a fine of up to 2% of annual worldwide turnover or 10 million euros (whichever is the greater) and others up to 4% of annual worldwide turnover or 20 million euros (whichever is the greater).
- 3.3.6 To help address the size and complexity of this work programme, a GDPR Implementation Team was established in August 2017 for a fixed term of 12 months. This team is led by the Information Governance Lead for Access and Compliance and currently consists of two Senior Information Governance Officers from within the IM&G Service and part time support from a project manager. The GDPR Implementation Team requires active engagement and support from core services within the council such as ICT, Legal, HR, Procurement, Communications and Internal Audit.
- 3.3.7 Since September 2016 much work has taken place to assess the requirements of the GDPR, and more recently the Data Protection Bill, against the Council’s current position and to scope out the work required. From this initial assessment 9 technical work streams were initiated to define the objectives and outputs required to achieve compliance with the relevant articles in the GDPR and to ensure that appropriate policies, procedures and guidance are updated or created. The 9 technical work streams, together with a brief description, are as follows:
1. **Demonstrating compliance** - requirement for the Council to be able to demonstrate how it meets the principles contained within the GDPR.
  2. **Security of processing** – requirement to implement appropriate technical and organisational measures to ensure a level of security appropriate to the risk.

3. **Security incident management** – requirement to notify the ICO of personal data breaches, without undue delay, and where feasible within 72 hours of becoming aware of it unless the breach is unlikely to result in risk to the data subject.
4. **Data Protection by design and default** – requirement to carry out data protection impact assessments (currently known as privacy impact assessments) whenever the Council is using new technologies, and the processing is likely to result in a high risk to the rights and freedoms of individuals.
5. **Contractual arrangements with data controllers / processors** – direct obligations on data processors for the first time and new requirements to be followed when using data processors.
6. **Individuals' rights** - key rights include the right of access (similar to the current rules for subject access requests); the right to restrict processing; the right to object; the right to rectification; and the right to erasure / be forgotten.
7. **Lawfulness, fairness and transparency** – requirement to have a legal basis for processing personal data with the threshold to utilize consent being higher than the current DPA; and to provide further information within privacy notices than is currently stipulated.
8. **Storage limitation** – see section on Records Management below.
9. **Accuracy and data quality** – requirements around data minimisation and accuracy including ensuring that inaccurate data is erased or rectified without delay.

There is a further work stream around communications and engagement with the business, partners, and third parties.

3.3.8 From November 2017 to January 2018, the GDPR Implementation Team delivered 7 two hour engagement sessions to which all senior management across the authority received invitations. The purpose of the events was to: 1) provide directors, chief officers and heads of service with an overview of GDPR and the Data Protection Bill including what the key changes are; and 2) to explain the Council's plans for implementation including highlighting the responsibilities of senior officers in terms of preparing their service areas. In total, 203 officers (173 senior officers and 30 HR and business partners) attended these implementation events which were very well received.

3.3.9 Critical to the success of the implementation programme is the role of the GDPR Service Leads whose key responsibilities are to:

1. support the GDPR implementation team by driving the GDPR agenda within service areas including the dissemination of key messages;
2. ensure that existing processing arrangements and systems are GDPR compliant and, where required, make the necessary changes including the implementation of appropriate technical and organisational measures proportionate to the risks involved;
3. assist with the embedding of new GDPR related policies and procedures across the council; and
4. report progress on implementation against key milestones to the GDPR implementation team including the reporting of risks and issues as they emerge.



Following discussions at the SIB, Information Management Board and CLT, Chief Officers were tasked with identifying a minimum of one GDPR service lead for the service areas under their responsibility. All of the GDPR Service Leads have now been identified and there are 57 Leads across the authority with high risk areas having a number of such Leads.

3.3.10 The 9 technical work streams each have their own work stream lead from within the Information Management and Governance Service and are producing outcomes in the form of tools; briefing notes; new or revised policies and procedures; changes to terms and conditions; or changes to procedures. All of the outputs are to be rolled out to the GDPR Service Leads via the GDPR Implementation Guide (“the Guide”) which explains what the business needs to do under the 9 technical work streams and where support for this can be found. At the time of writing this report, the first version of the Guide has now been released and this contains two tasks: the 7 steps to preparing for GDPR and a record of processing activities of which there are 92 in total to account for all the delegated functions. The Guide can be found on Insite where a dedicated GDPR tile has been established as part of a comprehensive communications programme. Further tools to be released in future versions of the Guide include:

- a revised data protection policy;
- a data quality policy;
- a briefing note on consent;
- a privacy notice generator;
- a new Data Protection Impact Assessment form with accompanying guidance;
- new procedures for managing a security incident;
- new procedures which govern how individuals can exercise the rights contained within the GDPR; and
- new terms and conditions when the Council is contracting with a Data Processor or Data Controller.

3.3.11 The GDPR requires the council, as a public authority, to designate a Data Protection Officer (“a DPO”). The main tasks of the DPO are: to inform and advise the council of its obligations under GDPR when processing personal data; to monitor compliance with the GDPR; to provide advice where requested, particularly, with regards to data protection impact assessments and other high risk processing activities; and to act as the contact point with the supervisory authority (the ICO). Furthermore, the GDPR establishes some basic guarantees to help ensure that DPOs are able to perform their tasks with a sufficient degree of autonomy within their organisation. The Council’s Head of Information Management and Governance (Louise Whitworth) has been appointed as DPO. This decision was ratified by the Information Management Board on 9th August 2017, the appointment being made with immediate effect.

3.3.12 Regarding the area of Information Access and Compliance the Committee can be fully assured that process and procedures are in place to ensure that statutory requests are responded to within the ICO’s and the council’s thresholds for response times. The Committee can also be fully assured that work is satisfactorily

progressing, under the governance of SIB, to meet the requirements of the new data protection framework.

### 3.4 Records Management

- 3.4.1 Following the ICO audit in 2013 the Council prepared and is delivering against a phased project plan and continues to make good progress in the implementation of the Information Asset Register (IAR) and raising awareness of the role of Information Asset Owners (IAO's).
- 3.4.2 As previously reported phase one of the plan is completed and all Directorates have identified their assets, nominated IAOs at a Head of Service level and this information is published on the IAR.
- 3.4.3 Work on phase two to embed the role of the Asset Owner is now well underway. A robust methodology for implementing the Information Asset Register and the role of the Asset Owners has been approved by the Information Management Board and all training materials have been refreshed and reviewed in readiness for a themed CLT workshop scheduled for the beginning of April 2018. This event will be opened by the Council's Senior Information Risk Officer (SIRO), Neil Evans. As well as launching the Information Asset Register the event will also illustrate the wider importance of records management and its importance to ensuring compliance with the General Data Protection Regulations (GDPR) and make people aware of their roles and responsibilities in relation to managing information.
- 3.4.4 Following the event all Records Managers will work with their respective directorate asset owners to help analyse their information assets and also identify associated risks which will feed into the council's wider risk management process.
- 3.4.5 The Records Management Team continue to monitor their annual work plan and aspire to improve and ensure consistency of records management approaches across the whole organisation and maintain compliance with the Data Protection Act/GDPR.
- 3.4.6 Other key priorities identified last year have all been progressing well as detailed below:

**To ensure that all records are managed effectively as part of the Changing the Workplace (CtW) programme in line with designated methodologies;**

Information Audits have been conducted for all services that have been or are subject to a CtW move to ascertain paper storage requirements and recommendations for future paper storage;

***Ensure consistency in the management of employee records across the council to ensure compliance with the DPA principles;*** A discovery project has been completed to ascertain the inconsistencies in approach council wide in relation to the management of employee records. The findings have been risk assessed and presented back the Chief Officer of Shared Services and other senior officers in HR for consideration and implementation;

**Ensure that all scanning and digitisation provision by the scanning framework is effectively monitored, justified and co-ordinated;** The team have led on and co-ordinated a number of scanning and digitisation projects in 2017/18 all justified in terms of ensuring compliance with the GDPR, enabling asset release and generating efficiency savings including:

- Digitisation of 57,000 Housing Leeds Live House files and all garage files onto a central repository with built in search and retention management capabilities;
- Digitisation of HR records which have enabled the asset release of Belgrave House;
- Digitisation of 1,100 client files belonging to the Estates and Deputyship Team, Adult Social Care to enable the imminent CtW move.

**To cleanse the data and reduce the storage on our existing network drives and mitigate the risk of breaching DPA principles; Discovery and cleanse;** The Discovery and Cleanse tool which is being developed by the Change and Initiative team and DIS ICT is almost complete. Once this tool is available the Records Management Team will be trained in its use and work can commence with services to cleanse network drives. This work will be carried forward into the 2018/19 plan.

**Improve Paper Records management to enable effective management, tracking movement and destruction of paper records owned by LCC and reduce unnecessary storage costs;**

Over the summer period the Records Management team completed a “paper mountain” project that focused on improving the management of the paper records identified as ‘high risk’ as part of the Changing the Workplace (CtW) programme. As a result thousands of paper records were sent for destruction or were organised for appropriate storage in line with the council’s records management policy and the Data Protection Act.

- Adult Social Care Records – 68,000 files checked for data quality and over 33,000 records held in Westland Road were identified for destruction due to them being beyond retention;
- Leonardo Basement – 946 linear metres of paper records sifted, archived or disposed of and 20,000 planning files sifted and prepared for scanning;
- Knowsthorpe Gate – 103 metres squared of space cleared through the appropriate destruction and correct archiving of appropriate records;
- Taxi and Private Hire - Over 4,000 vehicle files scanned;
- HR – Weeded 1,500 records in readiness for scanning
- Children’s Services – 16,000 files prepared and archived from Adams Court;
- Entertainment and Licensing – 3,100 files scanned freeing up 71 linear metres of space.

Funding has been allocated to conduct a project which seeks to explore and replace the various record management databases that monitor the management of records across the organisation to enable a cohesive and more compliant approach.

**Raise awareness of Records Management across the council to ensure staff are aware of their roles and responsibilities in relation to the management of information;** Awareness raising amongst Information Asset Owners is incorporated into the Information Asset project. In addition to this work to raise awareness across the wider organisation remains ongoing. Training material has been prepared in readiness for the forthcoming Information Management and Governance Training for elected members in May and June 2018 and the team are currently in the process of developing an in house records management training session for roll out to other council officers.

**Development of the Council's Retention Schedule;** The ongoing work to develop the Information Asset Register and role of Information Asset Owners includes the examination of retention periods. Historically the council's retention schedules have been published in PDF format on the Council's Intranet site. The presentation of these retention schedules has been simplified this year to enable staff understand the relevant content and also find what they require much easier. The new look retention schedules are to be launched by the end of March 2018. This will be followed up with a review of the retention schedule which will be challenged and assessed by Legal Services.

- 3.4.7 The Records Management Plan is scheduled to be reviewed and updated in April 2018 to reflect the changes in legislation and any organisational changes. Work has already commenced to develop specific objectives to ensure compliance with data minimisation and data quality requirements of the GDPR.
- 3.4.8 With regards to Records Management the Committee can be assured that the Information Management and Governance Team are providing a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance in this regard. Plans are in place to ensure continuous improvement as documented.

### 3.5 Change and Initiatives

- 3.5.1 Auditors from the Information Commissioner's Office (ICO) visited the Council in October 2013 to carry out an audit of its processing of personal data following enforcement action at the Council in 2012. Whilst, the audit provided the ICO with reasonable assurance about our data protection practices, auditors provided a list of 32 recommended improvements to current practice for the council to implement. Members of this Committee received a detailed report on 21st January 2014 regarding the audit, and further reports were considered on 20th March 2015; 18th March 2016; 7<sup>th</sup> April 2017 outlining progress made to date.
- 3.5.2 Work on twenty seven of the thirty two recommendations is complete and actions embedded into information governance standards and/or practice. The remaining five recommendations constituted an investment in some fairly significant work, and since the recommendations were made, the changes which have come about (particularly GDPR and PSN) have meant that these actions have been subsumed

into other projects. Progress is being made, but the direction of travel has had to reflect the changes to compliance regimes and therefore is taking longer to implement than previously anticipated. Appendix A outlines the outstanding recommendations, action to date and the project / workstream now tasked with its completion.

- 3.5.3 The ICO are no longer monitoring progress, and will only take a further interest should the council be subject to a reportable information incident. The last recommendation is scheduled for completion by 31st March 2019 and the Head of Information Management and Governance will continue to monitor progress.
- 3.5.4 Corporate Governance and Audit Committee considered a report in September 2016 providing assurance about our continued compliance to the Department of Communities and Local Government's Local Government Transparency Code 2015. The report provided Committee with specific assurances about processes and procedures to publish the required 15 datasets being embedded to ensure continued compliance, and information regarding continued monitoring of these datasets by the Information Management and Governance Team. Furthermore, council officers are in regular contact with representatives at the Local Government Association and are informed of any potential changes to this Code.
- 3.5.5 The council continues to proactively publish datasets over and beyond that required by the Local Government Transparency Code 2015, however Committee should note that responsibility for the Open Data agenda transferred from the Head of Information Management and Governance to the Smart Cities team during 2017, and it is this team who now have responsibility for the proactive publication of the council's datasets.
- 3.5.6 The Change and Initiatives Team are working to a programme of work that aspires to improve how and when information governance is implemented and embedded across Leeds City Council, through a series of initiatives, in collaboration with services across the council and in collaboration with partners from across the wider local region. The team has built a series of Information Governance frameworks which have been used to implement information compliance and governance for projects such as the Activage project and to implement work to comply with the Gender Reassignment Act 2004. The work undertaken for the Activage project has provided the team with the opportunity to produce a generic Information Governance framework for all future projects involving Internet of Things initiatives. The team are currently working with DIS colleagues to develop an information governance framework to support the council's mobility programme, and ensure information compliance around the use of mobile devices.
- 3.5.7 Members of the Change and Initiative Team are representing the council on a regional programme to rationalise and standardise an approach to information sharing across the Yorkshire and Humber region. The Information Sharing Gateway was initially developed by Morecambe Bay NHS Foundation Trust, and has now been rolled out across a number of regions across the United Kingdom. The Information Sharing Gateway is an online portal that brings together a number of stages that support effective Information Sharing. Sixteen public authorities went live with the Gateway on 1<sup>st</sup> February 2018 and all new Leeds City Council information sharing agreements will be processed and stored on this platform,

providing a controlled and assured approach to information sharing by all signatories to each information sharing agreement. The Change and Initiatives Team have provided training on the Gateway to council staff, as well as, staff from other authorities. Recently the Information Management Board approved a member of the team to act as a regional 'Super-User' of the Gateway for member organisations across West Yorkshire. Further developments of the Gateway platform in the near future will mean that it will support other information related work at a regional level, and will act as an auditing tool to demonstrate compliance with legislation such as the General Data Protection Regulations.

#### 3.5.8 Priority areas within the work plan also include:-

- Ensure all necessary information governance requirements are considered to ensure the success of the City's Personal Healthcare Record (PHR) pilot. The aim of the PHR initiative, is to enable citizens to hold and manage medical information about themselves, in a safe, secure and governed space and the Change and Initiatives team are acting as lead IG advisors and support to the project;
- Monitoring the uptake of the council's new Movers and Leavers Guidance checklists and recommending any improvements which may become apparent and required;
- Development of an Information Security Standards publication to identify and group common elements of each standard by type in order to eliminate duplication of effort in demonstrating compliance;
- Development and management of an updated version of the IG e-Learning solution which will include information about GDPR and Cyber Security, for the mandatory staff training programme, which is to be rolled out in April/May 2018 just ahead of GDPR date of 25<sup>th</sup> May. The Change and Initiatives Team has successfully sold version 2 and 3 of this product to all public authorities across the Greater Manchester region, and at the time of writing, has other public authorities interested in purchasing this product;
- The development of the Discovery and Cleanse tool designed to identify and report on all information stored on the council's shared drives, with the ability to automatically cleanse some selected material. The project is near to completion and the team are confident that the product will be available to use by summer 2018. Use of this tool will enable the council to understand what information it stores; where this is; when it was last accessed; and, who owns it. This will help to demonstrate compliance against GDPR and provide assurance to the council in respect of what information assets it holds and the location of each information asset.

#### 3.5.9 In respect of the INSPIRE standards it is still unclear which direction the UK Government will take with this Directive and no information has been forthcoming from DEFRA. A full review and consultation of how the council should move forwards with a strategy for GIS (Geographic Information System) is being undertaken for the council by SOCITM Advisory, and the statement of requirements for this review include providing recommendations about how the council should

proceed with implementing INSPIRE data standards. No further work is being undertaken in relation to INSPIRE until these recommendations are received in the final report.

3.5.10 Throughout 2017/18 the Change and Initiatives Team provided Information Governance support to other organisations bringing income into the Digital and Information Service. This included the provision of classroom based information training and advisory support to West Yorkshire Joint Services and the preparation and undertaking of an information governance audit for West Yorkshire Combined Authority.

3.5.11 The Change and Initiatives Team are committed and dedicated to the development of products and solutions to ensure the council remains compliant with information governance related legislation, standards and regulations, and to promote the expertise and experience of the Information Management and Governance service to partners and other organisations.

## **4 Consultation and Engagement**

4.1 Consultation on the development of strategies, policies, procedures and standards are extensively undertaken across a broad range of stakeholders including information management professionals, representatives from all Directorates via representatives of Information Management and Technology Teams and Information Management Board members.

## **5 Equality and Diversity / Cohesion and Integration**

5.1 Equalities, diversity, cohesion and integration are all being considered as part of delivering the Information Management Strategy. This refers to the way training is being delivered as well as how policies will impact on staff and partners.

## **6 Council policies and City Priorities**

6.1 All Information Governance related policies are currently being reviewed and a dedicated Policy Review Group has been established. As part of this review the Group will be consulting with internal stakeholders and external peer checking.

6.2 Under the Code of Corporate Governance in Part Five of the council's Constitution, the fourth principle (taking informed and transparent decisions which are subject to effective scrutiny and risk management) requires decision making processes and enables those making decisions to be provided with information that is relevant, timely and gives clear explanation of technical issues and their implications.

## **7 Legal Implications, Access to Information and Call In**

7.1 Delegated authority sits with the Director of Resources and Housing and Senior Information Risk Owner and has been sub-delegated to the Chief Information Officer under the heading "Knowledge and information management" in the Deputy Chief Executives Sub-Delegation Scheme.

7.2 There are no restrictions on access to information contained in this report.

## **8 Risk Management**

- 8.1 Should action against the current PSN Remediation plan not be to the satisfaction of the PSN Authority, the Council will have to withstand a number of risks:
- The Head of the PSN has informed the Department of Works and Pensions of our non-compliance. Continued non-compliance could culminate in the switching off of GCSx mail and access to Revenues and Benefits data.
  - The Head of PSN will inform the Information Commissioners Officer, which could culminate in the revisiting of the audit conducted by the ICO in 2013 to ensure compliance against the Data Protection Act.
  - The Head of PSN will inform the Deputy National Security advisor to the Prime Minister, who would in turn conduct an assessment based on the national risk profile.
  - The Head of PSN could instigate an external audit of all our security systems by the National Cyber Security Centre. The Council could end up under partial commissioner control.
  - Ultimately, the Head of PSN could instigate a complete 'switch off' from PSN services
- 8.2 PSN certification is relied upon as an assurance mechanism to support information sharing, where many of the requirements request that the council present a certificate prior to sharing, or evidence alternative, more time consuming, compliance work to be completed. This has had an impact already on sharing with Health as a number of the controls required for the NHS Information Governance Toolkit are evidenced by a PSN certificate.
- 8.3 Without a PSN certificate, there is significant risk to the council's National reputation as a Digital Innovator.
- 8.4 The risk associated with not implementing GDPR compliant information governance policies, procedures and practice across the council leaves the organisation more susceptible to breaches of legislative, regulatory and contractual obligations, affecting the confidence of its citizens, partners, contractors and third parties when handling and storing information.
- 8.5 Information risk is being systematically addressed by joining up the approach to risk required by information security standards, the need for the senior information risk owner to be clear about the risks he/she is accountable for and the council's standard approach to risk management.
- 8.6 Further work is being undertaken in conjunction with the Corporate Risk Manager to embed the recording and reporting of information risk monitoring and management relevant to this project. The Information Asset Register project will generate information required and an automated dashboard will be produced to report risk assessments to the SIRO. This will provide the assurance required by the SIRO from the business and will allow risk mitigations to be prioritised.



## **9 Conclusions**

- 9.1 The work of the previous year, reported to this Committee on 7<sup>th</sup> April 2017, has been continued.
- 9.2 The establishment of information governance practice and procedures outlined in this report provides a level of assurance to Committee that the range of information risk is managed both in its scope and through to service delivery. It allows the council to work with partner organisations, third parties and citizens in a clear, transparent, but safe and secure way. It helps to protect the council from enforcement action and mitigate the impact of cyber incidents aimed at attacking and/or bringing down council information systems.

## **10 Recommendation**

- 10.1 Corporate Governance and Audit Committee is asked to consider the contents of this report and the assurances provided as to the Council's overall approach to information governance.
- 10.2 Corporate Governance and Audit Committee is asked to be assured that considerable effort is being undertaken to rectify the current situation with regards to the Council's approach to Cyber and PSN compliance where significant progress has been made.
- 10.3 Corporate Governance and Audit Committee is asked to be assured of the Council's approach to implementation of the changes required to achieve compliance with the new Data Protection legislation from May 2018.

Background documents None

## Appendix A

### Leeds City Council: outstanding actions against recommendations made by the Information Commissioner

No	Recommendation	Current position as at February 2017	Project/ Workstream	Completion
1.	A6. Ensure IAOs are trained in line with proposed plans. Further advice on IAO training is available from The National Archives.	Training material has been refreshed and the methodology for working with Information Asset Owners is agreed and determined. All Information Asset Owners have been invited to attend an Information Asset Register / Owner launch event in April 2018. Records Managers will then commence work with each Asset Owner on a 1:1 basis to embed their role and work with them to identify and analyse their assets and identify areas of risk to populate a risk management programme aligned to the council's risk	Records Management	31 Mar 2019

		management arrangements.		
2	A23. Introduce a standard procedure for signing files out of the office and ensure the file returns are monitored.	This has been completed in a number of services across the council on an ad-hoc basis. There is no standardised corporate procedure in place. This will form part of the RM plan for 2018/19	Records Management	31 Mar 2019
3	A28. Ensure all visitors to office buildings containing sensitive personal data are recorded in a visitor's book and ensure codes for doors with pin code access are regularly changed and this is recorded.	All high and medium risk buildings have now undergone an audit and remediation plans put in place where required. The process for low risk buildings has been established, although is still to be embedded. As a consequence of changes to the national security status over the last 12 months, the Council's Building Security Policy was revised and endorsed by the CIO.	PSN	31 March 2019
4	A51. Ensure that PIAs are embedded across the Council at the	New Data Protection Impact Assessment forms	GDPR	31 <sup>st</sup> May 2018

	implementation stage of any projects involving the processing of personal data.	are designed to ensure compliance with GDPR. A new procedure to replace existing processes is to be introduced across IM&T hubs to embed DPIA's in the cultural practices of services across the council. To a large extent, work undertaken in the last two years has increased the use of PIA's by officers in projects and change management activities.		
5	B13. Ensure a formal information security risk assessment and management programme for all information assets on the Information Asset Register has been documented, is implemented by Information Asset Owners and regularly monitored and	As per item two above.	Records Management	31 Mar 2019

	reviewed.			
6	<p>B34. There is a risk that staff who have moved departments within the Council are not promptly removed from access to databases containing personal data which they no longer require. Ensure HR provide systems administrators with a list of staff who have moved departments to cross reference against staff access rights.</p>	<p>The council has implemented a guidance checklist for managers with staff either moving across the council or leaving the organisation. The guidance checklists were approved by Information Management Board in October 2017 and Best Council Leadership Team informed in January 2018. The Guidance Checklist are published for managers to use on the BSC pages of InSite along with other related guidance for managers.</p>	Completed	31 Dec 2017

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## Report of Chief Officer PPPU

## Report to Corporate Governance and Audit Committee

**Date: 16<sup>th</sup> March 2018**

## Subject: Procurement Assurance Report

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

## Summary of main issues

Following a request by the Corporate Governance and Audit Committee, this report provides information and assurance on procurement policies and practices within the remit of the Chief Officer Projects Programmes and Procurement Unit (**PPPU**).

Each Directorate is accountable for the procurements that they need to secure the outcomes they are responsible for. The PPPU is accountable for provision of professional support to complex procurement activity. From the review, assessment and on-going monitoring carried out, the Chief Officer PPPU has reached the opinion that procurement policies and practices are up to date, fit for purpose, and effectively communicated. The Procurement Strategy itself is currently in the process of being updated, and will be refreshed during 2018/19, along with the current Contract Procedure Rules (C.P.R's).

There have been no formal procurement challenges. However, while on-contract spend remains strong and whilst there is general compliance with procurement policies, both off-contract/non-contract spend and waivers of the Council's Contracts Procedure Rules in order to directly award contracts have increased marginally, compared to 2016/17.

## Recommendations

Members are requested to consider and note the assurances provided in this report.

## **1 Purpose of this report**

- 1.1 This is the annual report of the Chief Officer PPPU to the committee, concerning the Council's procurement function.
- 1.2 Members are asked to consider the ongoing work to maintain effective procurement support tools and guidance, and note the assurance offered by the Chief Officer PPPU.

## **2 Background information**

- 2.1 The Council procures a very wide range of goods, works and services, including front-line services and back-office support. The Council's spend with third parties through procurement and commissioned activity, whilst reducing due to external factors, remains close to £800m per annum.
- 2.2 Contracts Procedure Rules (**CPRs**) form part of the Council's Constitution and are required to be adopted by local government legislation. These are supported by a suite of documents accessible by commissioners on InSite.
- 2.3 Each Directorate is accountable for the procurements that they need to secure the outcomes they are responsible for. The PPPU is accountable for provision of professional advice and support to complex procurement activity. Support provided by the Unit includes procurement processes and compliance with procurement legislation, identifying and working with services to reduce off-contract spend, procurement savings, and general check and challenge.
- 2.4 The Council's Procurement Strategy currently provides for a category management approach to procurement. It also advocates a whole lifecycle approach, defines clear roles and responsibilities, and provides a suite of documentation which can be tailored proportionately to the risks and value of procurement activity.
- 2.5 This report reflects procurement activity during 2017/18.

## **3 Main issues**

### Procurement activity during 2017/18

- 3.1 The PPPU's resources are prioritised to supporting high value and/or complex (from a risk perspective) activity.

### Support for Low Value Procurements:

- 3.2 To enable this PPPU is developing an e-learning procurement training module for council staff through the Performance and Learning (PAL) system in order to support procurements with a value of £100k or less and in the use of "non-complex" procurement documentation which has been developed for use on these procurements. The module will give guidance and training for staff council-wide to comply with policy, governance and CPRs when ordering goods and services.



- 3.3 PPPU has created an interactive tutorial providing a step-by-step guide to running low impact procurements (under £100k). This breaks the tender process into nine easy to follow steps. Telephone support is also currently available through the PPPU to support this process, and where non-standard terms and conditions are proposed, these are always required to be vetted through the commercial team within PPPU.
- 3.4 Other initiatives being developed/considered in order to further improve the process for low value procurements are:
- 3.4.1 a 'Quick Quotes' system for price only tenders which will provide a simple two-step process that would be facilitated by a standard template for suppliers. Simplifying the process of low value procurements ought to improve compliance with CPR's;
- 3.4.2 using the YORtender contract management module to aid contract managers around the Council, giving notification on contract review, renewal and also specific KPI information;
- 3.4.3 an interactive tutorial for running a Dynamic Purchasing System (**DPS**). A DPS is a flexible framework contract that allows the addition of new suppliers should they meet key criteria set and reviewed throughout the life of the contract. The new system is designed to keep levels of competition high and deliver best value procurements;
- 3.4.4 an interactive tutorial for recording waivers and the results of the three quote exercises in YORtender to comply with CPR's and Data Transparency legislation.

#### Regional Procurement

- 3.5 The Council meets other regional authorities through a Strategic Procurement Group which meets every six weeks to share best practice, act as the voice of the region on national procurement issues, and promote collaboration opportunities. The Council administers the Strategic Procurement Group and reports periodically to the Yorkshire and Humber Chief Executives Group.

#### Social Value

- 3.6 Social Value has been a key theme in procurement activities in recent years. Social Value outcomes from procurement are monitored by the Council around some key areas of activity, including:
- 3.6.1 Spend with local suppliers is monitored and reported to Executive Board on a quarterly basis as an annex to the Chief Financial Officer's financial health report. The last report highlighted that **48.8%** of orders raised were to local suppliers. Local supplier expenditure in 2017/18 to date it stands at **46.87%** of total expenditure (compared to **46.31%** in 2016/17);
- 3.6.2 Orders placed with SMEs in 2017/18 made up over half of the total expenditure (50.09%);

3.6.3 Since 2014 the Learning Places Programme (delivering school places) has created **72 new and existing apprentice positions** and **102 new employment positions** for local people in Leeds. They have also **recycled or reused 99%** of waste generated during the construction process with **only 1%** being diverted to land fill.

3.6.4 Members also receive an annual report in relation to employment and skills outputs from procurement activity and planning agreements.

3.7 Monitoring of wider social value outcomes is anticipated to increase as the Social Value Framework is adopted (see below).

#### Early Payment and other savings initiatives

3.8 PPPU has been working with Directorates on an Early Payment Scheme (**EPS**) whereby the Council could receive a discount in exchange for paying an invoice earlier than standard terms. A sample of suppliers who may wish to take part in an EPS were identified and two suppliers are currently taking part in a pilot scheme.

3.9 Work is ongoing with colleagues in BSC DIS and Corporate Finance to establish a means of expanding this small initiative into a wider roll out of the EPS scheme in 2018/19, and to be reported on in due course. PPPU continues to look for other savings through collaboration, and within individual procurements.

#### Contracts Procedure Rules

3.10 Section 135 of the Local Government Act 1972 requires local authorities to make standing orders for procurement activity, including securing competition and regulating tenders. Contracts Procedure Rules form part of the Council's Constitution

3.11 Contracts Procedure Rules are regularly updated to reflect changes in legislation and Council policy, and a further review is currently in progress.

#### Procurement Strategy

3.12 The Council's Procurement Strategy was last updated in 2015 but is now due for a complete review. This will take place during 2018/19.

3.13 At the core of the Strategy is a category management and whole life-cycle approach, which fits with the National Procurement Strategy 2014. The Council's Procurement Strategy already contained most of the recommendations within the later National Procurement Strategy, within the themes of Making Savings, Supporting Local Economies, Leadership, and Modernising Procurement (including a more commercial approach to the commissioning cycle). In line with recent Internal Audit reports, however it is considered appropriate to review the current reliance upon the Category Management Methodology when the Procurement Strategy is refreshed.

#### Procurement tools and documents

- 3.14 Appendix 1 contains a list of the key procurement documents and tools. The delivery documents are refreshed regularly to reflect legislation and council policy (e.g. the EPS scheme – see paragraph 3.8).
- 3.15 Of particular significance is the ongoing development (in consultation with third sector representative and the People's Commissioning Strategic Group) of a Social Value Framework which is a toolkit to support implementation within procurement activity of the Social Value Charter. In addition we are:
  - 3.15.1 working with Employment and Skills to establish a DPS (see above) which is to be divided into categories thereby opening up opportunities to smaller, local organisations as well as new entrants to the market; and
  - 3.15.2 developing a collaborative and systematic approach to engaging with “anchor” institutions on an innovative framework for collective action to support action on employment, low pay, procurement and supply chain management is in development. The Council and the West Yorkshire Combined Authority, supported by the Joseph Rowntree Foundation under the More Jobs Better Jobs partnership are developing the metrics to quantify and give profile to the contribution they will make to the city's Inclusive Growth Strategy and the West Yorkshire Combined Authority's Inclusive Growth Programme.

#### Communicating the Strategy and procurement policies

- 3.16 As well as the training and tutorials identified at paragraphs 3.2 to 3.4, each Category team within PPPU works closely with commissioning staff within directorates to ensure compliance with CPRs and use of the correct documentation and governance processes.
- 3.17 In addition, the Procurement Strategy and supporting tools are contained within seven InSite toolkits dedicated to procurement and category management which are updated when changes are made, with key changes being further communicated on the InSite carousel.
- 3.18 Within PPPU, a Procurement Practitioner Group meets on a monthly basis to share issues and best practice, and training sessions are organised for procurement staff and commissioners when new significant policy changes are implemented. The number of staff who are CIPS qualified (Chartered Institute of Procurement and Supply) is increasing, and PPPU is looking to increase the number of staff taking the CIPS diploma in the upcoming financial year.
- 3.19 PPPU also hosts the Council-wide Commissioners' Procurement Group (formerly Corporate Commissioner Group) and is a member of the People's Commissioning Group, which provide updates and share best practice between procurement staff and commissioners, and also reviews and provides feedback on the procurement documentation.

#### YORtender procurement portal and data transparency

- 3.20 The Council (along with other Y&H regional authorities) has used YORtender as its procurement portal, enabling electronic tendering for the vast majority of procured spend. The Council has taken over the regional contract management for YORtender for the remaining three years of the contract and will be leading on the re-procurement of the system for the region.
- 3.21 CPRs require all spend over £10k to be registered through YORtender.
- 3.22 Under the Government's Transparency Code local authorities must publish details (including a unique reference, a description of the goods/services/works and dates for review) of every invitation to tender for contracts to provide goods and/or services with a value that exceeds £5,000. This requirement is complied with through publication through the YORtender portal for Spend of over £10,000 and by manual analysis of any spend exceeding £5,000 within FMS.
- 3.23 Local authorities must also publish details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000. The Council's Contracts Register published on the Data Mill fulfils this requirement.

#### Monitoring Contracts Procedure Rules

- 3.24 CPRs require Chief Officers to involve and/or consult with the Chief Officer PPPU for specified procurement activity, and also requires the Chief Officer to be informed of the following activity: waivers, extensions, variations of high value contracts, where the template procurement plan or contract management plan is not to be used, breaches of CPRs and where ISPs (internal service providers) are not used. Members should note the requirement to be consulted and provide advice. The Chief Procurement Officer PPPU is not required to authorise specified procurement activities unless such activity relates to matters within their remit. Members should further note that aside from monitoring of non and off contract spend and waiver activity, current resources do not permit additional significant monitoring of compliance, however the contract award process for contracts above £100k, internal audit reports and the ongoing training and support provided to directorates (see above) offer further assurance around compliance.
- 3.25 The CPRs are currently under review and in a process of consultation.
- 3.26 CPRs allow certain rules to be waived in circumstances where Chief Officers consider that course of action to be justified, provided that the Chief Officer PPPU is informed when waivers are approved by Chief Officers, and that such waiver decisions are published as Significant Operational Decisions.
- 3.27 A log of waivers of CPRs is maintained for reporting purposes by officers within PPPU although it remains the responsibility of Directors and/or Chief Officers to action individual waivers where considered necessary. In summary, there have been a total of 90 waivers of CPRs 8.1 and 8.2 and 9.1 and 9.2 in 2017/18 to date. This is a slight increase on the 86 waivers in 2016/17 and issues remain as to the justification in some reports considering waivers.

- 3.28 A breakdown of waiver use-age by Directorate and value is contained at Appendix 2 to this report.
- 3.29 Following an update on waiver usage to Scrutiny Board (Strategy and Resources) in December 2017 the following actions points were agreed;
- Audit of waivers to be implemented – see Internal Audit Plan 2018/19.
  - A meeting to be scheduled with Corporate Governance to discuss the use of waivers at Directorate level to ensure compliance in line with CPR's.
- 3.30 Monitoring of the use of waivers will continue, and be reported to Scrutiny Board.
- 3.31 Internal Audit also carry out audit activity on a small number of specific procurements each year.

#### On/off contract spend

- 3.32 A quarterly return (which forms an annex to the Chief Finance Officer's financial health monitoring report to Executive Board) provides data in respect of on and off contract spend analysis, spend with SMEs and third sector, and procurement savings activity. The latest report (Q1-3 2017/18) is contained at Appendix 3.
- 3.33 PPPU continues to monitor off contract spend through FMS, actively collaborating with colleagues in the wider council including the Business Support Centre, Corporate Finance and directorates (via their feeder systems) in order to have visibility of non and off-contract spend.
- 3.34 PPPU produces monthly and quarterly reports detailing non and off-contract spend. These reports are used to inform monthly meetings with PPPU Category Managers and their meetings with directorate contacts. The activity has enabled off contract spend to remain at 0.7% of total spend this financial year.
- 3.35 The latest figure for on-contract spend in 2018 to 31<sup>st</sup> December 2017 is **94.6%** of orders are on contract or compliant with CPR's. This is marginally down from the 2016/17 figure of **95.7%**, but continues to compare extremely favourably to 2014/15 **84.3%** and 2015/16 **89.8%**.
- 3.36 Improvements to FMS
- 3.36.1 It has been recognised that there is a need to provide FMS users (specifically those raising orders) with more training to improve performance. The training focuses on contract compliance and how to raise an order. PPPU is currently receiving a large volume of queries in the form of e-mails and telephone calls. The training is aiming to alleviate both directorate and PPPU queries, increase awareness of CPR's and reduce the cost of producing a Purchase Order. So far to date training has been issued to 350 officers and a further 50 officers are scheduled to attend training before the end of February 2018. The benefits of this training has already been seen with an improvement to compliance and significant reduction in the amount of queries received.

- 3.36.2 PPPU is also currently undertaking an exercise to classify suppliers within FMS to easily identify whether they are local or SME's. The benefit of this is that reporting around these classifications is currently manual and timely. When the information is held on the system it will reduce reporting time and add clarity to the system.
- 3.36.3 PPPU has been working with colleagues across directorates to make improvements to the FMS feeder systems to gain visibility of expenditure:
- The Adult Social Care, Change Advisory Board (CAB) approved system changes in February 2017 to allow a contract reference field to be made available within the CIS system. This allows PPPU to match spend against contracts. This was subsequently put on hold due to priorities within Adult Social Care. The change is currently being undertaken and should be implemented in the near future.
  - Leeds Building Services (**LBS**) and PPPU are working to incorporate a workable solution to contract referencing in LBS' Total R (Repairs system).
  - The Orchard system (used for repairs to housing stock), the PS-Team system (Certificate Payments for building contractors), and the Translate system are all now matched automatically and the contract information is transparent and allocated to the relevant contract.
- 3.36.4 As reported above, PPPU has instigated changes in order to access contract information from the feeder systems until FMS can handle the data direct. In the interim, these changes will allow greater visibility of non and off-contract spend. A new contract expenditure analysis is being distributed at Directorate and service level so that expenditure by directorates with suppliers who do not hold a contract is visible and action can be identified and undertaken. This report gives an overview to Directorates whether expenditure is compliant with CPR's. Collaboration with Directorates using the report can work toward eliminating non-compliance and ensure best value is achieved from Council expenditure.

#### Challenges to procurement activity

- 3.37 There have been a number of requests for additional information in response to standstill letters however none of those requests have developed into formal proceedings challenging decisions by the Council on award of contracts.

#### Brexit

- 3.38 This is being kept under review. There are no current implications.

#### FOI requests

- 3.39 PPPU continues to receive increasing numbers of FOI requests, with 73 received in 2017/18 to date. Many of the requests relate to information available on Leeds Data Mill (see above).

## **4 Corporate Considerations**

## Consultation and Engagement

- 4.1 Reviews of procurement documentation involve consultation with users in the services. The annual CPR review involves wider consultation involving commissioners, and the City Solicitor. Third sector representatives are periodically asked whether any barriers exist to small/third sector organisations, and any comments are fed into the document reviews. Third sector representatives and the People's Commissioning Strategic Group have been consulted in respect of the Social Value Framework.

## Equality and Diversity / Cohesion and Integration

- 4.2 There are no implications for this report. The procurement processes require consideration of equality matters and social value within procurement activity

## Council policies and Best Council Plan

- 4.3 Effective procurement activity supports the Council's ambitions of a strong economy and a compassionate city. Individual procurements support most/all of the Council's priorities and breakthrough projects.

## Resources and value for money

- 4.4 The Chief Officer PPPU considers that the systems and processes in place continue to represent an appropriate use of resources and are good value for money. Additionally the procurement activity supported enables both cashable and non-cashable savings to be made in the commissioning lifecycle.

## Legal Implications, Access to Information and Call In

- 4.5 The Chief Officer PPPU is satisfied that the arrangements put in place through the Procurement Strategy, CPRs and procurement tools and documentation meet all legal requirements.
- 4.6 This report is not eligible for call-in

## Risk Management

- 4.7 The Chief Officer PPPU gives assurance that the systems and processes that form part of the Council's procurement framework are currently functioning well. One of the Strategy and Resources Directorate risks relates to risk of procurement challenge. As set out above there have been no formal challenges to procurement activity in the year to date, and work is continuing to ensure the tender guidance is embedded through training and monitoring.

## **5 Conclusions**

- 5.1 From the review, assessment and ongoing monitoring carried out the Chief Officer PPPU has reached the opinion that, overall, systems are operating effectively and that there are no fundamental control weaknesses. At the same it is recognised that Procurement Assurance needs to be subject to regular review and assessment with the following actions already identified for 2018/19;

- Update and refresh of the Procurement Strategy, including a review of the reliance upon the current Category Management Methodology
- Review of CPR's in line with changes in legislation and Council policy.

Compliance remains an issue in some areas, notably around justification in reports considering waivers.

## **6 Recommendations**

- 6.1 Members are requested to consider and note the assurances provided in this report.

## **7 Background documents<sup>1</sup>**

- 7.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.



Procurement strategy (the council's procurement policy)				
Contracts procedure rules (the council's procurement rules for any stage in your procurement, including when you are not undertaking a competitive tender)		Assurance guide (a guide to help you navigate decision making, documents, consultation and quality assurance at any stage in your procurement)		
Planning documents (tools to help you consider and record all key issues before you get underway) Annual review notes Exit plan End of contract report Category plan communications plan (PM lite) Procurement scoping notes Procurement plan Contract management plan TUPE Union protocol		Delivery documents (tools to help you consider and use appropriate tender and contract documents) Pre-qualification questionnaire (PQQ) Below threshold suitability assessment guidance Part 1 – Tender instructions including: Tender schedule Pricing schedule Part 2 – Specification Part 3 – Contract terms and conditions Financials Tender evaluation guidance Tender evaluation methodology Tender evaluation scoresheet booklet		
Workshop packs and guidance (tools to help you look at some key policy areas at any stage in your procurement)				
<u>Social</u> Social responsibility including community benefits, social value and social capital Ethical and fair-trade Employment and skills Health and wellbeing Equality and diversity  <u>Environment</u> Environment		<u>Economic</u> Third sector Small and Medium Enterprises (SMEs) Supported businesses Models of delivery		<u>Management</u> Communications: <ul style="list-style-type: none"><li>stakeholders</li><li>members involvement</li><li>staff and trade unions</li><li>providers</li></ul> Locality working Risk Lessons Benefits Options appraisal Market analysis Contract management
Templates and memos (key templates and memos to be used on your procurement)				
Contract award memo	Contract extension memo	Tender report	Waiver report template	Letters
Attachments (tools to help you log and track key issues at any stage on your procurement)				
Benefits realisation plan (PM lite)	Lessons log (PM lite)	Risk register (PM lite)	Issues log (PM lite)	Checklists
Management information – contracts awarded, procurement calendar, waivers, savings, supplier information (local, SME, third sector, Internal Service Providers), on/off/non-contract spend				

## Appendix 2 - Log of the use of Waivers 2017

Year: 2017

**Table 1 - Waiver of CPRs (8.1 and 8.2, 9.1 and 9.2)**

CPR rule being waived	Directorate						Percentage of total no. of waivers:
	Adults and Health	Children and Families	Communities and Environment	City Development	Resources and Housing	Total	
CPR 8.1 and 8.2	6	10	24	19	8	67	74%
CPR 9.1 and 9.2	3	7	5	1	4	20	22%
CPR 9.1/9.2 and 8.1/8.2	1	0	1	0	1	3	3%
<b>Total</b>	<b>10</b>	<b>17</b>	<b>30</b>	<b>20</b>	<b>13</b>	<b>90</b>	<b>100%</b>

**Table 2 - Waiver of CPRs (8.1 and 8.2, 9.1 and 9.2) by value \***

CPR rule being waived	Directorate					
	Adults and Health	Children and Families	Communities and Environment	City Development	Resources and Housing	Total
CPR 8.1 and 8.2	£209,107	£578,164	£489,655	£592,725	£436,064	
CPR 9.1 and 9.2	£960,807	£6,067,000	£484,250	£48,695	£512,000	
CPR 9.1/9.2 and 8.1/8.2	£270,765	0	0	0	£178,000	
<b>Total by Directorate</b>	<b>£1,440,679</b>	<b>£6,645,164</b>	<b>£973,905</b>	<b>£641,420</b>	<b>£1,126,064</b>	<b>£10,827,232</b>

**Table 3 - Waivers of CPRs (8.1 and 8.2, 9.1 and 9.2) without a value stated**

CPR rule being waived	Directorate					
	Adults and Health	Children and Families	Communities and Environment	City Development	Resources and Housing	Total
CPR 8.1 and 8.2	0	1	3	3	0	7
CPR 9.1 and 9.2	0	1	2	0	1	4
CPR 9.1/9.2 and 8.1/8.2	0	0	1	0	0	1
<b>Total</b>	<b>0</b>	<b>2</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>12</b>
<b>% of waivers without a value stated</b>	<b>0%</b>	<b>17%</b>	<b>50%</b>	<b>25%</b>	<b>8%</b>	<b>100%</b>

**Table 4 - Waivers of CPRs (8.1 and 8.2, 9.1 and 9.2) without a contractor stated**

CPR rule being waived	Directorate					
	Adults and Health	Children and Families	Communities and Environment	City Development	Resources and Housing	Total
CPR 8.1 and 8.2	0	2	1	0	0	3
CPR 9.1 and 9.2	0	0	0	0	0	0
CPR 9.1/9.2 and 8.1/8.2	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>% of waivers without a contractor stated</b>	<b>0%</b>	<b>67%</b>	<b>33%</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>

**Table 5 - Waivers of CPRs (8.1 and 8.2, 9.1 and 9.2) without contract dates**

CPR rule being waived	Directorate					
	Adults and Health	Children and Families	Communities and Environment	City Development	Resources and Housing	Total
CPR 8.1 and 8.2	2	3	19	14	3	41
CPR 9.1 and 9.2	0	1	3	0	3	7
CPR 9.1/9.2 and 8.1/8.2	0	0	1	0	0	1
<b>Total</b>	<b>2</b>	<b>4</b>	<b>23</b>	<b>14</b>	<b>6</b>	<b>49</b>
<b>% of waivers without contract dates</b>	<b>4%</b>	<b>8%</b>	<b>47%</b>	<b>29%</b>	<b>12%</b>	<b>100%</b>

**Table 6 - Waivers of CPRs (8.1 and 8.2, 9.1 and 9.2) to remain with existing contractor**

CPR rule being waived	Directorate					
	Adults and Health	Children's Services	Communities and Environment	City Development	Environment and Housing	Total
CPR 8.1 and 8.2	1	3	5	1	2	12
CPR 9.1 and 9.2	2	5	1	1	1	10
CPR 9.1/9.2 and 8.1/8.2	1	0	0	0	1	2
<b>Total</b>	<b>4</b>	<b>8</b>	<b>6</b>	<b>2</b>	<b>4</b>	<b>24</b>
<b>% of waivers stating existing contractor</b>	<b>17%</b>	<b>33%</b>	<b>25%</b>	<b>8%</b>	<b>17%</b>	<b>100%</b>

\* note these values are based on the 78 waivers that had values stated. A total of 12 waivers were raised with no value stated.

## Appendix 3

### 1. 2017-18 Procurement Report

- 1.1 The Chief Officer for the Projects Programmes and Procurement Unit is required to provide statistical procurement information to Executive Board every quarter. This report provides information in relation to **Q3 of the 2017/18** financial year.

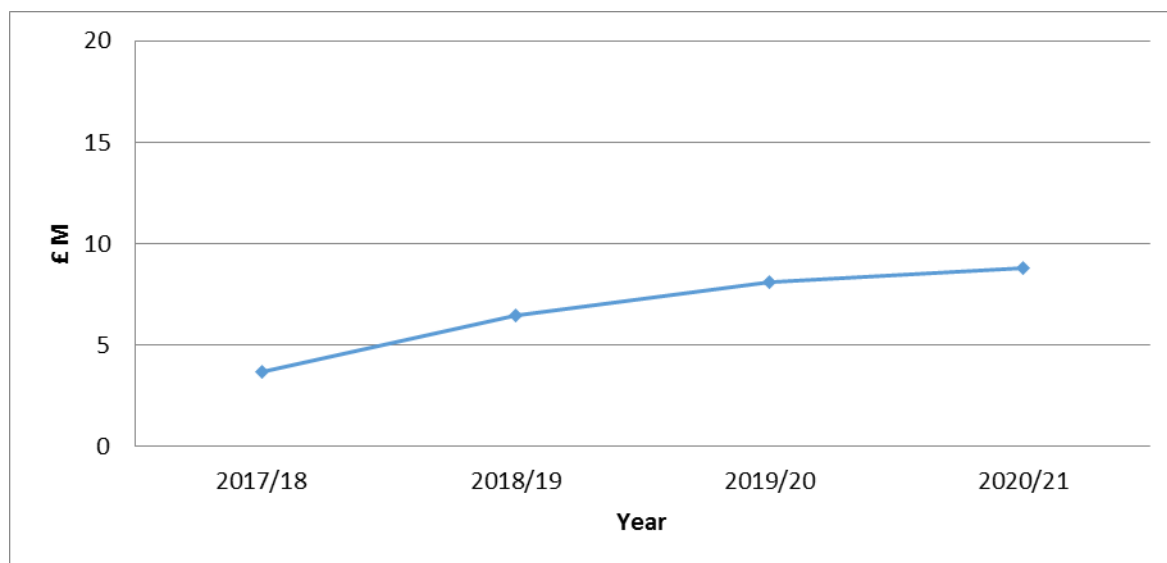
### 2. Procurement Savings

- 2.1 The delivery of procurements, and in turn procurement savings, are a result of cross-functional working with directorates. The procurement category teams work closely with directorate colleagues to seek to secure procurement and contract efficiencies and to reduce off-contract and non-contract spend. Agreeing and 'capturing' procurement savings, in discussion with directorates, enables budget holders to make informed choices and, where possible, translate identified saving opportunities into 'cashable' savings. The high level forecast savings are detailed below.

Updated December 2017	Prior Years £000s	2017/18 £000s	Future Years £000s	Projected Whole Life Saving £000s
Savings already deducted from previous year's and future budgets *	(19,098)	(3,158)	(5,096)	(27,353)
Additional Projected savings against the 2017/18 budget		(318)		(318)
<b>Total Forecast Savings on Current contracts</b>	(19,098)	(3,476)	(5,096)	(27,671)
<b>*Savings reflect the whole life of the contract and are reflected in the budget for the year the contract is awarded</b>				

- 2.2 Anticipated savings on new procurements for contracts awarded as at 31<sup>st</sup> December 2017 are £318k.
- 2.3 Forecast savings are based on predicted contract usage and will be updated on a quarterly basis to reflect this.
- 2.4 In addition to the cashable savings identified above, the savings report also identifies cost avoidance or 'non cashable savings', for example whereby having implemented good procurement controls, or contract management, a price increase has been avoided or where the re-procurement of a contract has resulted in 'more for less'. By definition it is difficult to prove these savings as they are not usually quantifiable from a budget perspective. Nevertheless they do demonstrate the value added by effective procurement intervention and add value to the process.

## 2.5 Graph of Cumulative Procurement savings 2017/18 to 2020/21



## 3. Orders Placed on the Financial Management System (FMS)

3.1 The following financial information is sourced from an analysis of all orders recorded in the council's main financial system, FMS. On the payments system, each creditor (a body or person to which a payment is made by the council) has an indicator on their record which allocates them to a category. Such categories include private companies, commercial individuals (sole traders), other public sector bodies, and the third sector. The classification of organisations is carried out by colleagues in corporate finance with typically several hundred new creditor organisations allocated to a category each month.

3.2 These figures do not include orders placed through feeder systems, such as Orchard<sup>1</sup>, purchasing cards, or payment requisitions where BACS or cheque payments are made through FMS without the Business Support Centre processing an invoice and where therefore there is no associated order.

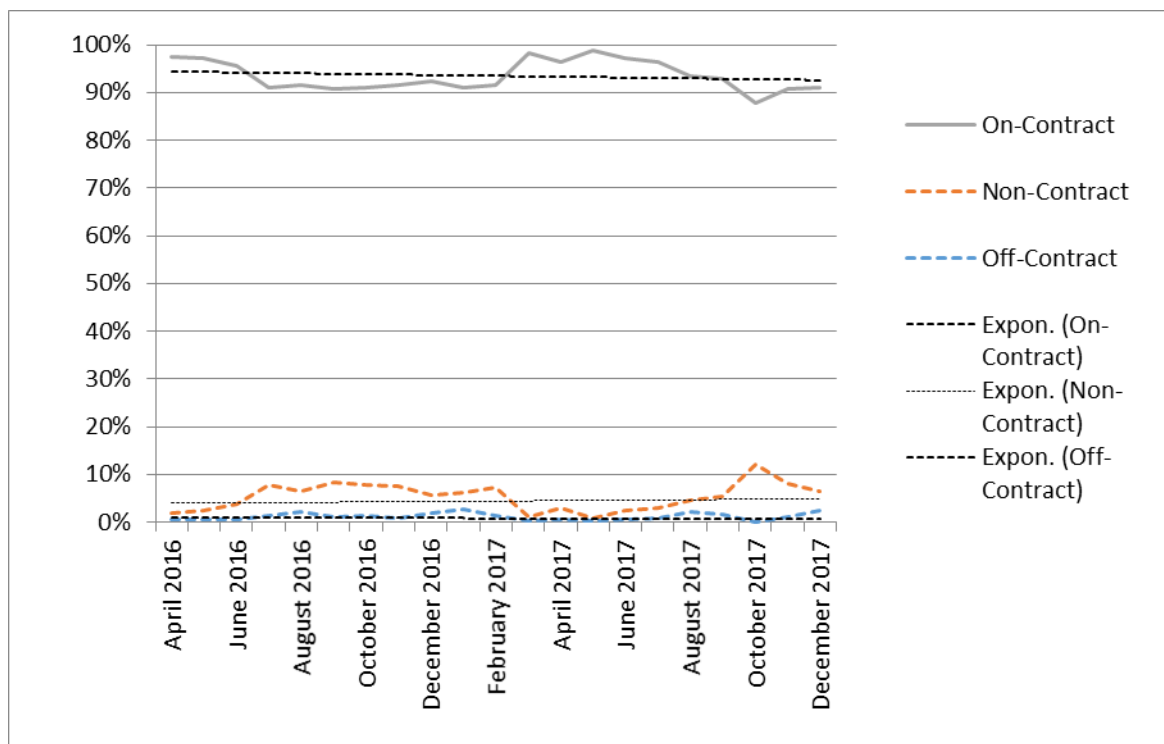
3.3 The table below shows all orders placed in FMS to Q3 2017/18. Data from the corresponding period in 2016/17 is included for comparison.

Classification	Q1-Q3 2016/17			Q1-Q3 2017/18		
	Order Value	Number of Orders	% of Total	Order Value	Number of Orders	% of Total
On Contract	£229,617,126	12037	70.03%	£194,957,333	15620	71.95%
Non-Contract	£11,843,398	10033	3.61%	£9,428,427	6294	3.48%
On Contract - Quasi	£73,776,648	5471	22.50%	£36,077,011	2401	13.31%
On Contract - Waiver	£3,616,128	497	1.10%	£5,122,402	1413	1.89%
Off-Contract	£2,452,815	1075	0.75%	£2,046,015	496	0.76%
Non-Contract - One off or non-influenceable	£6,573,792	1890	2.00%	£23,323,022	4368	8.61%
<b>Grand Total</b>	<b>£327,879,906</b>	<b>31003</b>	<b>100.00%</b>	<b>£270,954,208</b>	<b>30592</b>	<b>100.00%</b>

<sup>1</sup> Orchard is used by various council functions for dealing with the financial aspects of council owned property, for example to pay contractors for undertaking repairs to the housing stock.

## On, off and non-contract orders placed on FMS

3.3.1 The graph below shows the percentage of on, off and non-contract orders placed on FMS from April 2016 to December 2017.



## 4. Local Suppliers

4.1 Orders placed with local suppliers to **Q3 2017/18** are detailed below. Data from the corresponding period in 2016/17 is included for comparison.

Classification	Q1-Q3 2016/17			Q1-Q3 2017/18		
	Order Value	Number of Orders	% of Total	Order Value	Number of Orders	% of Total
Local Spend	£169,669,851	13365	51.75%	£132,235,727	13344	48.80%
Non-Local Spend	£158,210,055	17638	48.25%	£138,718,481	17248	51.20%
<b>Grand Total</b>	<b>£327,879,906</b>	<b>31003</b>	<b>100.00%</b>	<b>£270,954,208</b>	<b>30592</b>	<b>100.00%</b>

Suppliers with a Leeds metropolitan area postcode have been included in the above data. These are postcodes LS1 to LS29 plus BD3, BD4, BD10, BD11, WF2, WF3, WF10, WF12, WF17.

## Third sector

- 5.1 Orders placed with third sector suppliers to **Q3 2017/18** are detailed below. Data from the corresponding period in 2016/17 is included for comparison.

	Q1-Q3 2016/17			Q1-Q3 2017/18		
Classification	Order Value	Number of Orders	% of Total	Order Value	Number of Orders	% of Total
Third Sector	£84,193,121	2980	25.68%	£80,518,327	3309	29.72%
Non Third Sector	£243,686,785	28023	74.32%	£190,435,881	27283	70.28%
<b>Grand Total</b>	<b>£327,879,906</b>	<b>31003</b>	<b>100.00%</b>	<b>£270,954,208</b>	<b>30592</b>	<b>100.00%</b>

## 6. Small and Medium Enterprises (SMEs)

- 6.1 Orders placed with SMEs to **Q3 2017/18** are detailed below. Data from the corresponding period in 2016/17 is included for comparison.

	Q1-Q3 2016/17			Q1-Q3 2017/18		
Classification	Order Value	Number of Orders	% of Total	Order Value	Number of Orders	% of Total
Not an SME	£168,085,091	11777	51.26%	£135,243,748	10545	49.91%
SME	£159,794,816	19226	48.74%	£135,710,460	20047	50.09%
<b>Grand Total</b>	<b>£327,879,906</b>	<b>31003</b>	<b>100.00%</b>	<b>£270,954,208</b>	<b>30592</b>	<b>100.00%</b>

## 7. Glossary

- 7.1 **On contract** is an order placed with a contracted supplier.
- 7.2 **Non-contract** is an order placed where no contract exists for the goods or service.
- 7.3 **Off contract** is an order placed where there is a contracted supplier but the order raiser uses a different supplier.
- 7.4 **Waivers** are required where the relevant Chief Officer is able to justify a genuine exception to the requirements for competition under Contract Procedure Rules.
- 7.5 **Quasi** contracts are virtual contracts put in place to aggregate spend with a view to evaluating the requirements of a contract.
- 7.6 The Local Government Association defines the third sector as “non-governmental organisations” (NGOs) that are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives.
- 7.7 **Third sector** includes charities, community groups, churches and faith groups, sports and recreational clubs, social enterprises and partnerships and trade unions and associations.
- 7.8 **SMEs** are defined as having a turnover of less than £25.9 million and fewer than 250 employees. This data was collated by using the categorisation selected by the supplier upon registration on YORtender (the council's electronic tendering site) and then verified where possible against data from the Department of Business Innovation and Skills.

## Report of Director Resources & Housing

## Report to Corporate Governance & Audit Committee

**Date: 16<sup>th</sup> March 2018**

## Subject: Annual Business Continuity Report

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

## Summary of main issues

1. The Civil Contingencies Act 2004 made it a statutory duty of all Category 1 responders (which includes local authorities) to have in place Business Continuity Plans to be able to continue to deliver critical aspects of their day to day functions in the event of an emergency or disruptive incident.
2. The purpose of the annual report (published since 2013) is to provide the Corporate Governance & Audit Committee with assurances relating to the adequacy of business continuity management arrangements currently in place in the council.

## Recommendations

3. The Committee to consider the assurances provided by this report and note that the business continuity arrangements are fit for purpose, up to date, are routinely complied with, have been effectively communicated and are monitored.

## **1 Purpose of this report**

- 1.1 To provide assurance to the Corporate Governance & Audit Committee of the adequacy of the business continuity management arrangements currently in place.
- 1.2 To provide a forward look at some of the developments and initiatives planned and proposed to ensure that the council's business continuity arrangements continue to maintain pace with good practice guidance.
- 1.3 To provide assurance that Leeds City Council (LCC) maintains compliance with the statutory duties contained within the Civil Contingencies Act 2004.
- 1.4 The scope of the report includes progress relating to:
  - Risk awareness & horizon scanning
  - Reviewing and maintaining Business Continuity Plans
  - Exercising & testing of Business Continuity Plans and arrangements
  - Directorate Resilience Groups
  - Supporting commissioned service providers
  - Provision of advice and assistance to business and voluntary sectors
  - Public awareness and warning and informing
  - Collaborative arrangements

## **2 Background information**

- 2.1 The Civil Contingencies Act 2004 made it a statutory duty of all Category 1 responders (which includes local authorities) to have in place Business Continuity Plans. Business Continuity Plans are documented procedures that guide organisations to respond, recover, resume and restore the continuity of prioritised services and functions in the event of an emergency or disruptive incident.
- 2.2 Leeds City Council initiated a Business Continuity Programme to coincide with the publication of BS ISO 22301:2012 'Business Continuity Management Systems – Requirements'. The programme was successfully completed in September 2015 when the work was then transferred into the business as usual activities of the Resilience & Emergencies Team.
- 2.3 There are currently 79 Business Continuity Plans owned and maintained by services and functions across the 5 directorates comprising LCC.



### **3 Main issues**

#### **3.1 Risk awareness and horizon scanning**

- 3.1.1 It is as important to have robust risk awareness and horizon scanning arrangements for new threats and hazards as well as learning from past experiences.
- 3.1.2 A robust approach to risk awareness is essential to inform council and city resilience and the development of mitigating arrangements and response capabilities for risks that could threaten the performance of LCC prioritised services and functions.
- 3.1.3 The changing risk landscape affecting the UK, is captured in the National Risk Assessment. The NRA 2016 (published by the Cabinet Office at Official-Sensitive) contains 77 risks covering a range of 'hazards', 'threats' and 'threat composite' risks ('threat composite' risks is where a risk contains amalgamated information about a number of 'threat' risks in order to make it appropriate for release at 'official sensitive'; the individual 'threat' risks are classified 'secret UK eyes only'). To view hazards and particularly the individual threats requires an appropriate level of security clearance.
- 3.1.4 The NRA 2016 comprises various annexes including an annexe detailing any changes i.e. changes to impact and likelihood scores as well as any new risks.
- 3.1.5 The National Risk Assessment 2016 (NRA 2016) is the most recent version published and is currently being used to inform review of the West Yorkshire Community Risk Register.

The West Yorkshire Community Risk Register is public facing and describes risks relating to 'hazards' only. The West Yorkshire Resilience Forum is responsible for ensuring that the West Yorkshire Community Risk Register (published on the West Yorkshire Police website) reflects any nationally identified changes identified in the NRA 2016.

- 3.1.6 The review and revision of the West Yorkshire Community Risk Register is work in progress and is been supported and monitored by the West Yorkshire Resilience Forum Strategic Group jointly chaired by Assistant Chief Constable Andy Battle, West Yorkshire Police, Dave Walton, Deputy Chief Fire Officer, West Yorkshire Fire & Rescue and Robin Tuddenham, Chief Executive, Calderdale Council.
- 3.1.7 LCC, through the Directorate Resilience Groups (see 3.4 below) will use the revised West Yorkshire Community Risk Register to raise awareness of the risks facing West Yorkshire and Leeds and use this to inform business continuity and emergency planning arrangements in readiness should any of the risks be realised. Once reviewed, the West Yorkshire Community Risk Register will be used to inform development of a community facing risk register containing key risks in an easy to understand format offering guidance to communities on how to improve their preparedness and resilience.

- 3.1.8 The West Yorkshire Resilience Forum provides an excellent conduit for horizon scanning regarding changes to risks and threats and together with the NRA 2016 and West Yorkshire Community Risk Register inform the reviews of the LCC Corporate Risks on 'City Resilience' and 'Council Resilience'.

The Corporate Risks are fully reviewed on a quarterly basis using the systematic approach enforced through the '4Risk' software. A detailed Annual Corporate Risk Management Report is produced by LCC's Intelligence & Policy Service for Executive Board's consideration with assurance on the council's risk management arrangements provided annually to the Committee.

- 3.1.9 In October 2017, an independent peer challenge was carried out on the collective resilience arrangements of London's 33 local authorities. The review was led by a peer review team comprising Mary Ney, Consultant Local Government and former Chief Executive of the Royal Borough of Greenwich, Tom Riordan, Chief Executive LCC and Mariana Pexton, Chief Officer Strategy & Improvement LCC. The aim of the review is to drive reflection by London Local Authority stakeholders, including Leaders and Chief Executives, on the review findings and how existing collective arrangements could be strengthened.
- 3.1.10 The output of the review is a report containing a series of 11 recommendations covering a range of resilience-related issues – some of which have business continuity implications. The report provides an opportunity for LCC to self-assess against the 11 recommendations and evidence LCC's current resilience, emergency preparedness and response capabilities mapped against each recommendation with potential improvements identified and noted.
- 3.1.11 Although the 11 recommendations are focussed on issues concerning the London boroughs, they are of wider interest. LCC has therefore drafted an action plan in response.
- 3.1.12 This evidences that progress has been made over the years with raising the standard of council resilience and organisational response, however the London review provides a new insight into an ever changing resilience landscape and highlights the need for clarity, simplification and some strengthening of current arrangements.
- 3.1.13 The action plan when fully populated will identify ownership, document progress and be monitored on a regular basis by the councils Corporate Leadership Team.

## **3.2 Reviewing and maintaining Business Continuity Plans.**

- 3.2.1 There are currently 79 Business Continuity Plans implemented for LCC's prioritised services and functions.
- 3.2.2 Prioritised services are services and functions that if disrupted would have an impact on human welfare, security, the environment, finance, legal or reputation and would require recovery within a specified timescale (usually within 24 hours or less) as assessed through completion of a Business Impact Analysis.

- 3.2.3 When developed, each Business Continuity Plan contains arrangements for loss of staff, loss of buildings and premises, loss of information communication and technology, and loss of key suppliers and supplies. However, the content of each plan will differ due to the nature of the service or function and its specific requirements. Each plan also contains a comprehensive key contact list.
- 3.2.4 Once implemented, it is the responsibility of the manager or officer responsible for the service or function to ensure that the Business Continuity Plan is maintained and fit for purpose. To support managers and officers in maintaining their plans, an annual review is co-ordinated and tracked by the Resilience & Emergencies Team.
- 3.2.5 Annual reviews are scheduled in alignment with the original date of issue of each Business Continuity Plan. At the time of producing this report, 63 reviews are completed/up to date with the remaining 16 currently reporting reviews as work in progress.
- 3.2.6 A major change for some of LCCs prioritised services will be the relocation into Merrion House during the spring. This will require revisions to Business Continuity Plans which will need to be identified and implemented *additional* to the annual review process. Changes will mainly be in relation to loss of buildings and work environment (should Merrion House be inaccessible) and the identification of continuity arrangements such as alternative accommodation and or remote working. The on-going 'Changing the Workplace' programme has helped to mitigate loss of buildings and accommodation through equipping staff with the technology to work remotely including 'hot-desking' facilities at most buildings or working from home.
- 3.2.7 Besides the annual review, learning from recent events and incidents is used to inform the continual development of business continuity and emergency planning arrangements. These can be service related incidents where improvements to Business Continuity Plans can be quickly identified and implemented, or national incidents. For example, both the Manchester Arena and Parsons Green Tube terrorist attacks and the resulting uplift of the National Threat Level to 'critical' informed the development and introduction of additional security measures at key LCC buildings and is progressing closer working with voluntary organisations and faith groups.
- 3.2.8 Learning from sources as disparate as Grenfell Tower and the London Peer Review, is informing improvements with LCC and multi-agency response and recovery arrangements and the awareness of the impact on communities and local businesses.

### **3.3 Exercising & testing of Business Continuity Plans and arrangements.**

- 3.3.1 The managers and officers owning the Business Continuity Plans are responsible for exercising and testing their own plans and arrangements. However, the Resilience & Emergencies Team does offer support in developing and delivering scenario-based (short) table top exercises. Recently, table top exercises have been developed and delivered for Legal Services and the Digital & Information Service. The former included loss of premises and loss of ICT, the latter loss of premises, cyber-attack and loss of staff through a health outbreak scenarios.

Both exercises identified areas for improving the Business Continuity Plans and also provided challenge to staff in how they would respond to the various scenarios. An exercise to test the Leeds Fuel Plan is also pending.

- 3.3.2 Disruptive incidents can impact a wider area and require a multi-agency response. Multi-agency exercising continues to be scheduled through the West Yorkshire Resilience Forum. The next West Yorkshire Resilience Forum multi-agency exercise (Exercise Brisbane) is scheduled over two days for 31 May and 1 June 2018. There is also an independently run multi-agency exercise to test the Flood Alleviation Scheme Activation Procedures (Exercise Titan) scheduled for 15 March 2018.

### **3.4 Directorate Resilience Groups**

- 3.4.1 Each directorate has a Directorate Resilience Group (DRG). Chaired by a Chief Officer, the DRGs have a wide remit including providing assurance to the director that business continuity plans and emergency planning arrangements are being developed and maintained in line with the changing risk landscape. The DRGs use the West Yorkshire Community Risk Register as a key tool to maintain awareness of the risks facing both West Yorkshire and Leeds.
- 3.4.2 Since the realignment of the council's organisational structure in 2017, the DRG's have been reconfigured to reflect the structure. In some cases, this included new chairpersons and a refresh of membership.
- 3.4.3 Despite the impact of the changes, all but one of the five DRGs are now fully functioning, demonstrating excellent levels of engagement and meeting on a regular basis. The Communities & Environment DRG hasn't met recently; following a leadership event around emergency planning arrangements, a refresh is currently work in progress. An initial meeting is scheduled in March to discuss the way forward.
- 3.4.4 The new chairpersons and changes of membership have identified some new ideas and ways of working which will be considered and taken forward to bring improvements across all 5 DRGs. One of the key proposals is for each DRG is to critique a Business Continuity Plan as part of the regular meeting agenda, which will help to provide directors with additional assurance that plans continue to be fit for purpose.

### **3.5 Supporting commissioned service providers**

- 3.5.1 Since 2013, the Resilience & Emergencies Team have been completing assessments of commissioned service provider Business Continuity Plans for Adult Social Care. To date 82 assessments have been completed.

The assessments include detailed feedback and recommendations which the provider organisation can consider and implement to improve their arrangements. Implementation of recommendations often results in an improved rating on subsequent assessments.

3.5.2 Due to capacity, the Resilience & Emergencies Team can only complete assessments by exception. However, two training sessions have been held with Adult Social Care Strategic Commissioning to help staff to develop a greater understanding of the business continuity process so that officers are better equipped to respond directly to any queries raised by provider organisations and eventually to complete the assessments themselves.

3.5.3 To help service provider organisations help themselves, the Resilience & Emergencies Team have during 2017 delivered inputs to Commissioned Service Provider Forums. The inputs have been basic business continuity awareness including the key steps in the development of a Business Continuity Plan. Several requests were raised for generic templates and guidance to help organisations develop their own Business Continuity Plans. Generic templates are currently in development and will be published on [leeds.gov.uk](http://leeds.gov.uk) 'business continuity' pages for access by external organisations.

### **3.6 Provision of advice and assistance to business and voluntary sector**

3.6.1 The Civil Contingencies Act 2004 requires local authorities to provide advice and assistance to those undertaking commercial activities and voluntary organisations in relation to business continuity management. LCC maintains a range of initiatives in relation to this requirement.

3.6.2 Key to provision of advice to businesses (of a warning and informing nature) is the Leeds Alert Warning & Informing System, a joint initiative between LCC and West Yorkshire Police. Leeds Alert currently has over 1,600 persons registered from businesses in Leeds. The system is used to send messages (email or text) warning and informing of events or incidents that might impact the Leeds area and therefore business operations.

3.6.3 The most common use of Leeds Alert is warning of Bridgewater Place road closures, but it is an effective tool for getting messages out quickly for any incident or emergency.

3.6.4 There is also a Leeds Alert Twitter account @leedsemergency with over 6,399 followers.

3.6.5 To encourage further uptake of businesses registering with Leeds Alert, colleagues in City Development are to promote Leeds Alert through the BID (Leeds BID, Business Improvement District, is a business-led, not for profit organisation with an ambitious plan to transform Leeds city centre). This will target retailers in the town centre who may not have yet registered with Leeds Alert.

3.6.6 The promotion will coincide with the lead-up to the next Leeds Alert/Business Continuity Network Event (see below) in June 2018 which will have a theme of preparedness in the city centre.

3.6.7 Held twice yearly, the 'Leeds Alert/Business Continuity Network Event' offers those attending an opportunity to hear business continuity practitioners and professional speakers deliver a range of presentations relating to business continuity and other

broader resilience topics. Invitations go to all registered with Leeds Alert achieving between 150 – 180 attendees on the day.

- 3.6.8 The aim is for those attending to be able to take away learning to inform their own organisational resilience. The most recent event was December 2017 with the next scheduled for June 2018.
- 3.6.9 A further route to providing advice and assistance is the Leeds Resilience Group. Meetings are held on a quarterly basis and are attended by key officers within the council and from a range of partners including West Yorkshire Police, West Yorkshire Fire & Rescue Service, Yorkshire Ambulance Service, NHS, Environment Agency, British Red Cross, Leeds Bradford International Airport, British Transport Police, Rail Track and representatives from the utility providers. The forum provides the opportunity to share learning and issues facing the organisations and encourages closer working and collaboration between partners.
- 3.6.10 Attendance at the meetings tends to fluctuate depending on what might be occurring nationally, regionally and locally. If there has been a terrorist attack, or a planned event is drawing closer (e.g. the Tour De Yorkshire), then attendance increases as attendees seek more information and support to aid their planning.

### **3.7 Public awareness and warning and informing**

- 3.7.1 The Civil Contingencies Act 2004 requires local authorities to advise the public of risks before and during an emergency. The Resilience & Emergencies Team have a number of arrangements in place to warn and inform the public:
- Leeds Alert Twitter account @leedsemergency. Although this account is aimed primarily at businesses in Leeds, the Twitter account is open to followers from the public and as noted above, currently has over 6,399 followers.
  - The Resilience & Emergencies Team has supported various partner organisation campaigns promoted using social media via the @leedsemergency Twitter account.
  - The Resilience & Emergencies Team has a range of information and guidance published on the leeds.gov.uk website 'Preparing for Emergencies' pages. The pages include a wealth of information on business continuity contained within the 'Planning for Emergencies' brochure.
  - The Resilience & Emergencies Team has a presence at various public engagement events during the course of the year though opportunities for public engagement events have been far and few between during 2017. However, all opportunities will continue to be pursued/considered by the Resilience & Emergencies Team and if capacity permits and attendance is appropriate, then opportunities will be progressed during 2018. Two key events during 2017 were:
    - The Emergency Services Show at West Yorkshire Fire & Rescue Service College at Birkinshaw in July which attracts large numbers of families to this annual outdoor event. The Resilience & Emergencies Team take along the

Emergency Coordination Vehicle as a focal point for the display with staff answering questions and handing out information leaflets to the public.

- A councillor engagement event 'Leeds Flood Ready' was held in the Civic Hall Ante Chamber in September 2017. This event was in collaboration with LCC Flood Risk Management, the Environment Agency and Yorkshire Water colleagues and ran from 10:00 through until 14:00 aiming to attract councillors as they arrived for a full council meeting. The aim was to help councillors become more prepared and ready for a flood incident in their ward.

3.7.2 Liaison continues between the council's Communication & Marketing Team and Resilience & Emergencies Team during incidents regarding the provision of information to the public and media. This support extends to out of hours.

### **3.8 Collaborative arrangements**

3.8.1 The Civil Contingencies Act 2004 promotes collaborative working arrangements between Category 1 responders in order to fulfil the emergency planning and business continuity requirements of the Act.

3.8.2 The West Yorkshire Resilience Forum leads on and develops collaborative arrangements with the other West Yorkshire local authorities and partner organisations – which includes training and exercising. Although the West Yorkshire Resilience Forum does not have a specific Business Continuity Sub-Group it does link into the Yorkshire & Humberside Regional Business Continuity Forum.

The Leeds Resilience Group (3.6.9 above) fulfils arrangements at a local level.

3.8.3 The LCC 'Emergency Management Plan' drives collaboration both internally between LCC services, and also externally with partner organisations where a multi-agency response is required, for example to respond to a major incident.

3.8.4 An emergency incident, whether internal or external, is likely to have business continuity implications. The LCC Emergency Management Plan sets out how the council will respond to an internal emergency or incident through a LCC Gold (Strategic), Silver (Tactical) and Bronze (operational) command structure. The Emergency Management Plan also sets out how the council will support a multi-agency incident through a Strategic Coordination Group (Gold), Tactical Coordination Group (Silver) and Operational Coordination Group (Bronze).

3.8.5 The LCC Emergency Management Plan includes 'Recovery' which is led by the council and is the process of restoring and rebuilding the business and/or community following an emergency.

3.8.6 The LCC Emergency Management Plan was derived from the LCC Emergency Handbook using the lessons learned from Storm Eva and other incidents and exercises. Feedback and comments received from users noted that the old LCC Emergencies Handbook was difficult to navigate through whereas the new LCC Emergency Management Plan has a much smarter design.

- 3.8.7 Work to allow electronic access to the LCC Emergency Management Plan has stalled due to the requirements for a certain spec of mobile device. However, the proof of concept has been successfully tested and will be progressed as replacement devices (with a greater specification) are issued.
- 3.8.8 A 'Quick Guide' to complement the LCC Emergency Management Plan is in development and will provide guidance to the key elements of an emergency response including multi-agency arrangements. The 'Quick Guide' is aimed at council officers likely to respond to emergencies and will be initially produced in a foldable format designed to be kept on the person i.e. wallet, handbag, briefcase etc. As with the LCC Emergency Management Plan, it is intended that the 'Quick Guide' will eventually be accessible electronically from mobile devices.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 There are no proposals contained within this report that have a significant impact on communities.
- 4.1.2 Internal. The services or functions assessed as prioritised activities and requiring development of Business Continuity Plans were identified and agreed by the Directorate Resilience Groups prior to any developmental work commencing.
- 4.1.3 External. LCC through the Resilience & Emergencies Team are fully engaged with the West Yorkshire Resilience Forum which through collaborative working helps LCC to meet the statutory obligations as set out in the Civil Contingencies Act 2004.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 The on-going development and maintenance of Business Continuity Plans and arrangements takes account of any potential impacts for staff and customers who may have general or specific requirements – in particular those characteristics protected by the Equalities Act 2012.

### **4.3 Council policies and the Best Council Plan**

- 4.3.1 The LCC Business Continuity Policy sets out the business continuity requirements placed upon each directorate and their services.
- 4.3.2 Effective business continuity management contributes to the delivery of the outcomes and priorities set out in the Best Council Plan e.g. our 'Best City' strong economy and compassionate city ambitions by looking after vulnerable people in an emergency and a safe city encouraging investment; to our 'Best Council' efficient and enterprising ambition by maintaining critical services in the event of an incident.

### **4.4 Resources and value for money**

- 4.4.1 There are no financial or resource implications arising from this report.

### **4.5 Legal Implications, Access to Information and Call In**



- 4.5.1 The Civil Contingencies Act 2004 requires Category 1 responders (which includes local authorities) to maintain Business Continuity Plans and arrangements to ensure that they can continue to perform their key services and functions in the event of an emergency, so far as is reasonably practicable.
- 4.5.2 Many of the LCC services covered by Business Continuity Plans have a duty of care or a regulatory requirement to provide their service. This extends to maintaining services during an emergency or disruptive incident.

## **4.6 Risk Management**

- 4.6.1 This report provides assurance on the arrangements within the council and partners across the city and region to manage business continuity risks. These arrangements are captured within the council's corporate risks on 'City Resilience' and 'Council Resilience' and reported quarterly to the Corporate Leadership Team and annually to the Executive Board.
- 4.6.2 In addition, the West Yorkshire Community Risk Register compiled and maintained by the West Yorkshire Resilience Forum, informs the development of emergency and business continuity plans and arrangements.

## **5 Conclusions**

- 5.1 The information contained within this Annual Business Continuity Report aims to demonstrate to the Corporate Governance & Audit Committee that LCC continues to have arrangements that are up to date, fit for purpose, effectively communicated, routinely complied with and monitored and that the arrangements meet LCC's statutory duties as required by the Civil Contingencies Act 2004. This is being achieved by:
- Continued monitoring and identification of risks and development of measures to mitigate the risks should they occur.
  - Continued review and revision of Business Continuity Plans for LCC's prioritised services and functions through the annual review cycle.
  - Participation in exercising and training both internally and externally with partner agencies.
  - Maintaining directorate engagement with and ownership of business continuity arrangements through the Directorate Resilience Groups.
  - Providing guidance and support to commissioned service providers in relation to business continuity.
  - Providing business continuity advice and assistance to businesses and the voluntary sector.
  - Maintaining effective systems for public awareness and warning and informing.

- Development of new and enhanced existing collaborative working arrangements with partner organisations.

## **6 Recommendations**

- 6.1 The Committee to consider the assurances provided by this report and note that the business continuity arrangements are fit for purpose, up to date, are routinely complied with, have been effectively communicated and are monitored.

## **7 Background documents<sup>1</sup>**

- 7.1 None.

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<sup>1</sup> The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.



Report author: Sonya McDonald

Tel: 88693

## Report of the Chief Officer (Financial Services)

## Report to Corporate Governance and Audit Committee

**Date: 16 March 2018**

**Subject: Internal Audit Update Report January to February 2018**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

## Summary of main issues

1. The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the council's corporate governance arrangements. Reports issued by Internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended. This report provides a summary of the Internal Audit activity for the period from January to February 2018 and highlights the incidence of any significant control failings or weaknesses.
2. Members will recall that officers reported to the June 2017 meeting that in the most recent inspection report issued by the Office of Surveillance Commissioners, it was recommended that members should receive regular reports about the use of the council's surveillance powers under the Regulation of Investigatory Powers Act 2000 (RIPA). The Head of Service (Legal) has provided this information within this report.

## Recommendations

3. The Corporate Governance and Audit Committee is asked to receive the Internal Audit Update Report covering the period from January to February 2018 and note the work undertaken by Internal Audit during the period covered by the report. The Committee is also asked to note that there have been no limitations in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.

4. The Corporate Governance and Audit Committee is asked to note the information provided by the Head of Service (Legal) about the recent use of the council's surveillance powers under RIPA.

## **1 Purpose of this report**

- 1.1 The purpose of this report is to provide a summary of the Internal Audit activity for the period January to February 2018 and highlight the incidence of any significant control failings or weaknesses.
- 1.2 The report also provides information from the Head of Service (Legal) about the recent use of the council's surveillance powers under RIPA.

## **2 Background information**

- 2.1 The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the council's corporate governance arrangements, including matters such as internal control and risk management. The reports issued by Internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.
- 2.2 The reports issued by Internal Audit are directed by the Internal Audit Annual Plan. This has been developed in line with the Public Sector Internal Audit Standards (PSIAS) and has been reviewed and approved by the Committee.
- 2.3 This update report provides a summary of the Internal Audit activity for the period from January to February 2018.
- 2.4 This update report also provides information from the Head of Service (Legal) about the recent use of the council's surveillance powers under RIPA, as recommended by the Office of Surveillance Commissioners.

## **3 Main issues**

### **3.1 Audit Reports Issued**

- 3.1.1 The title of the audit reports issued during the reporting period and level of assurance provided for each review is detailed in table 1. Depending on the type of audit review undertaken, an assurance opinion may be assigned for the control environment, compliance and organisational impact. The control environment opinion is the result of an assessment of the controls in place to mitigate the risk of the objectives of the system under review not being achieved. A compliance opinion provides assurance on the extent to which the controls are being complied with. Assurance opinion levels for the control environment and compliance are categorised as follows: substantial (highest level); good; acceptable; limited and no assurance.
- 3.1.2 Organisational impact is reported as either: major, moderate or minor. Any reports issued with a major organisational impact will be reported to the Corporate Leadership Team along with the relevant directorate's agreed action plan.

Table 1: Summary of Reports Issued January to February 2018

Report Title	Audit Opinion		
	Control Environment Assurance	Compliance Assurance	Organisational Impact
<b>Key Financial Systems</b>			
Total Repairs <sup>1</sup>	Substantial	Substantial	Minor
Central Sundry Income	Substantial	Substantial	Minor
Income Management System	Substantial	N/A	Minor
Business Rates	Substantial	N/A	Minor
Housing Rents	Substantial	N/A	Minor
Housing Benefits and Council Tax Support Assessment and Payments	Substantial	N/A	Minor
Council Tax	Substantial	Substantial	Minor
Housing Benefit and Council Tax Support Reconciliations	Substantial	N/A	Minor
Payroll Central Controls	Good	Substantial	Minor
<b>Resources and Housing</b>			
Housing Leeds - Major Adaptations	Good	Substantial	Minor
<b>Children's and Families</b>			
Central Control and Monitoring of Nursery Fees – Follow Up	Acceptable	Good	Minor
<b>Schools</b>			
School Voluntary Funds x 3	Certification of balances		

<sup>1</sup> Total Repairs is the system used by Leeds Building Services for job and contract management, operative performance management, integrated stores and purchasing system, financial management and charging of clients.

Report Title	Audit Opinion		
	Control Environment Assurance	Compliance Assurance	Organisational Impact
<b>Adults and Health</b>			
Deprivation of Liberty Safeguards	Acceptable <sup>2</sup>	Good	Moderate

## 3.2 Summary of Audit Activity and Key Issues

3.2.1 During the reporting period, there have been no limitations in scope and nothing has arisen to compromise our independence. We have finalised 15 audit reviews (excluding continuous audit, work for external clients and fraud and irregularity work) and we have not identified any issues that would necessitate direct intervention by the Corporate Governance and Audit Committee.

3.2.2 We have finalised the majority of the key financial systems section of the audit plan during the period. The high levels of assurance provided in each of the nine audits reflect our opinion that these key financial control systems are sound and there is evidence that the controls in place continue to work well in practice.

### Limited or No Assurance Opinions

3.2.3 Of the audit reviews finalised during the period, no weaknesses have been identified that would result in a 'major' organisational impact.

3.2.4 All reviews resulted in an acceptable assurance opinion or higher, with the exception of Deprivation of Liberty Safeguards, which resulted in a limited assurance opinion for part of the audit coverage:

### Deprivation of Liberty Safeguards

3.2.5 The Deprivation of Liberty Safeguards (DoLS) are an amendment to the Mental Capacity Act 2005 (MCA). The DoLS under the MCA allows restraint and restrictions that amount to a deprivation of liberty to be used in hospitals and care homes, but only if they are in a person's best interests. The audit reviewed the processes in place within Adults and Health to ensure that policy and procedures in relation to DoLS are in line with legislation, have been communicated to all relevant parties and training provided as necessary. The audit also reviewed the monitoring arrangements in place to ensure the policy is complied with and that the outcomes from this are reported to the appropriate forum, with remedial action being taken where necessary.

3.2.6 The review resulted in an acceptable assurance opinion overall for the control environment, as controls are in place to:

<sup>2</sup> Acceptable Assurance has been provided for the control environment overall, however, Limited Assurance was provided for two of the objectives covered as part of the audit.

- Ensure that requests are handled, subject to appropriate assessments and authorised;
- Review the relevant documentation on the appointment of new assessors;
- Monitor requests at each stage of the DoLS process; and
- Ensure relevant parties are aware of the policies and legislative requirement or that they can access support and guidance if needed.

3.2.7 However, limited assurance was provided for part of the audit coverage as the review found that the control environment is not configured in a way to meet the timescales required by the DoLS legislation and there is limited performance monitoring in relation to DoLS. It was confirmed that this scenario is not unique to Leeds and almost all authorities across the country are faced with significant delays in the process. This is highlighted in the NHS annual report on DoLS for 2016/17 which shows that across England the average time to complete a DoLS application is 120 days. The same report shows the average time for Leeds to be 98 days.

3.2.8 The Service has provided the following comments *‘Since the ruling that is known as Cheshire West the demand for DOLS assessments has far exceeded the resource available to address assessments within the timescales required by the legislation that was in place prior to the ruling. Leeds City Council has not received any additional funding to deal with the additional burden. The Association of Directors of Adults Social Services (ADASS) have provided guidance and tools which support local authorities in their decision making and risk management of the process within available resources. The service is therefore set up to minimise the risk to service users within the resources that we have been able to prioritise towards meeting this significant additional burden’.*

3.2.9 All recommendations made have been agreed with the Service and a follow up review will be undertaken during 2018/19 to assess the progress made.

#### Follow Up Reviews

3.2.10 Our protocols specify that we undertake a follow up review where we have previously reported ‘limited’ or ‘no’ assurance for the audited area. Our audit reports include an assurance opinion for each objective reviewed within the audited area. Follow up audits are undertaken for those areas where a specific objective within the review resulted in limited or no assurance in addition to those where the limited or no assurance opinion was provided for the review overall.

3.2.11 Table 2 below provides tracking information on the follow up audits due to be completed together with the Corporate Governance and Audit Committee meeting date where the initial audit findings were reported.



Table 2: Follow Up Audit Tracker

Corporate Governance and Audit Committee report reference	Audited area	Follow up audit status
<b>Follow up results reported at the current meeting</b>		
See 3.2.12	Central Control and Monitoring of Nursery Fees	Closed
<b>Follow up reviews due in 2017/18 and 2018/19</b>		
September 2016	LBS Tools and Equipment	In progress
January 2017	Contract Review - Joint Venture: professional property and building services	In progress
April 2017	Community Care Finance	In progress
April 2017	Implementation of Client Information System	In progress
April 2017	LBS Stores	In progress
June 2017	Contract Specification and Management	Planned
September 2015 and June 2017	Approval to commence care proceedings and payments to providers of external placements.	In progress
September 2016 and June 2017	Direct Payments (Children's and Families)	Planned
March 2016, June 2016 and June 2017	Directorate Compliance with CPRs: Non and Off Contract Spend	Planned
June 2017	Payments in relation to In-House Fostering, Special Guardianship Orders and Leaving Care	In progress
September 2017	Community Infrastructure Levy	Planned
September 2017	Primary School	Planned
September 2017	Leeds Building Services Subcontractors	Planned
January 2018	ICT Projects – Benefits Realisation	Planned
January 2018	Payments to Providers of Homecare	Planned
January 2018	Lettings Enforcement	Planned
January 2018	Electricity Contract Review	Planned
March 2018	Deprivation of Liberty Safeguards	Planned

- 3.2.12 During this reporting period we have finalised the Central Control and Monitoring of Nursery Fees follow up. The original audit reviewed the processes in place within Early Start Management for the management of children's centres and nursery income. The audit confirmed that a good framework is in place which supports financial management in children's centres. The review resulted in an acceptable audit opinion overall, with limited assurance provided in respect of obtaining assurance from the children's centres that all potential Early Years Funding for Inclusion (EYFFI) is being applied for, approved and received. A follow up was undertaken and this confirmed that improvements had been made to the central monitoring of EYFFI including receiving information from the settings regarding individual claims, the income received and variances between periods. Higher levels of assurance would be achieved once sample checking by the central team to validate the information received from the settings is undertaken on a routine basis.

#### Continuous Audit and Data Analytics

- 3.2.13 This cross cutting audit programme aims to evaluate control effectiveness across key systems on an ongoing basis, and highlight high risk transactions or events. Coverage has included elements of the payroll process, purchasing card transactions, creditors and income bankings. No significant issues have been identified.

#### Counter Fraud and Corruption

- 3.2.14 The counter fraud and corruption assurance block within the Internal Audit Plan includes both the reactive and proactive approaches to the council's zero tolerance to fraud and corruption.

#### Proactive Anti-Fraud Work

- 3.2.15 During the reporting period, we have continued to raise awareness of fraud risks and preventative action through communications with senior managers and reviews of the anti-fraud and corruption measures in place in key areas across the organisation.

#### Reactive Anti-Fraud Work

- 3.2.16 During the reporting period we have received 18 potential irregularity referrals. Of these, 10 were classified under the remit of the Whistleblowing or Raising Concerns policies. All reported irregularities were risk assessed by Internal Audit and are either being investigated by ourselves, the relevant directorate or HR colleagues, as appropriate.
- 3.2.17 During the reporting period 18 referrals have been closed. There are 16 referrals that are currently open and being investigated.

#### Regulation of Investigatory Powers Act 2000

- 3.2.18 Members will recall that officers reported to the June 2017 meeting that in the most recent inspection report issued by the Office of Surveillance Commissioners,

it was recommended that members should receive regular reports about the use of the council's surveillance powers under RIPA.

- 3.2.19 The Head of Service (Legal) has confirmed that there have been no applications for directed surveillance or covert human intelligence source (CHIS) authorisations, since the June 2017 meeting. In addition, there has been no use of the powers to obtain communications data, over the same period.

#### Internal Audit Performance

- 3.2.20 The Corporate Governance and Audit Committee has responsibility for monitoring the performance of Internal Audit. The information provided below in respect of our quality assurance and improvement programme provides the Committee with assurances in this area.
- 3.2.21 All our work is undertaken in accordance with our quality management system and we have been ISO certified since 1998.
- 3.2.22 We actively monitor our performance in a number of areas and encourage feedback. A customer satisfaction questionnaire (CSQ) is issued with every audit report. The questionnaires ask for the auditee's opinion on a range of issues and asks for an assessment ranging from 5 (for excellent) to 1 (for poor). The results are presented as an average of the scores received for each question.
- 3.2.23 The results of the questionnaires are reported to the Audit Leadership Team and used to determine areas for improvement and inform the continuing personal development training programme for Internal Audit staff.
- 3.2.24 During the period 1 April 2017 to 28 February 2018, 46 completed Customer Satisfaction Questionnaires have been received. A summary of the scores is presented in table 3.

Table 3: Results from Customer Satisfaction Questionnaires for the period 1 April 2017 to 28 February 2018

Question	Average Score (out of 5)
Sufficient notice was given	4.80
Level of consultation on scope	4.67
Auditor's understanding of systems	4.41
Audit was undertaken efficiently	4.67
Level of consultation during the audit	4.71
Audit carried out professionally and objectively	4.85
Accuracy of draft report	4.67
Opportunity to comment on audit findings	4.87

Question	Average Score (out of 5)
Clarity and conciseness of final report	4.72
Prompt issue of final report	4.43
Audit recommendations will improve control	4.59
The audit was constructive and added value	4.57
Overall Average Score	<b>4.66</b>

- 3.2.25 Table 4 below provides an indication of progress against the Internal Audit Plan for 2017/18. The number of audits planned and delivered during the year will increase as the blocks of time allocated for areas of work (such as contract reviews and schools) are broken down to specific audit assignments and to address emerging issues through the use of contingency time. The table does not include fraud and irregularity work or advice issued to managers arising from adhoc requests for audit support.

Table 4: Audit Plan 2017/18 Progress

Number of individual audit assignments	Planned	In progress	Completed
Audit Plan work	24	27	53
Follow up audits	11	7	5

- 3.2.26 Due to a number of staffing changes, overall resources for 2017/18 are now less than was anticipated when the audit plan was set. We actively manage resources to direct these towards the areas of highest risk to ensure that an evidence-based Head of Internal Audit opinion can be provided on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control in accordance with the Public Sector Internal Audit Standards (PSIAS).

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 This report did not highlight any consultation and engagement considerations.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 This report does not highlight any issues regarding equality, diversity, cohesion and integration.

### **4.3 Council policies and Best Council Plan**

- 4.3.1 The terms of reference of the Corporate Governance and Audit Committee require the Committee to review the adequacy of the council's corporate governance arrangements. This report forms part of the suite of assurances that provides this evidence to the Committee. The Internal Audit Plan has links with each of the council's strategic objectives and has close links with the council's value of spending money wisely.

### **4.4 Resources and value for money**

- 4.4.1 The Internal Audit Plan includes a number of reviews that evaluate the effectiveness of financial governance, risk management and internal control arrangements that contribute towards the council's value of spending money wisely.
- 4.4.2 The Internal Audit Quality Assurance and Improvement Programme and service development work that is reported to the Committee demonstrates a commitment to continuous improvement in respect of efficiency and effectiveness.

### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 None.

### **4.6 Risk Management**

- 4.6.1 The Internal Audit Plan has been and will continue to be subject to constant review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk. This process incorporates a review of information from a number of sources, one of these being the corporate risk register.
- 4.6.2 The risks relating to the achievement of the Internal Audit Plan are managed through ongoing monitoring of performance and resource levels. This information is reported to the Committee.

## **5 Conclusions**

- 5.1 There are no issues identified by Internal Audit in the January to February 2018 Internal Audit Update Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.

## **6 Recommendations**

- 6.1 The Corporate Governance and Audit Committee is asked to receive the Internal Audit Update Report covering the period from January to February 2018 and note the work undertaken by Internal Audit during the period covered by the report. The Committee is also asked to note that there have been no limitations in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.

- 6.2 The Corporate Governance and Audit Committee is asked to note the information in the report about the recent use of the council's surveillance powers under RIPA. The Corporate Governance and Audit Committee is asked to note the information provided by the Head of Service (Legal) about the recent use of the council's surveillance powers under RIPA.

**7 Background documents**

- 7.1 None.

## Report of the Chief Officer (Financial Services)

## Report to Corporate Governance and Audit Committee

**Date: 16 March 2018**

**Subject: Internal Audit Plan 2018-19**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

## Summary of main issues

1. The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the council's corporate governance arrangements.
2. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to deliver an annual internal audit opinion and report that can be used by the council to inform its governance statement. The standards also refer to the need for a risk-based plan to take into account the requirement to produce an annual internal audit opinion which includes input from management and the Corporate Governance and Audit Committee. Standard 2020 requires that internal audit plans are communicated to senior management and the Committee for review and approval.
3. The Terms of Reference for the Corporate Governance and Audit Committee include the consideration of the council's arrangements relating to internal audit requirements and specifically, reviewing and approving the risk-based plan and any additional significant work.
4. This report therefore provides members with the proposed Internal Audit Plan for 2018-19.

## Recommendations

5. The Corporate Governance and Audit Committee is asked to review and approve the proposed Internal Audit Plan for 2018-19.

## **1 Purpose of this report**

- 1.1 The purpose of this report is to present the proposed Internal Audit Plan for 2018-19 to the Corporate Governance and Audit Committee for review and approval. This report also includes a summary of the basis for the plan. The plan has been developed in consultation with senior management.

## **2 Background information**

- 2.1 The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the council's corporate governance arrangements.
- 2.2 The Public Sector Internal Audit Standards (PSIAS) set out the standards for internal audit and apply to all public sector internal audit service providers. They include the need for risk-based plans to be developed for internal audit and for plans to receive input from management and the Corporate Governance and Audit Committee. Standard 2020 requires that internal audit plans are communicated to senior management and the Committee for review and approval.
- 2.3 The Chief Officer (Financial Services), as the council's Section 151 Officer, is responsible under the Local Government Act 1972 for ensuring that there are arrangements in place for the proper administration of the authority's financial affairs. The work of Internal Audit is an important source of information for the Chief Officer (Financial Services) in exercising his responsibility for financial administration.

## **3 Main issues**

### **3.1 Background**

- 3.1.1 Internal audit contributes to Leeds City Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on achieving the council's objectives
- 3.1.2 Internal audit also supports the Chief Officer (Financial Services) in discharging his statutory duties. The following are two key pieces of legislation that internal audit supports the Chief Officer (Financial Services) to comply with:
- Section 151 of the Local Government Act 1972. The Chief Officer (Financial Services), as the council's Section 151 Officer, is responsible under the Local Government Act for ensuring that there are arrangements in place for the proper administration of the authority's financial affairs. The work of internal audit is an important source of information for the Chief Officer (Financial Services) in exercising his responsibility for financial administration.
  - The Accounts and Audit Regulations 2015. The regulations state that 'A relevant authority must undertake an effective internal audit to evaluate the



effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.

- 3.1.3 The PSIAS set out the standards for internal audit and include the need for risk-based plans to be developed for internal audit and for plans to receive input from management and the ‘Board’. Within Leeds City Council, the Corporate Governance and Audit Committee fulfils the key duties of the Board laid out in the PSIAS. This report sets out the proposed plan for 2018-19.

## **3.2 The Planning Process**

- 3.2.1 The PSIAS require that the Head of Internal Audit *‘must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.’* The standards state that the risk-based plan should take into account the requirement to produce an annual internal audit opinion and report that is used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. To support this, the risk-based plan needs to include an appropriate and comprehensive range of work. There also needs to be a balance between breadth (taking a broad look at governance and risk management) and depth (drilling down into specific areas where internal audit can provide valuable insight).
- 3.2.2 Given the resources available for internal audit, there will continue to be a need for greater reliance to be placed on management controls within the internal control framework and for a potentially higher level of risk to be accepted. Directorate Leadership Teams must have appropriate arrangements in place to ensure that they have assurance on key risk areas and that the risk management process supports and enables the delivery of objectives. Internal audit resource will need to be focused on the most significant risk areas and on the robustness of financial control.
- 3.2.3 In line with the PSIAS the proposed audit plan has been devised adopting a risk based approach using the following sources:
- the council’s risk management processes and the corporate and directorate risk registers;
  - the results of previous internal audit work and our ongoing assessment of the auditable entities within the authority;
  - planned work deferred from 2017-18;
  - awareness of relevant local and national issues;
  - consultation with Corporate Governance and Audit Committee, the council’s Section 151 Officer, the Corporate Leadership Team, and other senior management and colleagues from across the organisation; and
  - regular dialogue with the core cities and authorities within South and West Yorkshire helps to ensure that we are aware of emerging risks within other councils so that they can be considered during audit planning.
- 3.2.4 The outputs from the planning process have been prioritised to produce a plan that balances the following:

- the requirement to give an objective and evidenced based opinion on aspects of governance, risk management and internal control;
- the time required for anti-fraud and corruption activity
- the requirement for internal audit to add value through improving controls, streamlining processes and supporting corporate priorities;
- the need to retain a contingency element to remain responsive to emerging risks; and
- the resource and skill mix available to undertake the work.

### **3.3 Resources**

- 3.3.1 There are 18.46 FTEs in the Internal Audit team. The number of days allocated in the plan to specifically provide the Head of Internal Audit with the evidence for the opinion on the control environment is 2,586 days (2017/18 – 2,426 days.) The level of resources required to provide internal audit services to external clients is 177 days. The total Internal Audit Plan for 2018/19 is therefore 2,763 days (2017/18 – 2,673 days). In my opinion, this is sufficient to perform the work necessary to deliver the annual internal audit opinion and report that is used by the organisation to inform its governance statement.

### **3.4 Internal Audit Plan 2018/19**

- 3.4.1 Appendix A provides a breakdown of the individual audits that are proposed for inclusion within the audit plan for 2018/19. The work is grouped at directorate level or functional area to align with risk registers and accountabilities. An overview of the assurance that each audit aims to achieve is provided together with an estimate of the audit resource that will be required to complete the review.
- 3.4.2 The plan is designed to be responsive in nature and all efforts will be made to maximise coverage to provide an effective internal audit service that focuses on those key issues facing the organisation throughout the year.
- 3.4.3 Progress against the plan will be monitored throughout the year and key issues will continue to be reported to the Corporate Governance and Audit Committee.

### 3.4.4 Table 1: Comparison with Internal Audit Plan 2017/18

Assurance Block	Days in 2017/18 Plan	Days in 2018/19 Plan	% Change
Anti-Fraud and Corruption	316	318	+1%
Grants / Head of Audit Assurances	92	85	-8%
Data analytics	150	150	0%
ICT and Information Governance	110	205	+86%
Key Financial Systems	438	433	-1%
Procurement	180	220	+22%
Directorate risks	820	945	+15%
Schools	50	50	0%
Follow up and General Contingency	270	180	-33%
<b>Total Assurance Days</b>	<b>2426</b>	<b>2586</b>	<b>+7%</b>
<b>Other</b>			
External Contracts	247	177	-28%
<b>Total Other</b>	<b>247</b>	<b>177</b>	<b>-28%</b>
<b>Total Days</b>	<b>2673</b>	<b>2763</b>	<b>+3%</b>

## 4 Corporate Considerations

### 4.1 Consultation and Engagement

4.1.1 This report did not highlight any consultation and engagement considerations.

### 4.2 Equality and Diversity / Cohesion and Integration

4.2.1 This report does not highlight any issues regarding equality, diversity, cohesion and integration.

### 4.3 Council policies and Best Council Plan

4.3.1 The Terms of Reference of the Corporate Governance and Audit Committee require the Committee to review the adequacy of the council's corporate governance arrangements (including matters such as internal control and risk management.) They also require the Committee to consider the council's arrangements relating to internal audit requirements including reviewing and approving the risk-based plan and any additional significant work.

4.3.2 The council's Financial Regulations require that an effective internal audit service is provided in line with legislation and the appropriate audit standards to help the organisation accomplish its objectives.

#### **4.4 Resources and value for money**

- 4.4.1 In relation to resources and value for money, the internal audit work plan includes a number reviews and initiatives in line with the council's value of spending money wisely. These will be included in the regular update reports to the Committee.
- 4.4.2 The Internal Audit Quality Assurance and Improvement Programme and service development work that is reported to the Committee demonstrates that the efficiency and effectiveness of the section is continually improving.

#### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 None.

#### **4.6 Risk Management**

- 4.6.1 The Internal Audit Plan will continue to be subject to constant review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk. This process incorporates a review of information from a number of sources, one of these being the corporate risk register.
- 4.6.2 The risks relating to the achievement of the Internal Audit Plan will be managed through ongoing monitoring of performance and resource levels. This information will continue to be reported to the Committee.

### **5 Conclusions**

- 5.1 The proposed Internal Audit Plan for 2018-19 has been prepared in line with the PSIAS. A risk-based approach has been used to prioritise internal audit work and ensure there is sufficient coverage and internal audit resource to provide an evidence-based assurance opinion that concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 5.2 The plan is responsive in nature and all efforts will be made to maximise coverage to provide the most effective internal audit service that focuses on those key risks facing the organisation throughout the year.
- 5.3 Progress against the plan will be monitored throughout the year and key issues will continue to be reported to the Corporate Governance and Audit Committee.

## **6 Recommendations**

- 6.1 The Corporate Governance and Audit Committee is asked to review and approve the proposed Internal Audit Plan for 2018-19.

## **7 Background documents**

- 7.1 None

Appendix A: Proposed Internal Audit Plan for 2018/19

Audit Area	Overview of Assurance	Audit Days
Anti-Fraud and Corruption		
Whistleblowing Hotline and Reactive Work	Risk assessment and investigation of allegations and referrals.	150
Anti-Fraud and Corruption Proactive Work	Risk-based work to prevent and detect fraud.	153
Anti-Fraud and Corruption Policy Update	Update of anti-fraud and corruption policies.	15
		<b>318</b>
Grants and Head of Audit Assurances		
Local Transport Capital Block Funding	Independent examination of accounts and / or assurance that the grant claim has been spent in accordance with the grant determination.	9
West Yorkshire Plus Transport Fund		5
Cycling Ambition Grant		5
Pot Holes Grant		5
Flooding Grant		5
Bus Subsidy Ring Fenced Grant		1
West Yorkshire Combined Authority Treasury Management Assurance		2
Troubled Families Grants		20
Disabled Facilities Grant		5
Childhood Obesity Grant		3
Schools Central Financial Controls		15

Audit Area	Overview of Assurance	Audit Days
Other grants / Head of Audit Assurances arising during the year		10
		<b>85</b>
Data Analytics		
Data Analytics	Evaluation of control effectiveness across key systems on an ongoing basis, highlighting and reviewing high risk events or transactions.	150
		<b>150</b>
ICT and Information Governance		
General Data Protection Regulation (GDPR)	To gain assurance that appropriate arrangements are in place to manage the risks associated with the new legal framework for data protection.	50
Acceptable Use Proactive Monitoring Framework	With reference to the Corporate Governance and Audit Committee meeting in September 2017, the audit will review the framework in place to monitor the use of LCC ICT equipment in line with the council's Acceptable Use Policy and test a sample of LCC owned devices.	40
Benefits Realisation	To review how the benefits realisation process for ICT projects is implemented across the authority.	20
Password Configuration	Deferred from 2017/18 pending the implementation of a new council Password Policy, the audit will test whether systems enforce the password requirements in line with the new policy.	10
ICT Projects	Time reserved to provide internal audit support for ICT related projects.	10
Externally Hosted Software	To provide assurance that there are adequate contractual arrangements in place where software is hosted by an external supplier.	10
Essential Services Programme	To provide assurance over the processes in place to develop and monitor the essential services programme.	25

Audit Area	Overview of Assurance	Audit Days
Management of the Cyber Incident Risk	To review how the Cyber Incident risk is being managed, including the effectiveness of the controls in place, back up processes and the assurance reporting arrangements.	25
Business Applications	Individual reviews of a sample of key computer applications, including system access and administration, input, processing and output controls.	15
		<b>205</b>
Key Financial Systems		
Benefits Reconciliations	A review of the reconciliation processes between Orchard, Academy and FMS for Housing Benefit and Council Tax Support.	10
Benefits: Assessment and Payments	To gain assurance over the processes and performance within the Benefits Assessment Unit, including ensuring that Housing Benefit and Council Tax Support payments are accurately processed and paid.	45
Council Tax	To gain assurance over the council tax processes for billing, income collection, recovery action, refunds and write offs.	30
Business Rates	To gain assurance over the business rates processes for billing, income collection, recovery action, refunds and write offs.	30
Capital Programme Central Controls	To gain assurance that expenditure in the capital programme is appropriately approved, controlled and monitored and that the accounting system provides accurate and timely information.	20
Financial Management Central Controls	To provide assurance over the central budget setting and budget monitoring arrangements.	10
Treasury Management and Bankline	To provide assurance that treasury management transactions are authorised, correct, appropriately recorded and reported, and are in line with relevant strategies and guidelines.	25
Housing Rents	To gain assurance over the housing rents processes for charging, income collection, amendments and write offs.	20



<b>Audit Area</b>	<b>Overview of Assurance</b>	<b>Audit Days</b>
Sundry Income Central Controls	To provide assurance over the central management of income collection for sundry charges raised within the council, including recovery procedures and write offs.	20
Sundry Income Directorate Reviews	To provide assurance that all income is identified and requests for sundry income accounts are promptly and accurately raised for a sample of service areas.	30
Income Management System	To provide assurance over the systems that ensure all sources of income have been identified and accurately processed through the Income Management System.	14
Payroll Central Controls	To provide assurance over the integrity of central payroll functions, including the accuracy of payments made and the authorisation and processing of new starters and leavers.	70
FMS Creditor Purchase and Payment; Central and Directorate Processes	A review of the system through which orders are raised and payments are made to suppliers for goods and services.	50
Central Purchasing Card Controls	To provide assurance over the central purchasing card functions performed by the Central Payment Services Purchasing Card Management Unit.	10
Bank Reconciliation and Cash Book	The audit assesses the accuracy and timeliness of the reconciliations performed on the cashbook and the authority's main accounts.	24
Total Repairs	To provide assurance that there are adequate systems in place to ensure that payments made through the Total Repairs system are made to the correct creditor for goods / services which have been provided to the council and that the payments are accurately recorded within the council's accounting system.	25
		<b>433</b>
<b>Procurement</b>		
Procurement Maturity Review	This audit will review organisational procurement arrangements against best practice, including the assessment and management of contracting risk.	30
Contract Management	Individual reviews of contract management arrangements on a sample of contracts to gain assurance that they are being managed to deliver their intended outcomes, incorporating open book review where necessary.	100

Audit Area	Overview of Assurance	Audit Days
Procurement Category Actions	To review the effectiveness of the Category Management process in supporting the delivery of strategic procurement objectives.	30
Non and Off Contract Spend	To review the root causes for non and off contract expenditure and the processes for identifying and addressing non-compliant spend.	30
Waivers of Contract Procedure Rules (CPRs)	To review the governance arrangements in place for the approval and management of waivers of CPRs.	20
Emerging Procurement Risks	Time reserved for emerging procurement risks and unplanned work.	10
		<b>220</b>
Adult Social Care and Health		
Customer Information System (CIS) Payments	To provide assurance over the accuracy and legitimacy of direct payments and residential and nursing care payments made through CIS.	50
Payments to Providers of Homecare Follow Up	To review progress in implementing the recommendations made in the previous audit, reported to the Corporate Governance and Audit Committee at the January 2018 meeting.	10
Deprivation of Liberties Follow Up	To review progress in implementing the recommendations made in the previous audit, reported to the Corporate Governance and Audit Committee at the March 2018 meeting.	10
Learning Disabilities Pooled Budget	To provide assurance over the governance arrangements in place for the pooled budget.	25
Mental Capacity Act	A review of the controls in place that ensure the council is compliant with the requirements of the Mental Capacity Act.	25
Safeguarding Clients Personal Assets	To provide assurance that there are appropriate arrangements in place to safeguard the assets of the service user where the authority acts as a Deputy or Receiver.	25
Unannounced Visits	Individual establishment visits to provide assurance on cash handing arrangements, including the safeguarding of service users monies.	10

Audit Area	Overview of Assurance	Audit Days
		<b>155</b>
Children's and Families		
Governance Arrangements	To review the directorate's governance arrangements around decision making, reporting and assurance.	25
OfSTED Inspections	To gain assurance that there are effective arrangements in place for self-evaluation and ensuring that any recommendations arising from OfSTED inspections are monitored and implemented.	25
Children Looked After Services	To gain assurance that there are effective arrangements in place to manage and monitor the safe reduction of the numbers of children looked after.	30
Payments to Providers of Residential Care and Independent Fostering Agencies	To provide assurance over the efficiency and effectiveness of financial controls.	30
Cluster Model and Area Inclusion Partnerships (AIP)	A review of the arrangements in place to ensure that funding is spent effectively on intervention and inclusion, in support of the intended outcomes of the Cluster Model and AIPs.	25
Direct Payments Follow Up	To review progress in implementing the recommendations made in the previous audit, reported to the Corporate Governance and Audit Committee at the June 2017 meeting.	15
Unannounced Visits	Individual establishment visits to provide assurance on cash handling arrangements, including the safeguarding of service user monies.	10
Emerging Risks	Time reserved for emerging risks within the directorate and unplanned work.	20
		<b>180</b>
Schools		
Schools Audits	Individual audits of LCC maintained schools undertaken on a risk basis and audits of year end school voluntary fund accounts.	50
		<b>50</b>

Resources and Housing		
Belle Isle Tenant Management Organisation (BITMO) Assurance	Time set aside to provide assurance that the BITMO is managing the key risks that have been delegated under the Modular Management Agreement. Outline of specific assurance to be confirmed.	20
Annual Home Visits	A review of the Annual Home Visit process to ensure that outcomes from the visits are actioned and monitored appropriately.	25
Leeds Building Services Assurances	Time set aside to provide assurance that key risks relating to Leeds Building Services are appropriately managed. Outline of specific assurance to be confirmed.	30
Fire Safety	To provide assurance over the controls in place to mitigate the risk of fire in council properties.	25
Electrical Inspections	To provide assurance over the controls in place to mitigate the health and safety risks of electrical fault incidents in council properties.	25
Homelessness and Temporary Accommodation	A review of the arrangements in place for preventing and managing homelessness in the city.	25
Private Sector Regulation	A review of the processes in place for ensuring that Homes of Multiple Occupancy are licenced and inspected as appropriate.	25
Responsive Repairs	A review of the responsive repairs contract, focussing on charging, quality and performance monitoring.	30
Housing Leeds Follow Up Work and Contingency	To undertake follow up work as required during the year and respond to emerging risks within Housing Leeds.	45
Financial Management Maturity Review	A review of organisational financial management arrangements against best practice.	20
Apprentice Levy	A review of the arrangements in place to ensure that the Apprentice Levy is utilised effectively.	20
Right to Buy	A review of the processes in place to assess and manage Right to Buy applications.	15

Performance	Time set aside to provide assurance over performance reporting. Outline of specific assurance to be confirmed.	20
Civic Enterprise Leeds – Income Collection	To provide assurance that all external income is identified and collected.	20
LCC Vehicle Fleet Clean Air Zone Standards	Time set aside to support the directorate in ensuring that appropriate plans are in place to mitigate environmental risks relating to LCC's vehicle fleet.	15
Personal Service Companies	To gain assurance that the council is complying with the new HMRC responsibilities in relation to Personal Service Companies.	10
Application of HR Policies	To gain assurance that a sample of HR policies are consistently and properly applied across the authority.	20
Financial Due Diligence	A review of the arrangements in place to ensure that due diligence is consistently and appropriately applied before entering into an agreement or financial transaction with another party.	20
Passenger Transport	A value for money review of the in-house provision by the internal fleet and the external provision through the use of taxis and private hire vehicles.	20
Invest to Save – Benefits Realisation	To review how the benefits realisation process has been implemented for a sample of Invest to Save projects.	20
Staff Ideas Service	Ongoing maintenance of the Staff Ideas Service.	10
		<b>460</b>
Communities and Environments		
Parking Services	To review the systems in place for issuing parking permits and parking tickets, collecting income and managing appeals.	25
Child Poverty	A review of the arrangements in place to tackle child poverty across the city.	25
Recycling Strategy	To provide assurance that the council's recycling strategy is being effectively implemented.	20
Customer Satisfaction	A review of the processes that support continual improvement in respect of the	20

	customer experience.	
Unannounced visits	Individual establishment visits to provide assurance over cash handling arrangements.	10
		<b>100</b>
City Development		
Income collection	To provide assurance that all external income is identified and collected.	25
Community Infrastructure Levy and Section 106 Monies	To provide assurance that Community Infrastructure Levy and Section 106 Monies are collected, recorded and spent appropriately.	25
		<b>50</b>
Follow Up and General Contingency		
Follow Up and General Contingency	Time set aside for new emerging risks, unplanned work and to complete individual follow up audits of areas that have been given a low assurance audit opinion arising during the year.	180
		<b>180</b>
<b>Total Assurance Days</b>		<b>2586</b>

## Report of the Chief Officer (Financial Services)

## Report to Corporate Governance and Audit Committee

**Date: 16 March 2018**

## Subject: Review of the Whistleblowing and Raising Concerns Policy

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

## Summary of main issues

1. To ensure that the council can be responsive to any suspected instances of wrongdoing in its work, a Whistleblowing Policy and a Raising Concerns Policy exist to set out the means by which serious concerns can be brought to the attention of Internal Audit. These two policies exist separately, the former policy enables serious issues to be appropriately escalated from within the organisation, while the latter provides guidance and direction to the wider public.
2. The council's existing Whistleblowing Policy has been refreshed to ensure it remains fit for purpose and offers clear and relevant guidance on how and when concerns should be raised around any aspects of the council's work.
3. Effective whistleblowing procedures are a key component of good governance, establishing a culture of openness, probity and accountability across all aspects of the council's work. To ensure consistency in approach across all whistleblowing channels, the Raising Concerns Policy has been reviewed and updated alongside the Whistleblowing Policy.
4. The existing Whistleblowing Policy is available on the intranet and encourages council employees who have serious concerns about any aspect of the council's work, to come forward and voice those concerns without fear of reprisal.
5. The Raising Concerns Policy is published on the council website and offers guidance to members of the public that may have concerns around aspects of the council's work.

6. The promotion and accessibility of these policies helps the council to be responsive to emerging risks that are identified.
7. The Whistleblowing Policy has been updated to provide clear, consistent guidance and direction in accordance with best practice. Legal and HR advice has been sought on these policies. The draft Whistleblowing Policy has also been sent to the Trade Union officials and the leads from the staff networks for comment.
8. The revised Whistleblowing Policy and Raising Concerns Policy are attached with this report at Appendix A and B respectively.

## **Recommendations**

9. Members are requested to note the contents of this report, and provide comment on the updated Whistleblowing Policy and Raising Concerns Policy. Having taken into account Corporate Governance and Audit Committee comments, the Chief Officer (Financial Services) will take a delegated decision to approve the revised policies prior to publication.



## **1 Purpose of this report**

- 1.1 The purpose of this report is to inform the Corporate Governance and Audit Committee of the revisions to the Whistleblowing Policy and Raising Concerns Policies and to provide an opportunity to comment on the updated policies prior to them being published.

## **2 Background information**

- 2.1 The Public Interest Disclosure Act 1998 is intended to promote internal and regulatory disclosures and encourage workplace accountability and self-regulation. The Act seeks to safeguard the public interest by providing protection for individuals who fear workplace reprisal when raising a genuine concern.
- 2.1 Effective whistleblowing procedures are a key part of good governance, establishing a culture of openness, probity and accountability across all aspects of the council's work. Ensuring that employees, workers, members and the wider public feel empowered to raise concerns through the correct channels allows the council to address any risks as early as possible.
- 2.2 The council's Whistleblowing and Raising Concerns Policies are published on the intranet and internet respectively, and aim to provide reassurance around the probity of the procedures in place, offering clear guidance on how and when concerns may be brought to the attention of Internal Audit.
- 2.3 The Terms of Reference of the Corporate Governance and Audit Committee establish the authority of the committee to:
- Review the adequacy of policies and practices to ensure compliance with statutory and other guidance
  - Review the adequacy of the council's Corporate Governance arrangements (including matters such as internal control and risk management)

## **3 Main issues**

- 3.1 To ensure that the council can be responsive to any suspected instances of wrongdoing in its work, a Whistleblowing Policy and a Raising Concerns Policy exist to set out the means by which serious concerns can be brought to the attention of Internal Audit. These two policies exist separately, the former policy enables serious issues to be appropriately escalated from within the organisation, while the latter provides guidance and direction to the wider public.
- 3.2 Internal Audit has reviewed the Whistleblowing Policy and updates have been proposed in line with best practice. Taking these amendments into account, alongside advice and guidance provided by the Legal and HR Service, the Whistleblowing Policy has been revised and is attached with this report at Appendix A.

- 3.3 Whilst undertaking this review, several sources of best practice and guidance have been utilised including The Whistleblowing Commission Code of Practice and the Department for Business Innovation & Skills Whistleblowing Guidance for Employers and Code of Practice.
- 3.4 The following amendments and insertions have been made to the Whistleblowing Policy:-
- The provision of clearer direction on what constitutes a concern. This seeks to guide employees and workers when distinguishing whether their particular concerns will fall under the scope of the Whistleblowing Policy.
  - The Policy gives clear contact points for where concerns can be raised. This now also includes reference to line management. This has been included to make it clearer that this route is open to staff within the council, although it is recognised that it is often someone outside of the service with whom people feel comfortable raising their concerns.
  - A new section on independent advice which includes the Unions, and the independent charity Public Concern at Work.
  - A new section on external contacts. The law recognises that in some circumstances it may be appropriate to report concerns to certain prescribed people and bodies.
  - A new section on whistleblowing by individuals in schools. We recognise that schools should have their own Whistleblowing Policies in place, however we wanted to set out clearly the interaction between the schools policy and the council policy. Schools based staff are encouraged to raise their concerns in accordance with the Schools Policy. However the council Policy recognises that an employee may not feel that they are able to raise their concerns with management, the Head or the Chair of Governors at the school and therefore provides an alternative reporting route.
  - Under the section 'How the Council will respond', we have included that details of all referrals received by managers should be notified to Internal Audit to allow a central record to be maintained.
  - A new section on 'Monitoring of whistleblowing referrals' has been included. This states that all referrals received by managers should be notified to Internal Audit and that Internal Audit will maintain a central log of all concerns raised and the action taken. This is to ensure that all referrals received are addressed on a consistent basis.
  - How to take the matter further – this section has been updated to include the contact details for prescribed persons/bodies, Trade Unions and an additional section for further contact points which includes ACAS, Citizen's Advice and Legal Advice.

- 3.5 Minor wording alterations have been made throughout the document aimed at providing stronger guidance and direction to those that have legitimate concerns under the policy. This ensures that the final version is clear and relevant in its purpose to encourage a culture of openness, probity and accountability across all aspects of the council's work.
- 3.6 The opportunity has also been taken to review the Raising Concerns Policy (which offers guidance to members of the public that may have concerns that something is seriously wrong with the council) alongside the Whistleblowing Policy. This has resulted in minor changes to wording to ensure consistency and relevance. There have been no material alterations to the overall coverage or direction of the policy. The revised Raising Concerns Policy is attached at Appendix B.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 The updates to the policies do not raise any issues requiring consultation or engagement with the public, Ward Members or Councillors. Consultation with Legal services, HR, Trade Union officials and staff network representatives on the Whistleblowing Policy has taken place and will continue prior to approval and publication.
- 4.1.2 There are plans to provide training across directorates, including training on the recognition of fraud risks and the publication of the current policy coverage in order to promote whistleblowing arrangements.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 The Whistleblowing Policy carries a positive impact on equality and fairness in respect of the potential repercussions of raising a whistleblowing concern. The policy is very clear in outlining that the council will not tolerate harassment or victimisation and will take action to protect those raising concerns which they have reasonable belief to be true and to be in the public interest. This seeks to underpin a positive message in terms of empowering individuals to raise legitimate concerns without fear of reprisal.

### **4.3 Council policies and Best Council Plan**

- 4.3.1 The council takes a zero tolerance approach to fraud and corruption and the Whistleblowing and Raising Concerns Policies are a key driver of this culture.

### **4.4 Resources and value for money**

- 4.4.1 There are no implications upon resources or value for money.

### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 Updates to the policies take account of advice provided by Legal Services. The report does not require a key decision and is therefore not subject to call in.

## **4.6 Risk Management**

- 4.6.1 There are no risk management implications.

## **5 Conclusions**

- 5.1 There are no issues identified by Internal Audit in the January to February 2018 Internal Audit Update Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.
- 5.2 The review of the overall content of both the Whistleblowing Policy and Raising Concerns Policy has been undertaken to ensure that the policies are up to date and fit for purpose in accordance with best practice, offering clear, consistent and relevant guidance upon how and when concerns should be raised around any aspects of the council's work.
- 5.3 Once approved, the Whistleblowing and Raising Concerns policies will be published on the intranet and internet respectively, and effective communication is to be strengthened through the provision of training across directorates. Assurances that the policies are routinely complied with will continue to be gained through regular reporting of the policy outcomes delivered through the update reports provided to Corporate Governance and Audit Committee. This, in turn, will drive periodic monitoring and review of the policy content to ensure that they continue to underpin the principles of good governance throughout the organisation.

## **6 Recommendations**

- 6.1 Members are requested to note the contents of this report, and provide comment on the proposed Whistleblowing Policy and Raising Concerns Policy. Having taken into account Corporate Governance and Audit Committee, and following consultation with Legal Services and HR, the Chief Officer (Financial Services) will take a delegated decision to approve the revised policies prior to publication.

## **7 Background documents**

- 7.1 None.

## Appendix A

# Whistleblowing Policy

## Whistleblowing Policy contents

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## 1 Introduction

- 1.1 Leeds City Council is committed to the highest standards of openness, probity and accountability. In line with that commitment, we encourage Council employees and workers<sup>1</sup> who have legitimate concerns about any aspect of the Council's work, to come forward and voice those concerns through accessible channels rather than overlooking the issues or discussing them externally. Making your disclosure under this policy will enable the Council to address any concerns and risks as early as possible.
- 1.2 As an employee or worker of the Council, you are often the first to realise that there could be something seriously wrong with the way we are operating. This policy sets out the principles that enable you to raise concerns without the fear of adverse consequences.
- 1.3 The Council recognises that you may wish to raise your concern confidentially and in such cases the Council will make every effort to protect your identity.

## 2 Aims and scope of the policy

- 2.1 This policy seeks to cover all disclosures and allegations made by employees, and workers including temporary and agency staff. It also extends to any other individual who wants to raise an allegation of perceived wrongdoing such as consultants, contractors, sub-contractors or a partner organisation who are engaged in work for the Council.
- 2.2 Whistleblowing law does not protect employees of external organisations in the same way as Council employees and workers.
- 2.3 This policy has a specific section detailing the process that schools based staff should follow when raising concerns (section 5.6-5.8).
- 2.4 The aim of this policy is to:
- provide a means for you to raise a concern about suspected wrongdoing
  - set out the safeguards you can expect when raising concerns under this policy
  - reassure you that reprisals or victimisation for whistleblowing in the public interest will not be tolerated even if you turn out to be mistaken
  - demonstrate the Council's zero tolerance commitment to tackling fraud and corruption
  - demonstrate the Council's commitment to treat all disclosures consistently and fairly

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<sup>1</sup> For the definition of a worker see <https://www.gov.uk/employment-status/worker>

- 2.5 This policy does not form part of a contract of employment. It is regularly reviewed and may be amended from time to time.

### **3 What are whistleblowing and qualifying disclosures?**

- 3.1 Whistleblowing is the term used when a worker passes on information regarding wrongdoing. To be covered by whistleblowing law the disclosure must be a 'qualifying disclosure'. Qualifying disclosures are disclosures of information about wrongdoing which include criminal offences, failure to comply with legal obligations, miscarriages of justice, threats to health and safety of an individual, damage to the environment and a deliberate attempt to cover up any of the above.
- 3.2 The law is designed to protect whistleblowers from detrimental treatment or victimisation from their employers after they have made a qualifying disclosure.
- 3.3 To be protected, the disclosure must be in the public interest, the worker must have reasonable belief that the information shows that one of the categories of wrongdoing listed in the legislation has occurred, or is likely to occur, and the concern must be raised in the correct way.
- 3.4 Qualifying disclosures covered by whistleblowing law include:-
- A criminal offence has been committed, is being committed or is likely to be committed e.g. financial fraud;
  - A person has failed, is failing or is likely to fail to comply with any legal obligation to which that person is subject;
  - A miscarriage of justice has occurred, is occurring or is likely to occur;
  - The health and safety of any individual had been, is being or is likely to be endangered;
  - The environment has been, is being or is likely to be damaged;
  - The information tending to show any of the above is being or is likely to be concealed.
- 3.5 Disclosures relating to the following matters may fall into the categories of qualifying disclosures above:
- Something amounts to improper conduct, including serious misuse or abuse of authority;
  - Something is contrary to the Council's Contract Procedure Rules, Financial Regulations or other policies (these can be found on the intranet on the following links ;  
<http://insite.leeds.gov.uk/PoliciesAndProcedures/Documents/Financial%20Regulations.pdf>  
<http://insite.leeds.gov.uk/PoliciesAndProcedures/Documents/Contracts%20procedure%20rules.pdf>
  - Something falls below established standards or practice;



- Gross waste or mismanagement of funds has occurred, is occurring or is likely to occur.

- 3.6 The Whistleblowing Policy is intended to cover concerns that fall outside the scope of other procedures and which involve an issue in the public interest, although the Council reserves the right to determine which procedure is appropriate. Concerns relating to the way you are being treated at work (bullying, harassment, discrimination) do not fall under the remit of whistleblowing and should be dealt with under the Council's Grievance Procedure. Further advice can be found at <http://insite.leeds.gov.uk/toolkits/Pages/Grievance.aspx>
- 3.7 A confidentiality clause in a settlement agreement does not prevent a worker from making a disclosure in the public interest.
- 3.8 If your concern relates to the conduct of an elected Member, safeguarding or benefit fraud then there are specific procedures in place to address these. Details on how to make a referral can be found at Appendix B.

## 4 Safeguards

### Confidentiality

- 4.1 The Council will make every effort to treat the source of all whistleblowing referrals in confidence and will endeavour not to divulge your identity, unless required by law.

### Protection from reprisal

- 4.2 The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the wrongdoing. The Council will not tolerate harassment or victimisation and will take action to protect you when you raise a concern which you reasonably believe to be true. This may include disciplinary action against those that subject an individual to detriment as a result of a whistleblowing referral.
- 4.3 If you are already the subject of procedures such as disciplinary, improving performance, grievance or improving attendance, these will not be halted as a result of your whistleblowing referral.
- 4.4 If at any time, either during or after the investigation, you feel that you have suffered any detriment as a result of your whistleblowing referral you should contact Internal Audit. Details will be considered and where action is required this will be led by HR and will be conducted in accordance with the Disciplinary Policy.

### Anonymous allegations

- 4.5 Allegations can be made anonymously. Anonymous reports may be more difficult or even impossible to investigate if further information cannot be obtained from you. This policy encourages you to provide your name and contact details when making your allegation.

## Untrue allegations

- 4.6 If you make an allegation which is either malicious and/or false, and/or one which you could not have reasonably believed to be true, then this may be considered an abuse of the whistleblowing policy and disciplinary action may be taken against you.

## 5 How concerns can be raised

- 5.1 Concerns can be raised with your line management or a senior manager within your service. They should consider any information received which should be addressed in accordance with the requirements of this policy.
- 5.2 If you would prefer to report your concerns directly to Internal Audit then a referral can be made as follows:-

Telephone:	(0113) 3788008 (dedicated hotline answered by a member of the Internal Audit team or an answerphone).
E-mail:	<a href="mailto:concerns@leeds.gov.uk">concerns@leeds.gov.uk</a>
In writing:	Internal Audit, 3rd Floor West, Civic Hall, Leeds, LS1 1JF
Online:	<a href="http://insite.leeds.gov.uk/DoltOnline/Pages/default.aspx?ItemId=733">http://insite.leeds.gov.uk/DoltOnline/Pages/default.aspx?ItemId=733</a>

## Independent advice

- 5.3 If you are unsure whether to raise your concerns under this policy, or if you wish to obtain independent advice at any time you may contact:
- Your union
  - The independent charity Public Concern at Work

Contact details can be found at the end of this policy.

## External contacts

- 5.4 The aim of this policy is to provide an internal mechanism for reporting any wrongdoing in the workplace. In most cases you should not find it necessary to alert anyone externally.

The law recognises that in some circumstances it may be appropriate to report your concern to certain 'prescribed' people and bodies. It is strongly recommended that you seek advice before reporting a concern to anyone external. If you tell a prescribed person or body, it must be one that you reasonably believe deals with the issue you are raising. A list of prescribed people and bodies can be found at the link below:

<https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies>.

- 5.5 In order to raise your concern externally it still must be a qualifying disclosure which meets the criteria for protection as outlined in paragraph [3] above. This means that you must have a reasonable belief that the information disclosed is substantially true, the disclosure is being made in the public interest and the matter falls within the remit of the prescribed person or body.

## **Whistleblowing by individuals employed in schools**

- 5.6 Individuals employed in schools maintained by the Council such as community schools, community special schools, voluntary controlled or maintained nursery schools and pupil referral units where the Council is the legal employer, fall under the Council's Whistleblowing Policy.
- 5.7 Each of the above schools should have their own Whistleblowing Policy and reporting arrangements in place which reflect the requirements of and principles within this policy.
- 5.8 Schools based staff are encouraged to raise concerns in accordance with the schools own Whistleblowing Policy. This Leeds City Council policy recognises that in some cases, the employee may not feel they are able to discuss the concerns with management, the Headteacher or Chair of Governors at the school. In these instances you may report your concerns to Leeds City Council who will respond in accordance with this policy.

## **6 How the Council will respond**

- 6.1 The Council is committed to treating all concerns raised consistently and fairly. Where a referral is made to Internal Audit an initial assessment of the information received will be completed. This will determine if further investigation will be undertaken and if so who is best placed to complete this considering any skills, knowledge and areas of expertise felt to be necessary.

Details of all referrals received by managers under this policy should be notified to Internal Audit to allow a central record to be maintained. A regular review of referrals notified and actioned by management will be undertaken to ensure all concerns are being dealt with on a consistent basis.

- 6.2 The matters raised may:
- be investigated internally (this is the most likely option). This may be via a referral to the relevant Director, Chief Officer, HR or Internal Audit. Where referrals are made every effort is made to maintain confidentiality;
  - be referred to the external auditor;

- form the subject of an independent inquiry; or
- any combination of the above.

- 6.3 Where the allegation is of a criminal nature then a referral may be made to the Police but this will only be following an assessment of the information provided.
- 6.4 Some concerns may be resolved by agreed action without the need for investigation. Concerns or allegations that fall within the scope of specific procedures (for example, child protection or discrimination issues) will normally be referred for consideration under the relevant procedures.
- 6.5 Within ten working days of a concern being received, where practicable, the Council will contact you to acknowledge receipt of your concern. Where feasible we will advise you how we propose to deal with the matter. If it is decided that further investigation is not to take place then the reason for this decision will be provided.
- 6.6 The amount of contact between yourself and those considering the issues will vary depending on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. We may contact you for further details during the investigation if you have provided your contact details.
- 6.7 When any meeting is arranged, you may, if you wish, be accompanied by a trade union or professional association representative or a friend who is not involved in the area of work to which the concern relates.
- 6.8 The Council acknowledges the need to provide you with assurance that the matter has been properly addressed. You will be notified once any investigation has concluded and, subject to legal constraints, you will receive appropriate information about the outcomes of any investigation.

## **7 Monitoring of whistleblowing referrals**

- 7.1 All referrals received by managers should be notified to Internal Audit upon their receipt. Internal Audit will maintain a log of all concerns received and the action taken. This will help to ensure that all referrals received are addressed on a consistent basis no matter where they have been initially reported or investigated.
- 7.2 The Head of Internal Audit is the person within the Council with overall responsibility for this policy. The overall outcomes and effectiveness of the policy will be reported in anonymised form to the Corporate Governance and Audit Committee.

## **8 How the matter can be taken further**

- 8.1 This policy is intended to provide you with an avenue to raise concerns within the Council. The Council hopes you will be satisfied with the response provided. If you are

not, and if you feel it is right to take the matter further, the following are possible contact points.

The external auditor-KPMG Leeds	0113 231 3000
Public Concern at Work (independent charity that provides free advice for employees who wish to express concerns about fraud or other serious malpractice)	020 740 46609 <a href="http://pcaw.org.uk/contact-us">http://pcaw.org.uk/contact-us</a>
A prescribed person or body	<a href="https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies">https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies</a> .
Your trade union	<a href="http://insite.leeds.gov.uk/staffroom/Pages/Trade-unions.aspx">http://insite.leeds.gov.uk/staffroom/Pages/Trade-unions.aspx</a>

### 8.2 Further contact points are included below:-

The Advisory, Conciliation and Arbitration Service (Acas)	<a href="https://www.gov.uk/acas">https://www.gov.uk/acas</a>
Citizens' Advice	<a href="https://www.adviceguide.org.uk">https://www.adviceguide.org.uk</a>
Legal advice	<a href="https://www.gov.uk/find-a-legal-adviser">https://www.gov.uk/find-a-legal-adviser</a>

## Appendix A

### How to raise a concern (Do's and Don'ts)

**DO NOT ignore the concern.** It is important that you feel comfortable in raising legitimate concerns in the public interest, as this provides the Council with an opportunity to address the associated issues as early as possible.

**DO report your suspicions in line with this policy** to your line management, the relevant service management, or to Internal Audit using the contact details provided in this policy. The decision on who to report your suspicions to will depend on the seriousness and sensitivity of the issues concerned, and who is thought to be involved in the wrongdoing. For example, if you believe that management is involved then Internal Audit can give advice and guidance on how the matter can be pursued.

**DO make an immediate note of your concerns and deal with the matter promptly.**

The earlier you express the concern, the easier it is to take action. Over time these details can be forgotten, or remembered incorrectly, which can make a concern more difficult to investigate and so it would help us if you make a note of your concerns at the time and let us know about them as soon as possible.

You will need to demonstrate that there are sufficient grounds for your concern. It would be useful to provide relevant information including, where possible, but not limited to;

- the background and history to the case;
- the reason why you are particularly concerned;
- any specific details available including names, dates, times and places;
- details of any particular conversations that support the concerns;
- details any personal interest that you may have in the matter; and
- how you think that things may be put right, if possible.

**DO NOT be afraid of raising your concerns, and if a manager, DO be responsive to staff concerns.**

We want to encourage people to voice any reasonably held suspicions to help us develop a culture of openness, honesty and accountability. All concerns should be treated sensitively and seriously, and be subject to the necessary investigation and follow up communication where possible. If you are a manager receiving a concern you also need to make sure you send details of all referrals to Internal Audit for monitoring and action.

**DO NOT approach or accuse any individuals directly or tell anyone about your suspicions other than those with the proper authority.**

If a concern is discussed with someone directly involved then it creates an opportunity for evidence to be tampered with or removed.

Concerns should not be discussed with others who are not involved in an appropriately structured investigation. Doing so may leave you open to accusations of making slanderous

or libellous comments should your concerns be unfounded, as these could damage the reputation of individuals and the Council even if there is no evidence of any wrongdoing.

**DO NOT try to investigate the matter yourself.**

There are special rules surrounding the gathering of evidence. Any attempt to gather evidence by people who are unfamiliar with these rules may adversely affect the outcome of the investigation as evidence has to be collected in accordance with current legislation. This is of particular importance in regard to surveillance. If you are at all unsure about the gathering of evidence, you should contact Internal Audit for advice.

All referrals made will be treated in the strictest of confidence and you may invite your trade union or professional association to raise a matter on your behalf.

## Appendix B

### Other contacts

If your concern is regarding;

- **The conduct of an elected Member**

If you believe that a Member has broken the Members Code of Conduct, you can make a complaint to the Monitoring Officer using the complaints form which can be found at [http://www.leeds.gov.uk/council/Pages/Code-of-Conduct.aspx#http://www.leeds.gov.uk/docs/New regime complaints form.doc](http://www.leeds.gov.uk/council/Pages/Code-of-Conduct.aspx#http://www.leeds.gov.uk/docs/New%20regime%20complaints%20form.doc)

- **The safeguarding of children and young people**

Call the Duty and Advice team on 0113 3760336 (Monday to Friday 8am to 6pm) or the Children's Emergency Duty Team on 0113 3760469 if outside of office hours. Alternatively you can e-mail them at [childrensedt@leeds.gov.uk](mailto:childrensedt@leeds.gov.uk)

Members of the public should report concerns on 0113 222 4403 (Monday to Friday 9am to 5pm).

Further details can be found at <http://www.leeds.gov.uk/residents/Pages/report-a-child-protection-concern.aspx>

- **The safeguarding of vulnerable adults**

Call 0113 222 4401 (Minicom: 0113 222 4410) during office hours and 0771 210 6378 outside of office hours. Alternatively you can e-mail them at [edt.ss@leeds.gov.uk](mailto:edt.ss@leeds.gov.uk).

Further details can be found at <http://www.leeds.gov.uk/residents/Pages/Safeguarding-adults.aspx>

- **Suspected benefit fraud**

Report this to the DWP.

Online - <https://secure.dwp.gov.uk/benefitfraud/>

Telephone – 0800 854 440

Textphone – 0800 328 0512 (Monday to Friday 8am to 6pm)

Write – NBFH, PO Box 224, Preston, PR1 1GP

- **Workplace disputes**

Contact the Advisory, Conciliation and Arbitration Service (Acas) for help and advice

Online <https://www.gov.uk/acas>

Telephone 0300 123 1100



## Raising Concerns Policy

**Raising Concerns Policy contents**

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## **1. Introduction**

- 1.1 Leeds City Council is committed to the highest standards of openness, probity and accountability. In line with that commitment, we encourage members of the public and Members who have legitimate concerns about any aspect of the Council's work, to come forward and voice those concerns through accessible channels rather than overlooking the issues.
- 1.2 As a member of the public or in your role as a Council Member, you may have concerns that there is something wrong with the way that the Council is operating. This policy is designed to encourage you to report your concerns in a way that enables the Council to address any associated risks as early as possible.

## **2. Aims of the policy**

- 2.1 This policy aims to:
- Provide avenues for you to raise concerns and receive feedback on any action taken
  - Reassure you that your concerns will be taken seriously and investigated appropriately; and
  - Allow you to take the matter further if you are dissatisfied with the Council's response.

## **3. What is a concern?**

- 3.1 Concerns to be reported under this policy may relate to:
- Failure to comply with a legal or regulatory obligation
  - Serious misuse or abuse of authority
  - Gross waste or mismanagement of funds
  - Damage to the environment
  - Criminal offences; including
  - Fraud or financial irregularity
  - Corruption, bribery or blackmail
- 3.2 If your concern is regarding;
- the safeguarding of children and young people, please call 0113 222 4403 (Monday to Friday 9 am to 5pm). Further contact details can be found at <http://www.leeds.gov.uk/residents/pages/report-a-child-protection-concern.aspx>

- the safeguarding of vulnerable adults, please call 0113 222 4401 (Minicom: 0113 222 4410) during office hours and 0771 2106378 at all other times. Further details can be found at <http://www.leeds.gov.uk/residents/pages/safeguarding-adults.aspx>
- suspected Benefits Fraud, it should be reported to the Department of Work and Pensions (DWP):
  - Online - <https://secure.dwp.gov.uk/benefitfraud/>
  - Telephone – 0800 854 440
  - Textphone – 0800 328 0512 (Monday to Friday 8am to 6pm)
  - Write – NBFH, PO Box 224, Preston, PR1 1GP

## **4. Safeguards**

### **Confidentiality**

- 4.1 The Council recognises that the decision to report a concern can be a difficult one to make. The Council treats the details of all people raising their concerns in confidence and will do its best not to divulge your identity unless required by law, and ensure that your name is not revealed without your consent. However, it must be appreciated that the investigation process may reveal the source of the information without us revealing your identity directly, and in some circumstances a statement by you may be required as part of the evidence.

### **Anonymous allegations**

- 4.2 Allegations can be made anonymously. However, this policy encourages you to provide your name and contact details when raising your allegation, as concerns expressed anonymously are often much more difficult to investigate. For example, we may need to contact you to obtain further information or verify the details you have already given us.
- 4.3 Anonymous allegations will be considered wherever possible at the discretion of the Council. The factors to be taken into account when determining whether to proceed with an investigation in such a case would include:
- The seriousness of the issues raised
  - The credibility of the concern; and
  - The likelihood of confirming the allegation from other, attributable sources.

## 5. How to raise a concern

5.1 Concerns may be raised through the following methods:

Telephone:	(0113) 3788008 (dedicated hotline answered by a member of the Internal Audit team or an answerphone).
E-mail:	concerns@leeds.gov.uk
In writing:	Internal Audit, 3rd Floor West, Civic Hall, Leeds, LS1 1JF
Online:	complete the 'contact us' form on the <a href="#">Reporting Fraud and Corruption web page</a>

### Dos and Don'ts of raising a concern

- 5.2 **DO NOT ignore the concern.** It is important that you make us aware of your legitimate concerns in the public interest, as this provides the Council with an opportunity to address the associated issues as early as possible.
- 5.3 **DO report your suspicions appropriately in line with this policy** using the contact details provided above. The decision on who to report your suspicions to will depend on the seriousness and sensitivity of the issues concerned, and who is thought to be involved in the wrongdoing.
- 5.4 **DO make an immediate note of your concerns and deal with the matter promptly.**

The earlier you express the concern, the easier it is to take the necessary remedial action. Over time these details can be forgotten, or remembered incorrectly, which can make a concern more difficult to investigate and so it would help us if you make a note of them at the time and let us know about your concern as soon as possible.

Although you are not expected to prove an allegation, you will need to demonstrate that there are sufficient grounds for your concern in order to assist us in attempting to investigate it. It would be useful to provide relative information including, where possible, but not limited to:

- the background and history to the case
- the reason why you are particularly concerned
- any specific details available including names, dates, times and places
- details of any particular conversations that support the concerns
- details any personal interest that you may have in the matter; and
- how you think that things may be put right, if possible.

**5.5 DO NOT be afraid of raising your concerns.**

We want to encourage people to voice any reasonably held suspicions to help us develop a culture of openness, honesty and accountability. All concerns should be treated sensitively and seriously, and be subject to the necessary investigation and follow up communication where practicable.

**5.6 DO NOT approach or accuse any individuals directly or tell anyone about your suspicions other than those with the proper authority.**

If a concern is discussed with someone directly involved then it creates an opportunity for evidence to be tampered with or removed.

Concerns should not be discussed with others who are not involved in an appropriately structured investigation. Restricting any discussions around your concerns to those with the proper authority will ensure that you cannot be accused of making slanderous or libellous comments should your concerns be unfounded, as these could damage the reputation of individuals and the Council even if there is no evidence of any wrongdoing.

**5.7 DO NOT try to investigate the matter yourself.**

There are special rules surrounding the gathering of evidence. Any attempt to gather evidence by people who are unfamiliar with these rules may adversely affect the outcome of the investigation as evidence has to be collected in accordance with current legislation. This is of particular importance in regard to surveillance. If you are at all unsure about the gathering of evidence, you should contact Internal Audit for advice.

**6. How the Council will respond**

6.1 The Council commits to treat all concerns raised consistently and fairly. The action taken will depend on the nature of the concern. The matters raised may:

- be investigated internally (this is the most likely option)
- be referred to the police
- be referred to the external auditor
- form the subject of an independent inquiry; or
- any combination of the above

6.2 In order to protect individuals and the Council, initial enquiries will be made to decide whether to investigate and, if so, in what form. Concerns or allegations that fall within the scope of specific procedures (for example, child protection or discrimination issues) will be referred for consideration under those procedures.

- 6.3 Some concerns may be resolved by agreed action without the need for investigation.
- 6.4 There may be some occasions where the Council recommends that no further action should be taken. These will usually be on the following grounds:
- The Council is not satisfied that there are grounds for reasonable suspicion
  - The matter is already the subject of legal proceedings, or has already been referred to the police, or other appropriate authority
  - The matter is (or already has been) the subject of the relevant proceedings under one of the other Council procedures
- 6.5 Within ten working days of a concern being raised, where practicable, the Council will write to you:
- Acknowledging that the concern has been received
  - Indicating how it proposes to deal with the matter
  - Telling you whether any initial enquiries have been made
  - Telling you whether further investigations will take place and, if not, why not.
- 6.6 The Council acknowledges the need to provide you with assurance that the matter has been properly addressed. Thus, subject to legal constraints, you will receive appropriate information about the extent and outcomes of any investigations.

### 7. How the matter can be taken further

7.1 This policy is intended to provide you with an avenue to raise concerns within the Council. The Council hopes that you are satisfied. If you are not, and if you feel it is right to take the matter further, the following are possible contact points:

Your local Council Member (if you live in the area of the Council)	A list of Council Members is available from Members Services (0113) 2243206 or on the internet at <a href="http://leeds.gov.uk/mgMemberIndex.aspx?bcr=1&amp;lccnavid=100004 200033 358">leeds.gov.uk</a> <a href="http://democracy.leeds.gov.uk/mgMemberIndex.aspx?bcr=1&amp;lccnavid=100004 200033 358">http://democracy.leeds.gov.uk/mgMemberIndex.aspx?bcr=1&amp;lccnavid=100004 200033 358</a>
Customer Complaints and Compliments	Complete the on-line form on the internet, Email at <a href="mailto:complaints@leeds.gov.uk">complaints@leeds.gov.uk</a> , <a href="mailto:compliments@leeds.gov.uk">compliments@leeds.gov.uk</a> and <a href="mailto:feedback@leeds.gov.uk">feedback@leeds.gov.uk</a>  Call 0113 222 4405, (minicom users 0113 222 4410) or Post to: Freepost RLZR-ELTX- RUEH Leeds City Council PO Box 657, LS1 9BS
The external auditor - KPMG Leeds	0113 231 3000
A prescribed person or body	<a href="https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies">https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies</a>
Legal advice	<a href="https://www.gov.uk/find-a-legal-adviser">https://www.gov.uk/find-a-legal-adviser</a>
Citizens Advice	<a href="https://www.adviceguide.org.uk">https://www.adviceguide.org.uk</a>
The Police	



## Report of the Chief Officer Financial Services

### Report to Corporate Governance and Audit Committee

**Date:** 16<sup>th</sup> March 2018

**Subject:** Annual assurance report on the financial management and control arrangements and compliance with the Chief Finance Officer Protocol

Are specific electoral Wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, name(s) of Ward(s):		
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:		
Appendix number:		

### Summary of main issues

1. The Chief Finance Officer's protocol, which constitutes Section 5k of the Council's constitution, requires that the Chief Finance Officer will report to the Corporate Governance and Audit Committee annually whether the arrangements set out in the protocol have been complied with and will include any proposals for amendments in the light of any issues that have arisen during the year.
2. Recognising the significant financial challenges facing the Council, it is critical that the Council has in place sound arrangements for financial planning and management.
3. The Council has established an effective financial control environment and specifically robust arrangements for strategic financial planning combined with effective financial management and control.
4. The Council also has a sound framework for reviewing and challenging financial performance, has realistic plans in place to make the necessary savings in the 2018/19 financial year, and is taking the appropriate steps to deliver them. Directorates have contingency plans in place to help to manage unforeseen variations against the budget.
5. The financial management and control framework is subject to a number of independent assessments, including the Council's Internal Audit function which has reviewed and given substantial assurance on the Council's main financial

processes, the integrity of the accounts and the accuracy of the major financial systems.

6. The financial management and control framework is continually being assessed and reviewed to ensure that it remains fit for purpose. This will continue and any issues and developments will be reported back to this Committee.

## **Recommendation**

7. Corporate Governance and Audit Committee are asked to note the Chief Officer (Financial Services) assurances that the appropriate systems and procedures are in place to ensure that there is sound financial management and control across the Authority. This provides the assurance that the arrangements set out in the Chief Finance Officer protocol, as set out in Section 5k of the Council's constitution, have been complied with.

### **1. Purpose of this report**

- 1.1 The overall purpose of this report is to provide assurance to this committee that the Council has in place effective and robust arrangements for financial planning, financial control and other financial management activities. In doing so the report sets out the current arrangements for complying with the requirements of the Chief Finance Officer's protocol that are set out in Section 5k of Council's constitution.
- 1.2 Given the financial challenges facing the Council both currently and in the medium-term, it is essential that we continue to ensure that we have in place appropriate arrangements around financial performance, strategic financial planning, financial governance and financial control. This report outlines;
  - The key systems, controls and procedures,
  - New developments and improvements which have been put in place,
  - New developments in the near future
  - New risks and any issues arising.
- 1.3 The report aims to give members assurance that the financial control and financial governance arrangements that are in place are fit for purpose, up to date and embedded across the organisation.

### **2. Background information**

- 2.1 This is the seventh year of reporting to this Committee on the financial planning and management arrangements of the Council. Previous reports have outlined the following arrangements;
  - a) Overarching controls;
    - The strategic role within the council of the Responsible Financial Officer;
    - Professionally qualified and accountable staff;
    - Financial regulations;
    - Monitoring of the integrity of financial systems;
    - A statutory code of practice for treasury management arrangements.

b) Main financial processes;

- Budget preparation and setting.
- In-year budget monitoring and management.
- Closure of accounts and reporting.

2.2 Reports to this Committee over a number of years have provided a detailed assessment of these arrangements, along with appropriate assurances that they are fit for purpose and embedded. As in previous reports, rather than just report the main processes and arrangements again, this report seeks to highlight progress on addressing previously identified weaknesses and any new developments or risks that have emerged over the last year. For information and reference, the basic processes and systems of financial control are contained within Appendix A.

2.3 The financial procedures and controls are part of the overall financial control environment and form a fundamental part of the assurances received by this Committee when approving the Annual Governance Statement as required by the Accounts & Audit Regulations 2015.

2.4 The Chief Finance Officer's protocol, which constitutes Section 5k of the Council's constitution, requires that the Chief Finance Officer will report to the Corporate Governance and Audit Committee annually whether the arrangements set out in the protocol have been complied with and will include any proposals for amendments in the light of any issues that have arisen during the year. The protocol provides some general information on how the Chief Finance Officer's statutory requirements will be discharged. A copy of the Chief Finance Officer's protocol is appended as Appendix B.

### **3. Main issues**

#### **3.1 Chief Financial Officer & Section 151 Officer**

3.1.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer to have responsibility for those arrangements. The role of Chief Financial Officer and the statutory Section 151 officer within Leeds City Council is being fulfilled by the Chief Officer (Financial Services).

3.1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) sets out the role of the Chief Financial Officer in local government in its Statement which was last updated in February 2016. This Statement sets how the requirements of legislation and professional standards should be fulfilled by Chief Financial Officers in the carrying out of their role.

3.1.2 In its Statement, CIPFA asserts that the Chief Financial Officer in a local authority;

- is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest,

- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy,
- must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- To deliver these responsibilities the Chief Financial Officer must lead and direct a finance function that is resourced to be fit for purpose and must also be professionally qualified and suitably experienced.

3.1.3 The governance requirements in the Statement are that the Chief Financial Officer should be professionally qualified, report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the Annual Governance Statement, together with an explanation as to how these different arrangements deliver the same impact.

3.1.4 As referenced in paragraph 3.1.1 the Council's designated statutory section 151 officer is Doug Meeson who holds the position of Chief Officer (Financial Services). In undertaking this statutory Section 151 function, and recognising that Doug Meeson both reports to the Director of Resources & Housing and is not a regular member of the Council's Corporate Leadership Team, it is necessary in this governance statement to explain how these arrangements fulfil the statutory Section 151 officer role.

3.1.5 To this end, the Chief Officer (Financial Services);

- Where relevant business requires he will attend Corporate Leadership Team and have advance notice of all meetings, agenda and reports and the right to attend and speak;
- Will attend meetings of the Council's Executive Board and have advance notice of all meetings, agenda and reports and the right to attend and speak;
- Will have advance notice, (including receiving agendas, minutes, reports and related papers) of all relevant meetings of the Authority (including meetings at which officer delegated decisions are taken) at which a binding decision may be made (including a failure to take a decision where one should have been taken);
- Will have the right to attend (including the right to be heard) any meeting of the Authority (including meetings at which officer delegated decisions are taken) before any binding decision is taken (including a failure to take a decision where one should have been taken);

- Will report directly to the Chief Executive in terms the statutory Section 151 responsibilities;
- Will have sufficient resources to enable him to address any matters concerning his Section 151 functions;
- Will appoint a deputy and keep him briefed on any relevant issues that he may be required to deal with in the absence of the Section 151 officer;
- Will meet regularly with the Head of Paid Service and the Monitoring Officer to consider and recommend action in connection with corporate governance issues and other matters of concern regarding any legal, ethical standards, probity, propriety, procedural or other constitutional issues that are likely to (or do) arise;
- Will report annually to the Corporate Governance and Audit committee regarding whether the arrangements are satisfactory and have been complied with and will include any proposals for amendments in the light of any issues that have arisen during the year.

3.1.6 These arrangements contribute towards satisfying the requirements of the Chief Finance Officer protocol which forms part of the Council's constitution.

## **3.2 Strategic Financial Planning.**

3.2.1 It is clear that the current and future financial climate for local government represents a significant risk to the Council's priorities and ambitions. The Council continues to make every effort possible to protect the front line delivery of services, and whilst we have been able to successfully respond to the financial challenge so far, it is clear that the position is becoming more difficult to manage and it will be increasingly difficult over the coming years to maintain current levels of service provision without changes in the way the Council operates. The report to Council in February 2018 'Best Council Plan 2018/19 – 2020/21' explains how this will be done: that, while continuing its programme of efficiencies, the Council needs to work differently, to keep evolving and innovating in terms of *what* it does and *how* it does it, exploring different service models and greater integration with other organisations and skilling up staff to grow their commercial and business acumen.

3.2.2 The final local government finance settlement was announced on the 6th February 2018. Through the settlement, government re-confirmed the multi-year funding settlement to 2019/20. Government have stated that as part of the move to a more self-sufficient local government, this multi-year settlement can provide the funding certainty and stability to enable more proactive planning of service delivery and support strategic collaboration with local partners and local authorities should also use their multi-year settlements to strengthen financial management and efficiency. However there remains uncertainty after 2019/20 which is the final year of the current settlement. Specifically further information is required with regard to the Government's intentions around future Council Tax increases, the continued receipt of specific grants and the funding of adult social care. In addition the

outcome of the Government's Fair Funding Review will have implications for the level of resources available to the Authority.

3.2.3 The 2018/19 budget was approved by Full Council on the 21<sup>st</sup> February 2018. The headlines from the 2018/19 budget proposals, when compared to the 2017/18 budget, are as follows:

- An increase in the Council's net revenue budget of £18.2m to £510.9m;
- A reduction in the revenue support grant from government of £65m (100%). Authorities piloting 100% business rate retention forego revenue support grant and the value of the grant foregone is taken into account in setting the new baseline;
- An increase in business rates income of £15.3m after this baseline adjustment;
- A reduction in the settlement funding assessment of £14.1m (6.6%);
- An increase in the general Council Tax of 2.99% together with a further 2% in respect of the Adult Social Care precept and an increase in the Council Tax base, generating an additional £17m of local funding;
- A combination of reduced funding and cost pressures means that the Council will need to deliver £33.9m of savings by March 2019 and;
- A net increase in staffing of 59 full time equivalent posts reflects the impact of increased trading and the realisation of additional income.

3.2.4 The Council has a proven and comprehensive approach to the development of its medium-term financial strategy, its annual budget setting and the identification of saving plans. The 2018/19 to 2020/21 Medium Term Financial Strategy was agreed by Executive Board in July 2017 and work is already underway to update this strategy in preparation for a report to the Executive Board in July 2018.

### **3.3 Financial Health Performance.**

3.3.1 Budget management and monitoring is a continuous process which operates at a number of levels throughout the Council. Although Directors are ultimately responsible for the delivery of their Directorate budget, operationally these responsibilities are devolved down to budget holders across the various services. The Council's budget accountability framework clearly articulates roles and responsibilities and aligns financial accountability within service decision-making. Every budget has a named accountable budget holder, supported by a finance officer, who is responsible for managing, monitoring and forecasting income and expenditure against the approved budget.

3.3.2 Financial monitoring across the Council is facilitated by the Council's Financial Management Systems (FMS). On a monthly basis budget holders, taking a risk-based approach, review their spend and commitments against the approved budgets and project their year-end position. There are also instances where spending is controlled on systems other than the Council's FMS, for example community care payments. In these instances, procedures are in place to ensure that information held in these systems is regularly reconciled to FMS. Ensuring the integrity of the accounts is as important to our budget monitoring processes as it is to the accounts, and this is a key role of the Corporate Financial Integrity

Forum which includes senior finance staff and is chaired by the Head of Finance (Financial Management).

- 3.3.3 Financial monitoring is undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. To reinforce this risk-based approach, specific support and reporting around the achievement of the key budget actions plans is in place in 2018/19.
- 3.3.4 As part of in-year budget management and monitoring, year-end projections for income and expenditure are submitted to the Chief Officer Financial Services, and the Corporate Leadership Team, and are also reviewed and challenged by the Corporate Finance Performance Group. In addition, budget monitoring reports are presented monthly to Directorate leadership teams, individual executive members, Executive Board and respective Scrutiny Committees.
- 3.3.5 In line with the Council's financial regulations and value of 'Spending Money Wisely', it is critical that where projected overspends are identified that action is taken to bring spending back into line with the approved budgets or to identify other sources of funding such as areas of under spend. All Directorates are required to have an agreed contingency plan in place before the beginning of each financial year.
- 3.3.6 Within the year, any decision to amend the approved budget has to be undertaken within the virement rules which, as part of the budget and policy framework, are agreed annually by Full Council as part of the annual budget setting process.

### **3.4 Capital Programme Controls and Monitoring**

- 3.4.1 As previously reported to this Committee, changes were made in 2013 to the capital approvals framework to strengthen accountability for capital decisions and streamline the decision making process. This has provided an enabling approach allied to transparency of decision making.
- 3.4.2 One of the main risks in developing and managing the capital programme is that insufficient resources are available to fund the programme. A number of measures are in place to ensure that this risk can be managed effectively:
- Ensuring written confirmation of external funding is received prior to contractual commitments being entered into;
  - Monthly monitoring of overall capital expenditure and resources forecasts alongside actual contractual commitments;
  - The capital programme includes a central contingency to cater for any unforeseen circumstances. In addition individual programmes and schemes contain a risk provision for unexpected circumstances;
  - Monthly updates of capital receipt forecasts prepared, using a risk based approach, by the Director of City Development;
  - Quarterly monitoring of the Council's VAT partial exemption position to ensure that full eligibility to VAT reclaimed can be maintained

- Compliance with Financial Procedure rules, Financial Regulations and Contract Procedure Rules to ensure the Council's position is protected.

Proposals for new capital schemes must follow a rigorous business case process to demonstrate investment is aligned to capital objectives, meets the needs of the public, will deliver best value, and identifies the necessary resources. Monthly capital programme monitoring is reported to both the Council's Financial Performance Group and Strategic Investment Board with capital programme update reports received quarterly by Executive Board.

- 3.4.3 The forecast of borrowing costs resulting from capital expenditure are budgeted for within the revenue budget. In the year following capital expenditure, as well as budgeting for interest costs, the revenue budget must make provision for the minimum revenue provision on borrowings which is accounted for over the life of the asset. Forecasts for the debt budget are dependent upon the interest rate assumptions, the likely level of capital spend and the Council's cash balances. The affordability of new borrowing and existing borrowing is reported on a monthly basis as part of the financial health reporting to the Executive Board, with specific treasury strategy reports presented to the Executive Board at least three times a year. A further report to ensure compliance with the prudential code, treasury management code of practice and internal audit compliance is presented to Corporate Governance and Audit Committee on an annual basis.

### **3.5 Financial Control Arrangements.**

- 3.5.1 External Audit provide independent assurance on the Council's accounts and accounting practice as well as the arrangements to ensure value for money and the controls around the key financial systems. The 2016/17 KPMG External Audit report received at this Committee in September 2017 concluded that Leeds City Council had "made proper arrangements to secure economy, efficiency and effectiveness in its use of resources,"
- 3.5.2 It is important that this Committee is informed of the key assurances provided and that these processes are still fit for purpose and are being complied with. Members should therefore note the following assurances;
- The Council has tried and trusted arrangements for treasury management which complies with CIPFA's Code of Practice on Treasury Management and the Prudential Code. This Committee received a separate Treasury Management Governance Report in January 2018 which reported on the robustness of these arrangements.
  - In response to the government's deficit reduction plans and subsequent cuts in the grants which we receive from government, the Council has delivered significant reductions in expenditure and increases in income with a further £33.9m of savings assumed in the 2018/19 budget. Establishing robust and achievable budgets under such difficult financial circumstances provides strong evidence that the financial process underpinning the budget and budget monitoring processes are effective. KPMG provide independent assurance



that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

- Internal Audit continues to provide assurance to members that all of the key core financial systems and processes are robust and are operating effectively.
- The Corporate Financial Integrity Forum, which meets each month and is chaired by the Head of Finance (Financial Management), has a key role within the financial control environment and its function is to help ensure that there are procedures and operations in place to provide the necessary quality, integrity and reliability of financial information and accounts. The overall purpose is to help ensure the financial stewardship of the Authority by monitoring;
  - The regular review and reconciliation of financial systems to the financial ledger.
  - The regular review and reconciliation of balance sheet accounts.
  - The requirement to have effective systems and procedures in place to facilitate the posting of financial data to the ledger.
  - That there are up to date bank mandates for all bank accounts to which LCC officers are signatories and that bank statements are regularly received and reconciled.
  - Reviewing any other area of financial control or financial governance risk, including partnerships and other joint working arrangements.

### **3.6 Key issues and developments for 2018/19 and future challenges and improvements;**

- 3.6.1 In December 2017 the Government notified the Council that the Leeds City Region Business Rates Pool bid to pilot 100% business rates retention had been successful. This pilot scheme is for one year only and allows the Leeds City Region Pool to retain all additional growth in business rates above the business rate baselines determined by Government and associated Section 31 grants. For the Leeds City Region Pilot this additional income is estimated to be in the region of £40m with the Pool retaining 50% (£20m) to continue to support and enable regional economic growth. The other 50% (£20m) will be allocated to the member authorities themselves to improve financial stability within their organisations. Of the 50% allocated to member authorities, half will be based on each authority's actual additional growth and half will be redistributed by population. For Leeds this additional business rates income as a result of the Pilot is estimated to be £7.3m
- 3.6.2 The Local Government Financial Settlement incorporated the Government's intention to move to 75% business rate retention from 2020/21. The plans to devolve business rates, need to be managed carefully as the rates are a volatile source of income that can vary according to how the national and local economy is performing with local authorities ill-equipped to absorb short-term risks and economic shocks.

- 3.6.3 In December 2017 the Government issued its Fair Funding Review consultation document on approaches to measuring the relative need and resources of local authorities. The current funding baselines for local authorities are based on an assessment of relative needs and resources introduced over ten years ago and data which has not been refreshed since the introduction of the 50% business rates retention system in 2013/14. Even under a scheme of 100% business rate retention, there will still be a need for a mechanism whereby resources are re-allocated between local authorities to reflect relative needs and resources. The key risk is the impact that the review will have upon the level of resources available to Leeds and the Government themselves recognise that “introducing a new needs and resources formula could result in significant changes to the funding baselines of some local authorities.”
- 3.6.4 National funding formula for schools – from 2020/21 schools will be allocated their schools block funding based on a new national funding formula and local authorities will no longer be involved in this decision. However transitional arrangements apply for 2018/19 and 2019/20. During this time local authorities will be allocated an amount based on the new national funding formula but they will still decide on a local formula for allocating this to schools. The schools funding formula for 2018/19 has now been approved following consultation with all schools and the Schools Forum. The 2018/19 funding formula will move as close as possible to the national funding formula as the majority of schools that took part in the consultation were in favour of this option and the Schools Forum also fully supported this approach. In addition work continues to be carried out to assess the financial impact and risk to the Council should maintained schools become academies.
- 3.6.5 Accounts and Audit Regulations 2015 & future accounting changes – in 2018/19 we need to continue to review and develop the processes for closing down the financial accounts and the preparation of the statement of accounts to ensure that we can meet the reduced timescales (the unaudited accounts now need to be certified by the 31<sup>st</sup> May with the final accounts published by the 31<sup>st</sup> July). 2018/19 is also expected to bring some changes to accounting for financial instruments, which the Council is preparing for. In addition, new government guidance on local authority investments will introduce the requirement for an investment strategy to be approved by local authorities.
- 3.6.6 Financial management systems - the current Financial Management System (FMS) is an in-house developed and managed Oracle-based system. The system is an excellent ledger system, but the general feel of the system is not modern and not user-friendly and there are specific gaps in the system’s capabilities, for example procurement/purchasing. Work will continue in 2018/19 to develop the system whilst also looking at longer-term options to significantly upgrade or to replace it.
- 3.6.7 Financial Management System (FMS) – the integrity of the data within the Council’s core FMS is very much dependent on the data and information from a multiple of source feeder systems, for example SAP for employee costs, Mosaic Framework-i for foster carer payments and CIS for Adult Social Care payments, Qube for property rental income, etc. In 2018/19 the work programme for the

Corporate Financial Integrity Forum will include seeking specific assurances as to the integrity of the source data that feeds into the core FMS, and in particular the new Civica system which is due to be introduced during the year for housing repairs and rents.

- 3.6.8 Supporting the Best Council Plan – the 2018/19 budget recognises the Best Council ambition of becoming a more enterprising organisation and includes a range of proposals around securing additional income from commercial activities and traded services. Financial Services have a key role to play in this around supporting service managers to grow their commercial and business acumen and in particular working with them around service costing, pricing and price sensitivity and understanding risks, pension liabilities, accounting for traded services, etc.
- 3.6.9 Financial Services review – as part of the ongoing Council-wide review of support services Financial Services have a budget savings plan target of £0.5m with a commensurate reduction in staffing posts by March 2019. Given the reductions that have already been achieved to date, and the scale of the challenge going forward, the finance function will continue to review the way that operates and in particular take advantage of the fact that it is now geographically based together in the Civic Hall which should facilitate increased effectiveness, economy and efficiency of the function.

#### **4. Corporate Considerations**

##### **4.1 Consultation and Engagement**

- 4.1.1 Extensive consultation was undertaken as part of the budget setting process, as outlined in the Revenue Budget and Council Tax 2018/19 report to Full Council on the 21<sup>st</sup> February 2018. This report has no direct issues requiring consultation or engagement.

##### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 A specific equality impact assessment of the budget at a strategic level was undertaken and was report to Full Council on the 21<sup>st</sup> February 2018 as part of the Revenue Budget and Council Tax 2018/19. This report has no direct equality and diversity/cohesion issues.

##### **4.3 Council policies and Best Council Plan**

- 4.3.1 The 2018/19 Best Council Plan's ambitions, outcomes and priorities underpin the 2018/19 budget and have been used to ensure that the Council's financial resources are directed towards its policies and priorities and, conversely, that these policies and priorities themselves are affordable. Spending money wisely is one of the core Council's values, with the priority being for Directorates and services to keep within their budgets. Ensuring that the Council has appropriate financial management systems and procedures in place is clearly a key aspect and as such this report does provide some assurances, albeit not comprehensive, assurance that money is being spent wisely.

- 4.3.2 The terms of reference of the Corporate Governance & Audit Committee require the Committee to consider the adequacy of the Council's policies and practices to ensure compliance with statutory guidance and the adequacy of the Council's corporate governance arrangements.

#### **4.4 Resources and value for money**

- 4.4.1 This report deals with the Council's overall financial control environment and specific arrangements for ensuring effective financial management and control and is aimed at providing assurance to members as to their fitness for purpose.

#### **4.5 Legal implications, access to information and call in**

- 4.5.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer have responsibility for those arrangements. The Accounts and Audit Regulations 2015 came into force on the 1<sup>st</sup> April 2015 and set out the responsibility for internal control, the published accounts and audit.
- 4.5.2 This report does not require a key or major decision and is therefore not subject to call-in.

#### **4.6 Risk Management**

- 4.6.1 An analysis of the key budget risks is maintained and subject to monthly review. Any significant and new risks are contained in the budget monitoring reports submitted to meetings of the Executive Board, together with any identified slippage on budget savings plans.
- 4.6.2 The Council's external auditors provide a risk assessment on the Council's financial resilience and the accounts process as part of their interim audit. As part of the interim report, officers are able to outline the processes put in place to mitigate these risks.

### **5. Conclusions**

- 5.1 The Responsible Financial Officer has established an effective overall financial control environment framework for financial planning and exercises effective financial management and control which, in his opinion, discharge both his statutory responsibilities and are consistent with the Chief Financial Officer protocol which forms part of the Council's constitution.
- 5.2 The framework of control and developments outlined in this report are fit for purpose, up to date, embedded and are regularly complied with.
- 5.3 Members can also take assurance from a number of rigorous reviews and assessments undertaken, including;
- Internal Audit provide annual assurances on the major financial systems and controls.

- Member scrutiny via Scrutiny Boards, Executive Board and Full Council ensures that the budget continues to meet the council's priorities and objectives. In addition, Corporate Governance & Audit Committee approves the Council's accounts.
- Officer review of the financial strategy, annual budget and in-year budget management and monitoring processes through the Financial Strategy Group, Finance Performance Group, Directorate leadership teams and the Corporate Leadership Team.
- Officer review of the adequacy of the control arrangements through the corporate Financial Integrity Forum.
- External Audit evaluated the Council's key financial systems as part of their audit work in respect of the 2017/18 accounts and will do so again as part of the 2018/19 audit.

5.4 Whilst the above arrangements should provide members with substantial assurance that the Council does have in place appropriate systems and procedures to deliver sound financial management and planning, it is important that this is kept continually under review and improved upon where appropriate.

## **6. Recommendations**

6.1 Members of the Corporate Governance and Audit committee are asked to note the assurances provided that the appropriate systems and procedures are in place to ensure that the Council delivers sound financial management and planning.

## **7. Background documents<sup>1</sup>**

7.1 None

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<sup>1</sup> The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.

# Appendix A

## 1. Overarching financial control environment

1.1 In order that the Council's statutory Chief Financial Officer can discharge his duties a number of overarching arrangements and controls are in place as part of an effective financial control environment;

1.1.1 **Chief Financial Officer** - The Chief Officer Financial Services, in the role of the Council's Chief Financial Officer, undertakes a strategic role and has established appropriate arrangements to discharge his responsibilities in line with CIPFA's recommended practice.

1.1.2 **Professionally qualified and accountable staff** - financial management across the council, both corporately and directorate-based is delivered by colleagues who are managerially responsible to the Chief Officer Financial Services. Many of the staff within the Financial Management service are professionally qualified accountants with many years of experience, and are themselves personally and professionally responsible for their actions and advice. This is reinforced through the council's performance and appraisal scheme which incorporates identifying key skills for finance staff, programmes of training, development and continuing professional development and peer review forums to ensure integrity as to the accounts and budget management and monitoring processes.

1.1.3 **Capital and treasury management arrangements** - As previously reported to this Committee, changes have been made to the capital approvals framework to strengthen accountability for capital decisions and streamline the decision making process. This work continues with the focus on an enabling approach allied to transparency of decision making. The capital programme continues to be closely monitored with Directorates and progress on schemes reported on a monthly basis. Quarterly updates are presented to the Executive Board. Proposals for new capital schemes must be accompanied by robust business cases and ensure that they are aligned to the Best Council Plan objectives.

The cost and affordability of the borrowing required to fund the capital programme is managed within the debt budget. The affordability of new borrowing and existing borrowing is reported on a monthly basis as part of the financial health reporting to the Executive Board, with specific treasury strategy reports presented to the Executive Board at least three times a year. A further report to ensure compliance with the prudential code, treasury management code of practice and internal audit compliance is presented to Corporate Governance and Audit Committee on an annual basis.

1.1.4 **Financial Regulations** - The council has a number of overarching Financial Regulations contained within the Council's constitution. Each regulation is supported by a series of toolkits to provide supporting guidance.

1.1.5 **Integrity of the accounts** - The integrity of all the financial data is of fundamental importance in ensuring financial information is both timely and accurate in order to

correctly inform decision making. This is a key role of the corporate Integrity Forum which includes senior finance staff and is chaired by the Head of Finance – Financial Management. The forum reviews all key financial control accounts such as cash and tax; the validity of all feeder systems into the financial ledger; along with such things as system access rights and coding structures.

- 1.1.6 **Framework for the Council's treasury management arrangements** - the Council also has tried and trusted arrangements for treasury management based on CIPFA's code of practice on treasury management and the prudential code.

## **2. Main financial processes**

- 2.1 The above arrangements are intrinsic to all aspect of the overall financial control environment but are perhaps best illustrated in practice through the annual financial cycle which covers;

- Financial planning and budget preparation and setting.
- In-year budget management and monitoring.
- Closure of accounts and year-end reporting.

### **2.1.1 Financial planning and budget setting**

- 2.1.1.1 Local authorities are under a statutory duty to set a balanced budget each year. Whilst at a basic level this can simply be seen as an annual exercise, given the financial challenges facing local authorities this needs to be set within a context of a medium term financial strategy. Since 2016/17, the first year covered by the 2015 Spending Review, the Council has delivered significant reductions in expenditure and increases in income and the 2018/19 approved budget requires the realisation of a further £33.9m of savings.
- 2.1.1.2 The Council's Medium-Term Financial Strategy provides a framework within which the annual budget process can sit. The strategy does not attempt to provide a detailed budget but it does recognise the Council's ambitions, policies and priorities, sets out the main financial challenges facing the Council and provides a broad framework for the delivery of efficiencies and savings to bridge the identified funding gap. This financial strategy was last presented to the Executive Board in July 2017 and will be updated and reported to the Executive Board in July 2018 to reflect the 2018/19 local government finance settlement and the Council's 2018/19 budget.
- 2.1.1.3 Within the context of the financial strategy, as well as being a financial expression of the Council's policies and priorities, the annual budget is also a means of controlling spending to the available resources and re-enforcing financial accountability and responsibility.
- 2.1.1.4 The annual budget process is led by the Chief Officer Financial Services and involves a wide range of officers and members across the council. The process starts soon after the budget setting of the previous year with an early assessment of available funding and key pressures. Undertaking such an assessment involves a range of assumptions including the level of core government grant and

other specific funding, council tax base, the determination of the level of business rates receivable, the level of inflation, demand and demography trends, interest rates, levels of income and fees & charges as well as new or developing spending pressures. This part of the process is led by corporate finance staff, but will involve financial and non-financial staff based in directorates and service areas. The process will, at such an early stage, invariably identify a budget shortfall. This high level exercise will be subject to a number of iterations with assumptions being subject to regular review and reassessment.

- 2.1.1.5 Directorates start to prepare and input detailed estimates into the budget module of the council's financial management system (FMS) in late summer. These are done at cost centre level and involve budget holders reviewing their service priorities, spending requirements in conjunction with Directorate based finance staff and in accordance with the corporately determined guidelines.
- 2.1.1.6 The development of options to balance to available resources is a key aspect in any budget process and needs to balance both capital and revenue pressures. This clearly can be a difficult area of work and whilst needing to be pragmatic and sufficient, it is crucial that the process reflects the Council's ambitions, policies and priorities. This is ensured through close engagement of senior officers and Executive Board portfolio members at appropriate points in the process.
- 2.1.1.7 The Council's constitution determines that initial budget proposals are submitted to scrutiny eight weeks prior to the council's budget meeting. In practice this is after Executive Board approval, and requires the proposals to be submitted to the December meeting of the Board.
- 2.1.1.8 Budget preparation and setting is a demanding process and operates to strict timescales. This places an emphasis upon not just process planning but also engagement with elected members and senior management.
- 2.1.1.9 In many ways the budget is an exercise in managing risk. With limited resources, it is inevitable that elements of the budget will depend upon actions which have yet to happen, or upon assumptions that may in reality vary from those assumed at budget setting. As such an important element of the budget process is the development and maintenance of a list of key budget risks which attempts to identify and assess the risks built into the budget. It is important to appreciate that the time frame of the list of budget risks is a single budget year. The list of key budget risks not only assists in assessing the robustness of the budget but also acts as a means of assessing the adequacy of the general reserve in that it provides an assessment of what may go wrong in-year.
- 2.1.1.10 Reaching a view of the robustness of the budget and the adequacy of the general reserve not only requires consideration of the processes and systems used in preparing the estimates, but also a consideration of the strength of the arrangement in place for internal financial management and control.

## **2.1.2 In-year Budget Management and Monitoring**



- 2.1.2.1 Budget management and monitoring is a continuous process which operates at a variety of levels throughout the Council. Although Directors are ultimately responsible for the delivery of their Directorate budget, operationally these responsibilities are devolved down to budget holders within the Council. In line with the budget holder accountability framework, every budget has a named budget holder who is responsible for managing and monitoring income and expenditure against the approved budget.
- 2.1.2.2 Financial and budget monitoring in the Council is facilitated by the Council's financial management system (FMS). The system holds information as to the approved budgets, actual spend and income, commitments and year-end projections. On a monthly basis budget holders review spend to date, against the approved budget and against profiled budgets. In addition, budget holders are also required to predict their end of year position which is done with the assistance of directorate-based finance staff – this clearly does involve a degree of judgement. In practice some budgets are more difficult to manage and forecast than others. There are also instances where spending is controlled on systems other than the Council's main FMS, for example community care payments. In these instances, procedures are in place to ensure that information held in these systems is regularly reconciled to FMS.
- 2.1.2.3 Financial monitoring is undertaken and operates on a hierarchical basis, whereby the monthly projections of budget monitoring officers and budget holders are aggregated upwards to be reviewed by budget holders, Chief Officers and Directors. The year-end projections for each Directorate are submitted to corporate finance and are reviewed and challenged each month by the Council's Finance Performance Group (FPG). This group is primarily made up of Heads of Finance and is chaired by the Head of Finance (Financial Management). The year-end projections are then reported monthly to the Council's Corporate Leadership Team and the Executive Board. As well as being accurate, monitoring also needs to be timely, and as such monthly reporting is operated according to a strict timetable. In addition, at each monthly FPG meeting, monitoring statements in relation to the capital programme and debt are also reviewed. Monitoring performance reports on the capital programme, capital receipts, council tax and business rate collection, and treasury/debt activities are considered during the year by the Executive Board.
- 2.1.2.4 In line with the Council's values of Spending Money Wisely, it is critical that where projected overspends are identified that action is taken to bring spending back into line with the approved estimates or to identify other sources of funding such as areas of under spend. All Directorates have agreed contingency plans identified to the value of the key risks identified in the budgets. In-year, any decision to amend budgets is undertaken within the virement rules agreed annually by Full Council as part of the budget-setting process. All such decisions are recorded as part of the delegated decision making process.
- 2.1.2.5 It is also important to appreciate that both External and Internal Audit also review our budget and budget monitoring arrangements in order to assess whether they are satisfied that, in all significant respects, the Council has put in place proper

arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **2.1.3 Closure of accounts**

- 2.1.3.1 The first stages of the closedown process is a natural extension of the budget monitoring arrangements with budget holders compiling the final figures for their areas of responsibility to determine an outturn position to be reported to Executive Board, usually in June each year. This report compares the budget to the final outturn for each directorate and provides an explanation as to the reason for any variation, including explanations of major variations on individual capital schemes. This comparison to the budget provides a clear indication as to the robustness of the original budget setting and the quality of the budget monitoring process.
- 2.1.3.2 Alongside the budget monitoring process, significant accounting decisions are referred to the strategic accounting team within corporate finance to ensure compliance with applicable accounting standards. KPMG are also consulted on such decisions to ensure they are agreed by all parties before a major financial decision is made.
- 2.1.3.3 All changes to accounting practice are assessed and, where applicable, implemented by specialist officers in corporate finance. All finance officers and relevant directorate officers are informed of the implications of any changes. The application of appropriate accounting practice is assessed by the council's External Auditors and reported back to members of this Committee.
- 2.1.3.4 Staff in corporate finance oversee the closedown process and the Chief Officer Financial Services will review both the accounts themselves and the processes used to compile them, before certifying signing them as a true and fair view. The Council's external auditors provide members with independent assurance that, in their opinion, the accounts do reflect a true and fair view of the council's financial position and that they comply with proper accounting practice.
- 2.1.3.5 New accounting requirements and outturn projections are taken into account when the budgets are set for the following year.

# **CHIEF FINANCE OFFICER PROTOCOL**

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## CHIEF FINANCIAL OFFICER PROTOCOL

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### 1.0 INTRODUCTION TO STATUTORY RESPONSIBILITIES

- 1.1 The Chief Finance Officer is a statutory appointment pursuant to section 151 of the Local Government Act 1972. This Protocol provides some general information on how those statutory requirements will be discharged.
- 1.2 The role of the Chief Finance Officer rests with the Chief Officer Financial Services.
- 1.3 A summary list of the Chief Finance Officer's statutory responsibilities appears in the Annex A attached. The Chartered Institute of Public Finance and Accountancy (CIPFA) has also issued a Statement on the role of the Chief Finance Officer and the key responsibilities are outlined at Annex B. The Chief Finance Officer's ability to discharge these duties and responsibilities will depend, to a large extent, on members and officers:-
- (a) complying with the law;
  - (b) complying with any relevant Codes of Conduct or codes or protocols issued from time to time;
  - (c) making lawful and proportionate decisions; and
  - (d) generally, not taking action that would bring the Council, their offices or professions into disrepute.
- 1.4 The Chief Finance Officer is not merely a servant of the authority, but also holds a fiduciary responsibility to the local taxpayers.

### 2.0 WORKING ARRANGEMENTS

- 2.1 CIPFA have set out five principles that define core activities and behaviours that belong to the role of the Chief Finance Officer
- i) The Chief Finance Officer should be a key member of the Leadership Team, helping the organisation to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.
  - ii) The Chief Finance Officer must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the organisation's financial strategy

- iii) The Chief Finance Officer must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- iv) To deliver these responsibilities the Chief Finance Officer must lead and direct a finance function that is resourced to be fit for purpose; and
- v) The Chief Finance Officer must be professionally qualified and suitably experienced.

2.2 Having excellent working relations with members and officers will assist in the discharge of the statutory responsibilities by the Chief Finance Officer. Equally, a speedy flow of relevant information and access to debate (particularly at the **early stages** of any decision-making by the council) will assist in fulfilling those responsibilities. Members and officers must, therefore, work with the Chief Finance Officer (and his/her staff) to discharge the council's statutory and discretionary responsibilities.

2.3 The Chief Finance Officer must be a qualified member of a specified accountancy body and is vested with the statutory responsibilities for maintaining finance administration and stewardship including the responsible finance officer duties and with strategic and corporate roles. CIPFA asserts that the Chief Finance Officer in a public service organisation should be a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest. Whilst the Chief Officer Financial Services is not a member of the corporate leadership team in Leeds the following arrangements and understandings between the Chief Finance Officer, members and directors are designed to ensure the effective discharge of the council's business and functions. The Chief Finance Officer will:-

#### 2.3.1 Resources

- (a) report to the Council, as necessary on the staff, accommodation and resources s/he requires to discharge his/her statutory functions;
- (b) have sufficient resources to enable him/her to address any matters concerning his/her Chief Finance Officer functions;
- (c) appoint a deputy and keep him/her briefed on any relevant issues that s/he may be required to deal with in the absence of the Chief Finance Officer. Appoint an appropriate external adviser in cases where the Chief Finance Officer is precluded from offering advice and the deputy is unable to advise.

#### 2.3.2 Access to information/meetings

- (a) be alerted by members and officers to any issue(s) that may become of concern to the council, including in particular, issues around financial management, accounts and audit regulations, proposed expenditure or proposed actions which might lead to a loss or deficit;

- (b) have advance notice (including receiving agendas, minutes, reports and related papers) of all relevant meetings and delegated decision making of the council at which a decision may be made (including a failure to take a decision where one should have been taken);
- (c) have the right to attend any meeting of the council (including the right to be heard and report to the Executive Board) before any decision is taken (including a failure to take a decision where one should have been taken);
- (d) in carrying out any investigation(s) and exercising any fiduciary duties have unqualified access to any information held by the council and to any officer who can assist in the discharge of his functions;
- (d) have advance notice of meetings of the Corporate Leadership Team, including agendas and reports and have the right to attend and speak on all matters which have financial implications;

### 2.3.3 Relationships

- (a) A reciprocal responsibility to ensure the other statutory officers (Head of Paid Service and the Monitoring Officer) are kept up-to-date with relevant information regarding any financial management, accounts and audit regulations, proposed expenditure or proposed actions which might lead to a loss or deficit;
- (b) meet regularly with the Head of Paid Service and the Monitoring Officer to consider and recommend action in connection with corporate governance issues and other matters of concern regarding any financial management, accounts and audit regulations, proposed expenditure or proposed actions which might lead to a loss or deficit;
- (c) develop effective working liaison and relationship with the external auditor (including having the authority, on behalf of the council, to complain to the same, refer any breaches to the same or give and receive any relevant information, whether confidential or otherwise, through appropriate protocols, if necessary);
- (d) in consultation, as necessary, with the Leader, the Executive Board and the external auditor, defer the making of a formal report under sections 114, 115 and 116 of the Local Government and Finance Act 1988 where another investigative body is involved;

## 3.0 **MEMBER AND OFFICER RESPONSIBILITIES**

To ensure the effective and efficient discharge of the arrangements set out in paragraph 2 above, members and officers will report any breaches of statutory duty or council policies or procedures and ultra vires or constitutional concerns to the Chief Finance Officer, as soon as practicable.

#### **4.0 ADVICE**

The Chief Finance Officer is also available for members and officers to consult on any issues of the council's financial powers, possible unlawful payments, or general advice on the financial arrangements.

The Chief Finance Officer or deputy will record details of any advice given.

#### **5.0 MONITORING THE PROTOCOL**

Annually, the Chief Finance Officer will report to the Corporate Governance and Audit Committee regarding whether the arrangements set out in this protocol have been complied with and will include any proposals for amendments in the light of any issues that have arisen during the year.

#### **6.0 SANCTIONS FOR BREACH OF PROTOCOL**

Complaints of a breach of this protocol by an officer will be referred to the relevant Director and/or the Chief Executive for appropriate action to be considered, including disciplinary investigation.

## Annex A

### SUMMARY OF CHIEF FINANCE OFFICER STATUTORY FUNCTIONS

	Description	Source
1	That the Treasurer is not merely a servant of the Council but holds a fiduciary relationship to the local taxpayers.	Case law - Attorney General -v- De Winton (1906).
2	To make arrangements for the proper administration of their Finance affairs. Legal opinion taken states that the term "administration" means responsibility for managing the totality of the Finance affairs of a local Council in all of its dealings.	Section 151 of the Local Government Act 1972
3	The Officer appointed as the responsible Chief Finance Officer must, be a Member of a specified accountancy body.  The statutory role must be performed by an "Officer" of the Council.	Section 113 of the Local Government Finance Act 1988
4	In consultation with the Monitoring Officer and Head of Paid Service, reporting to all members and the external auditor if there is, or is likely to be, unlawful expenditure or an unbalanced budget.	Section 114 Local Government Finance Act 1988
5	Advising whether particular decisions are likely to be contrary to the policy framework or budget of the council.	Local Government Act 2000
6	Maintain an adequate and effective system of internal audit for accounting records and control systems.	Accounts and Audit Regulations 2015
7	Reporting to Council on both the robustness of the budget estimates and the adequacy of financial reserves, and ensuring compliance with the prudential capital regime.	Local Government Act 2003



## Annex B

In its Statement CIPFA sets out the five principles that define the core activities and behaviours that belong to the role of the Chief Finance Officer in public service organisations. The core responsibilities against each of these principles are set out below.

### (a) **Principle 1 - contributing to Corporate Management and Leadership**

- Contributing to the effective leadership of the authority, maintaining focus on its purpose and vision through rigorous analysis and challenge.
- Contributing to the effective corporate management of the authority, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and performance management.
- Supporting the effective governance of the authority through development of corporate governance arrangements, risk management and reporting framework corporate decision making arrangements.
- Contributing to the development of public service partnership to deliver objectives.
- Leading or promoting change programmes within the authority.
- Leading development of a medium-term financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its delivery.

### (b) **Principle 2 - responsibility for financial strategy and influencing decision making**

#### Responsibility for financial strategy:

- Agreeing the financial framework and planning delivery against the defined strategic and operational criteria.
- Maintaining a long-term financial strategy to underpin the authority's financial viability within the agreed performance framework.
- Implementing financial management policies to underpin sustainable long-term financial health and reviewing performance against them.
- Evaluating the financial implications of alternative delivery models.
- Appraising and advising on commercial opportunities and financial targets.
- Developing and maintaining an effective resource allocation model to deliver business priorities.
- Developing an approach for the delivery of collaborative services within a structured framework.
- Leading on asset and balance sheet management to allow the authority to maximise its effective use of resources.
- Co-ordinating the planning and budgeting processes.
- Involvement in strategic assets management.

#### Influencing decision making:

- Ensuring that opportunities and risks are fully considered and decisions are aligned with the overall financial strategy.

- Providing professional advice and objective financial analysis enabling decision makers to take timely and informed business decisions.
- Ensuring that efficient arrangements are in place and sufficient resources available to provide accurate, complete and timely advice to support councillors' strategy development.
- Ensuring that clear, timely, accurate advice is provided to the executive in setting the funding plan/budget.
- Ensuring that advice is provided to the scrutiny function in considering the funding plan/budget.
- Ensuring that the authority's capital projects are chosen after appropriate value for money analysis and evaluation using relevant professional guidance.
- Checking, at an early stage, that innovative financial approaches comply with regulatory requirements.
- Financial information for decision makers
- Monitoring and reporting on financial performance that is linked to related performance information and strategic objectives that identifies any necessary corrective decisions.
- Preparing timely management accounts.
- Ensuring the reporting envelope reflects partnerships and other arrangements to give an overall picture.
- Monitoring the service impact of 3rd party contacts on the delivery of organisational objectives.
- Monitoring the longer-term financial impact of 3rd party contracts.

(c) **Principle 3 – Financial Management, value for money, safeguarding public money and assurance & scrutiny.**

Promotion of financial management:

- Assessing the authority's financial management style and the improvements needed to ensure it aligns with the authority's strategic direction.
- Actively promoting financial literacy throughout the authority.
- Actively promote good financial management throughout all partnerships and alternative delivery models.
- Assisting the development of a protocol which clearly sets out the roles and responsibilities of both democratically elected councillors, whether acting in executive or scrutiny roles, and of officers for financial management, including delegated authority/powers.
- Ensure effective monitoring of partnerships through monitoring and access to information.

Value for money:

- Challenging and supporting decision makers, especially on affordability and value for money, by ensuring policy and operational proposals with financial implications are signed off by the finance function or being clear on the reasons for alternative selection.
- Advising on the financial thresholds for 'key' decisions where there is a requirement to do so.

- Developing and maintaining appropriate asset management and procurement strategies.
- Managing long-term commercial contract value.

#### Safeguarding public money;

- Applying strong internal controls in all areas of financial management, risk management and asset control.
- Establishing budgets, financial targets and performance indicators to help assess delivery.
- Implementing effective systems of internal control that include standing financial instructions, operating manuals, and compliance with codes of practice to secure probity.
- Ensuring that the authority has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.<sup>14</sup>
- Ensuring that delegated financial authorities are respected.
- Promoting arrangements to identify and manage key business risks, including safeguarding assets, risk mitigation and insurance.
- Overseeing of capital projects and post completion reviews.
- Applying discipline in financial management, including managing cash and banking, treasury management, debt and cash flow, with appropriate segregation of duties.
- Ensuring the effective management of cash flows, borrowings and investments of the authority's own funds or the pension and trust funds it manages on behalf of others; ensuring the effective management of associated risks; pursuing optimum performance or return consistent with those risks.
- Implementing appropriate measures to prevent and detect fraud and corruption.
- Establishing proportionate business continuity arrangements for financial processes and information.
- Ensuring that any partnership arrangements are underpinned by clear and well documented internal controls.
- Be alert to potential conflicts of interest and ensure the authority has access to appropriate independent advice.

#### Assurance and scrutiny;

- Reporting performance of both the authority and its partnerships to the board and other parties as required.
- Ensuring that financial and performance information presented to members of the public, the community and the media covering resources, financial strategy, service plans, targets and performance is accurate, clear, relevant, robust and objective.
- Supporting and advising the audit committee and relevant scrutiny groups.
- Ensuring that clear, timely, accurate advice is provided to the executive and the scrutiny functions on what considerations can legitimately influence decisions on the allocation of resources, and what cannot.
- Preparing published budgets, annual accounts and consolidation data for government-level consolidated accounts.

- Ensuring that the financial statements are prepared on a timely basis, meet the requirements of the law, financial reporting standards and professional standards as reflected in CIPFA's Code of Practice.
- Certifying the annual statement of accounts.
- Ensuring that arrangements are in place so that other accounts and grant claims (including those where the authority is the accountable body for community led projects) meet the requirements of the law and of other partner organisations and meet the relevant terms and conditions of schemes
- Liaising with the external auditor.

**(d) Principle 4 - Lead and direct a finance function that is resourced to be fit for purpose.**

- Leading and directing the finance function so that it makes a full contribution to and meets the needs of the business.
- Determining the resources, expertise and systems for the finance function that are sufficient to meet business needs and negotiating these within the overall financial framework.
- Managing partnership delivery.
- Implementing robust processes for recruitment of finance staff and/or outsourcing of functions.
- Reviewing the performance of the finance function and ensuring that the services provided are in line with the expectations and needs of its stakeholders.
- Seeking continuous improvement in the finance function.
- Ensuring that finance staff, managers and the leadership team are equipped with the financial competencies and expertise needed to manage the business both currently and in the future whether directly or indirectly employed.
- Ensuring that the head of profession role for all finance staff in the authority is properly discharged.
- Acting as the final arbiter on application of professional standards.

## Report of City Solicitor

## Report to Corporate Governance and Audit Committee

**Date: 16<sup>th</sup> March 2018**

**Subject: Draft Work Programme**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### 1 Purpose of this report

- 1.1 The Purpose of this report is to notify Members of the Committee's draft work programme for the forthcoming Municipal Year. The draft work programme is attached at Appendix 1.

### 2 Background information

- 2.1 The work programme provides information about the future items for the Corporate Governance and Audit Committee agenda, when items will be presented and which officer will be responsible for the item.

### 3 Main issues

- 3.1 Members are requested to consider the draft work programme attached at Appendix 1 and determine whether any additional items need to be added to the work programme.
- 3.2 Members are asked to consider and note the provisional dates for meetings of the Committee in the Municipal Year; these have been set out in such a way as to enable the Committee to fulfil its functions and responsibilities in a reasonable and proportionate way.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 This report consults seeks Members views on the content of the work programme of the Committee, so that it might meet the responsibilities set out in the committee's terms of reference.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 There are no equality and diversity or cohesion and integration issues arising from this report.

### **4.3 Council Policies and City Priorities**

- 4.3.1 The work programme provides a balanced number of reports and assurances upon which the committee can assess the adequacy of the council's corporate governance arrangements.

### **4.4 Resources and Value for Money**

- 4.4.1 It is in the best interests of the Council to have sound control arrangements in place to ensure effective use of resources, these should be regularly reviewed and monitored as such the work programme directly contributes to this.

### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 This report is not an executive function and is not subject to call in.

### **4.6 Risk Management**

- 4.6.1 By the Committee being assured that effective controls are in place throughout the Council the work programme promotes the management of risk at the Council.
- 4.6.2 The work programme adopts a risk based approach to the significant governance arrangements of the Council.

## **5 Conclusions**

- 5.1 The work programme of the Committee should be reviewed regularly and be updated appropriately in line with the risks currently facing the Council.

## **6 Recommendations**

- 6.1 Members are requested to consider the draft work programme and provisional dates at Appendix 1 and determine whether any additional items need to be added to the work programme.

## CORPORATE GOVERNANCE AND AUDIT COMMITTEE DRAFT WORK PROGRAMME

<b>26<sup>th</sup> June 2018</b>		
Annual Decision Making Assurance Report	To receive an annual assurance report on the Council's decision making governance arrangements.	Andy Hodson Head of Governance and Scrutiny Support
Governance Arrangements for the Management of Building Assets	To receive an assurance report on the governance arrangements in place to manage the Council's building assets – including those for the management of buildings with listed status	Martin Farrington – Director of City Development
Internal Audit Update report	To receive the Internal Audit update report	Sonya McDonald Acting Head Of Internal Audit
Annual Risk and Performance Management Report	To receive an annual assurance report on the Council's Risk and Performance Management arrangements.	Coral Main Head of Business Planning & Risk
Annual Report on employment policies and practices	To receive an annual assurance report on the Council's employment policies and practices arrangements.	Helen Fallows Senior HR Business Partner
Publication of Draft Statement of Accounts	To note the draft Statement of Accounts	Doug Meeson Chief Officer (Financial Services)
The Draft Annual Governance Statement	To note and comment upon the draft Annual Governance Statement published with the draft Accounts	Andy Hodson Head of Governance and Scrutiny Support

**27<sup>th</sup> July 2018**

Internal Audit Report and Opinion	To receive the annual Internal Audit report and opinion	Sonya McDonald Acting Head Of Internal Audit
KPMG – Audit Report and ISA 260 Report	To receive the annual report from the External Auditor to those charged with governance.	Doug Meeson Chief Officer (Financial Services)
The Draft Annual Governance Statement	To note and comment upon the draft Annual Governance Statement published with the draft Accounts	Andy Hodson Head of Governance and Scrutiny Support
Approval of the Leeds City Council Accounts	To approve the accounts	Doug Meeson Chief Officer (Financial Services)



**23<sup>rd</sup> November 2018**

Transition to new External Auditor	To receive a report setting out arrangements for the transfer of External Audit responsibilities from KPMG to Grant Thornton	Doug Meeson Chief Officer (Financial Services)
Annual Audit Letter 2017/18	To receive the Annual Audit letter from the External Auditor	Doug Meeson Chief Officer (Financial Services)
Customer Contact and Satisfaction Annual Report	To receive the annual assurance report concerning customer contact and satisfaction	Lee Hemsworth Chief Officer (Customer Access)
Internal Audit Update Report	To receive an update report on Internal Audit's work.	Sonya McDonald Acting Head Of Internal Audit
Treasury Management Annual Report	To receive the annually Treasury Management Report providing assurance on the processes used by the department	Doug Meeson Chief Officer (Financial Services)

<b>22<sup>nd</sup> March 2019</b>		
Certification of Grant Claims and Returns	To receive a report from the External Auditor certifying grants and returns.	Doug Meeson Chief Officer (Financial Services)
Internal Audit Plan	To receive a report seeking views on the Internal Audit Plan for 2018/19	Sonya McDonald Acting Head Of Internal Audit
External Audit Plan	To receive a report from the External Auditor presenting the external audit plan	Doug Meeson Chief Officer (Financial Services)
Internal Audit Update Report	To receive an update report on Internal Audit's work.	Sonya McDonald Acting Head Of Internal Audit
Annual Business Continuity Report	To receive the annual assurance report concerning the Council's Business Continuity arrangements.	Mariana Pexton (Chief Officer Strategy and Improvement)
Annual Assurance Report on the Procurement, Policies and Practices	To receive the annual assurance report concerning Procurement, Policies and Practices	Doug Meeson Chief Officer (Financial Services)
Annual Management (Incorporating 2016/17) Financial Report (Capital)	To receive the annual assurance report concerning Financial Planning and Management Arrangements at the Council	Richard Ellis (Head of Finance)
Information Governance Annual Report	To receive an annual Assurance report on the Council's Information Governance arrangements.	Louise Whitworth, Chief Head of Information Management and Governance