



# **Annual Governance Statement 2014**

## **1. SCOPE OF RESPONSIBILITY**

- 1.1 Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities like Leeds this also includes how we relate to the communities that we serve.
- 1.2 We must conduct a review, at least once a year, of the effectiveness of our system of internal control and report our findings in an annual governance statement. The statement must be prepared in accordance with proper practices and be reported to a committee of Councillors. This document comprises our annual governance statement for 2014.
- 1.3 The statement should be read alongside our planning, performance management and accountability arrangements described in;

The Vision for Leeds 2011-2030

Our City Priority Plan 2011-2015

Our Best Council Plan 2013–2017 (updated 2014)

Our Financial Strategy (2013-17) and annual budget

Our People Plan (updated 2014)

### **Context**

- 1.4 Our ambition is to be at the forefront of those local authorities that are able to demonstrate that they have the necessary corporate governance to excel in the public sector. We aspire to be the best local authority in UK, in the best City.
- 1.5 The changing needs of our citizens and communities, significant reductions in resources and central government reforms continue to present a challenge to all councils. In addressing these challenges we must ensure that governance arrangements support the effective delivery of services and management of risk.
- 1.6 By applying the principles in our Code of Corporate Governance (summarised below) and applying our local codes of conduct for Members and employees, we commit to devising and delivering services to the citizens of Leeds in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity.
- 1.7 Our Code of Corporate Governance outlines our governance principles:
- Focussing on the Council's purpose and community needs;
  - Having clear responsibilities and arrangements for accountability;
  - Good conduct and behaviour;
  - Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
  - Developing the capacity and capability of members and officers to be effective;
  - Engaging with local people and other stakeholders.

## **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 2.1 Our governance arrangements are designed to ensure that we take an appropriate and proportionate approach to managing risk. The arrangements are not designed to eliminate all risks but rather provide a reasonable degree of assurance of our effectiveness.
- 2.2 The governance framework has been in place for the year to the date of approval of this annual governance statement.

## **3. THE GOVERNANCE FRAMEWORK**

- 3.1 Our governance framework in Leeds comprises the systems and processes, and culture and values that allow us to achieve our strategic objectives and provide services in an appropriate and cost effective way.
- 3.2 These can be summarised as:
- Our vision; that is our shared priorities and intended outcomes for citizens and service users documented in the Vision for Leeds, Best Council Plan and other documents contained in our Budget and Policy Framework;
  - The committees, boards and panels we have established to ensure democratic engagement and accountability is central to our key and other important decisions;
  - Our arrangements for the oversight and scrutiny of decisions and policy development by councillors;
  - Delegation and sub delegation arrangements which document the roles and responsibilities of executive and non-executive councillors and our statutory (and other senior) officer functions;
  - Our risk, performance and accountability arrangements that measure the quality of services; ensuring they are delivered in accordance with our objectives and that they represent the best use of resources;
  - Our People Plan, Member Development Strategy, Values and codes of conduct which underpin how Members and employees work;
  - Our arrangements for consultation and engagement with the community, particularly focussed to help ensure inclusivity;
  - Our arrangements to safeguard our most vulnerable citizens including fully embracing the role of independent chairs of safeguarding boards for children and adults;
  - A high performing and independent Internal Audit service that is well regarded by our External Auditors;
  - Independent oversight and challenge provided by our External Auditors, Government Inspectorates and the Local Government Ombudsman;
  - Our procedure rules and internal management processes for:
    - Financial management
    - Procurement
    - Information governance and data security
    - Health and safety
    - Decision making
    - Whistleblowing and complaints handling
    - Anti-fraud & corruption

## 4. REVIEW OF EFFECTIVENESS

- 4.1 We have a statutory responsibility for conducting, at least annually, a review of the effectiveness of our governance arrangements to ensure there is a sound system of governance and that those arrangements help enable us to secure continuous improvement in the way in which our functions are carried out. As part of this review, we consider a combination of economy, efficiency and effectiveness factors – with the aim being to ensure that we secure continuous improvement in the way we carry out our duties to the citizens of Leeds.
- 4.2 Our review considers decisions taken and matters considered by Full Council and committees appointed by Full Council, the Executive Board, Corporate Leadership Team (and, via consideration of this statement by our Corporate Leadership Team, Directors' knowledge of the operation of governance arrangements within their directorates), the work of the Corporate Governance and Audit Committee, internal auditors, service managers, work undertaken by external auditors and inspectorates and the opinion of the Local Government Ombudsman.

### **A self-assessment of our effectiveness**

#### **Effective planning, risk and performance management framework**

- 4.3 Our planning, risk and performance management framework has enabled members and senior management to **Focus effectively on the Council's purpose and community** needs. The Corporate Governance and Audit Committee has received positive assurances about the operation of these arrangements.
- 4.4 The Risk and Performance Board provides a check and challenge on risk and performance management information, escalating to our Corporate Leadership any issues of concern. Scrutiny Boards receive regular reports on performance and we continue to make this information publicly available on our website. Reports on the most significant risks to the Council (for example, Safeguarding, the Care Act, the budget) are presented to appropriate boards for consideration, such as the Executive Board, Full Council, Children's Trust Board and Health & Wellbeing Board, among others. Our risk management arrangements have been enhanced in 2013/14 through the rollout of dedicated software which has facilitated monitoring, reporting and thereby management of risk. The corporate risk register itself is being updated to align with the refreshed Best Council Plan and will then be reported to Executive Board.
- 4.5 In November 2013, our Corporate Leadership endorsed proposals for a new cross-council intelligence function to incorporate risk management, performance management, engagement, research and intelligence. The drivers for this consolidated approach are a stronger service and improved efficiency and accountability. A new team drawn from across the council has now been established to work with directorates and services in designing and rolling out the new service.

- 4.6 Our Annual Council meeting approved changes to how our area based committees operate. The newly named **community committees** will strengthen local democracy and increase community engagement and involvement in local issues and local decision making.
- 4.7 The changes include new ways of working that are aimed at getting services and partners to think more locally, for more decision making to be devolved to the local level and for budgets to be locally provided. Ultimately the vision is to change the relationship between the citizen and the state, and in so doing rebuild the trust in public services and ensure the delivery of local integrated and responsive services for local people.

### **Effective financial planning and management**

- 4.8 Despite the 2013/14 budget including some difficult and challenging decisions – effective financial management resulted in the final position on the General Fund was a surplus of £2.9m. The Section 151 Officer has ensured that effective budget monitoring and reporting arrangements (involving the Executive Board and Scrutiny) have been put in place. Budget holders have also been made more clearly accountable for keeping expenditure within budget and simplified Financial Regulations have been introduced that establish principles and rules relating to our systems of financial control.
- 4.9 The Corporate Governance and Audit Committee reviewed these arrangements in September 2014, noting that there were appropriate systems and procedures in place to ensure sound financial planning and management and that the authority's financial management arrangements conforms with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 4.10 In addition the Corporate Governance and Audit Committee undertook an assessment of the Treasury Management arrangements (November 2013) – the committee being assured that the arrangements complied with updated CIPFA guidance notes for practitioners contained within the Prudential Code for Capital Finance in Local Authorities (updated in 2013).

### **Effective arrangements for accountability**

- 4.11 Our Constitution, including the delegation scheme for Council and Executive responsibilities, has been regularly reviewed and updated to reflect various legislative and organisational changes. Sub delegation arrangements are in place and provide a clear description of decision-making responsibilities below director level. The way in which services are delivered continues to evolve with more services being commissioned and delivered in partnership.
- 4.12 Functions transferred from the NHS to the authority relating to Public Health have been integrated within the authority during the past year. The Director of Public Health's Annual Report to the Executive Board provided assurance on activities dealing with infectious diseases, air quality, infant mortality and the protection of children's health.

- 4.13 Our Health and Wellbeing Board has completed its first year of work and has provided an open and transparent forum through which joint work on improving health and wellbeing is progressed.
- 4.14 Our Corporate Governance and Audit Committee has also considered two reports from the Director of Public Health (November 2013 and July 2014) concerning governance arrangements in Public Health. The Committee has been particularly keen to receive assurances that arrangements to deal with serious untoward incidents are working as intended. Our Public Health Governance Group is undertaking further work to ensure that service providers are clearly aware of the procedure for reporting incidents and that there is access to Serious Untoward Incident data.
- 4.15 As we reported last year, we concluded that the previous Arms-Length Housing Management Organisational (ALMO) model was no longer fit for purpose. This year we have introduced arrangements whereby all our housing services are integrated within direct council management. Alongside these arrangements we have enhanced tenant involvement – both through membership of a newly established **Housing Advisory Board** and through a bolstered **Tenant Scrutiny** role – supported by our dedicated Scrutiny team.
- 4.16 The City Deal, agreed with Government in 2012, secured devolution of powers from Whitehall and investment to support economic growth. As part of that agreement, West Yorkshire authorities undertook to ensure that the most effective governance arrangements be put in place for the new powers and investment funds. The form of those governance arrangements, the **West Yorkshire Combined Authority**, was created on 1<sup>st</sup> April 2014.
- 4.17 Our Executive Board has commenced a review of the financial position of the **Leeds Grand Theatre and Opera House Trust Ltd** – as part of this review further consideration is being given to the extent to which the current operating model is best placed to manage and govern the organisation in the long-term.
- 4.18 Revisions have been made to our **Whistleblowing Policy** to ensure that our arrangements are compliant with recent updates to the Public Interest Disclosure legislation.
- 4.19 We have, through our General Purposes Committee, undertaken a review of our polling districts and polling places to ensure that these continue to meet community needs. We have also completed, in accordance with statutory requirements, a Community Governance Review of our Parish and Town Councils.
- 4.20 Of vital importance to us is ensuring that we have arrangements in place to ensure our critical services can recover quickly from serious untoward incidents. Our Corporate Governance and Audit Committee have led a concerted effort to ensure **that business continuity** plans are in place for all our critical services. The committee continues to keep a watching brief on progress in ensuring that services, identified as non-critical, but which would impact on human welfare, the environment or security in the event of disruption, have robust business continuity arrangements in place.

- 4.21 We have worked closely with the Information Commissioner's Office (ICO) and, during October 2013, participated in a consensual audit of our practise and procedure for processing personal data. The ICO concluded that the council is providing a reasonable level<sup>1</sup> of assurance that processes and procedures are in place and are delivering data protection compliance. We have been proactive in making data available for re-use by publishing datasets onto the city's data platform, the Leeds Data Mill. We have fully embraced the Code of Recommended Practice for Local Authorities on Data Transparency and expect to be publishing all required data by January 2015.

### **Effective Conduct Arrangements**

- 4.22 Registers of Interest for Elected Members and Employees have been maintained and arrangements are in place for the declaration of appropriate interests when decisions are taken.
- 4.23 The Standards and Conduct Committee has operated in accordance with the terms of reference approved by full Council and reported on its activities by way of an annual report in March 2014. No Leeds City Councillor, nor any Parish or Town Councillor (in the Leeds area), has been found to have failed to comply with the Code of Conduct adopted. Arrangements are also in place for councillors and officers to register interests and resolve any conflicts of interest that might arise.

### **Effective decision making arrangements**

- 4.24 Our decision-making arrangements are one of our key governance controls, linking to all the governance principles that are set out in our Code of Corporate Governance.
- 4.25 Our Corporate Governance and Audit Committee has received assurances from the Head of Governance Services, the Head of Licensing and Registration and the Chief Planning Officer that the systems and processes that form the Council's decision making arrangements are up-to date, fit for purpose and are functioning well.
- 4.26 In addition the Scrutiny Officer has reported to full council (July 2014) in relation to the Council's Overview and Scrutiny arrangements. The Council sees Scrutiny as a key performance tool in ensuring that the Council meets its best city ambitions. The increased proportion of work undertaken by Scrutiny Boards that relates to pre-decision Scrutiny and the development of new policy is testament to the trust placed upon Scrutiny Boards by the Executive to help inform what are often high profile and sensitive decisions to be made. Scrutiny Boards have also continued to demonstrate their unique strength in bringing together a wide range of sectors and service users to identify solutions in addressing complex and cross cutting issues.

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<sup>1</sup> The 'reasonable' assurance rating is the second highest ranking out of four the ICO use to assess organisations.

## **Effectively developing skills and capacity**

- 4.27 Our Best Council Plan sets out our ambitions in becoming a more efficient and enterprising council. We are progressing this by improving our organisational design, developing our people and working with partners to effect change. Key strands of our work are to simplify, standardise and share our support services and review the design of the organisation to remove duplication and inconsistency.
- 4.28 We have recognised that this programme of change can only be delivered with colleagues and so we have invested in a number of initiatives, such as the Manager Challenge and Leadership Development programmes, to help create the flexibility, capacity and skills necessary to continue to meet our statutory responsibilities and front line services in a time of significant budget restraint.
- 4.29 We also recognise the importance of undertaking 'quality' appraisals with colleagues. Last year we reported that 98% of staff had received an annual appraisal – this year that figure is 99.6%.
- 4.30 As community leaders, it is vital that our Councillors are supported to be as effective as possible. A variety of learning programmes is in place and is continually monitored and evaluated. Where needed new learning programmes are needed they are implemented quickly and effectively.

## **Effective Engagement**

- 4.31 Our Best Council Plan recognises the importance of taking account of consultation considerations in the decisions that we take. Our performance in respect of reports that provide clear evidence of consultation – has remain consistent with that from last year<sup>2</sup>.
- 4.32 Our Best Council Plan also recognises the importance of taking account of equality considerations in the decisions we take. The reports that provide clear evidence of equality has remained constant at 87%.
- 4.33 The council has a well-established equality impact assessment process, designed to ensure that the council is both compliant with the legal requirement to show 'due regard' to equality and that we live up to the council's own ambitions to achieve equality. This being evidenced by an assessment undertaken by our Corporate Leadership Team that concluded the arrangements;
- are easily and effectively applied to decisions relating to existing and/or proposed functions, services, employment, policies, practices and strategies;
  - facilitate full consideration including all protected equality characteristics;

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<sup>2</sup> Reported as 85% in 2013. Monitoring has moved to a sampling method in 2014 with an indicative result of 89% - a comparison is not though felt to be statistically reliable due to this change.



- enable communities and interested groups to be involved appropriately in considering the impact of any proposals, and;
- provide flexibility to apply the methodology to different types of decisions at different scales.

4.34 We have also further strengthened these areas to align with the council's wider priorities:

- Poverty, inequality and deprivation
- Locality working
- New communities and changing demographics

4.36 Our Scrutiny Board (Resources and Council Services) has also undertaken its own assessment of the equality impact assessment process. Scrutiny concluded the council has a well-established and effective equality impact assessment process both in its design and application. One of the key recommendations being that the Equality Team reports, by exception, those cases where an Executive Board Member has been advised that due regard has not been adequately considered during the decision making process.

4.37 In May 2011 Leeds City Council successfully achieved Excellence of the Equality Framework through external Peer Diversity Challenge. Preparations are in place to apply for reaccreditation in 2015. This will provide the organisation with an opportunity to reflect on our approach to equality and diversity and achieving outcomes.

4.38 There has been increased effort in using digital channels to reach audiences with an improved website and a greater use of social media by a growing number of colleagues. Work is on-going to ensure that there are sufficient policy and technological safeguards to protect both employees and the council's reputation as social media use continues to grow.

4.39 We have embraced these new opportunities by webcasting our full council meetings and opening up meetings of our committees, boards and panels by enabling third party recording.

4.40 It is vital that we understand the views of our workforce and are sensitive to the views expressed. Over 10,000 staff (60% of total workforce) were asked to complete an on-line engagement survey in May 2014, and our response rate was 51%. Paper based surveys are being given to the other 40% of our workforce over the next few months and the total analysis from the full engagement survey will be reported in December 2014. Headlines from the on-line survey show a 7.11 score out of 10 (with 10 being the best), for the new measure on how staff feel about working for Leeds City Council.

## **Internal Audit Opinion**

- 4.41 The annual report, from the Chief Officer (Audit & Investment), objectively examined, evaluated and reported on the control environment within the council and provided an opinion about the adequacy of the systems and processes in place.
- 4.42 Of significance for this statement the Chief Officer (Audit & Investment) concluded that the internal control environment, including the key financial systems, is well established and continues to generally operate well in practice.

### **An Independent opinion of effectiveness**

- 4.43 The local authority has roles as provider, commissioner and sector leader. Inspection outcomes, both through the Office for Standards in Education and the Care Quality Commission have been routinely monitored and appropriate action/intervention measures put in place. During 2013/14, whilst some inspection findings fell below our expectations, the findings have not highlighted any significant issues of local authority governance or, in overall terms, cause issues of concern relative to the national context.
- 4.44 The Committee was advised of KPMG's opinion in July 2014: -

*"In April 2014, when internal audit's work on the fundamental systems was substantially complete, we reviewed all files to identify any control weaknesses or other issues that could impact on our planning. Their findings provide substantial comfort that the Council is operating a sound control environment.*

*We did not identify any risks through this process. As in the previous year, internal audit's work covered all of the key financial systems, and we did not identify any issues over the quality of this work.."*

- 4.45 The external auditor's annual report to those charged with governance states that KPMG are of the opinion that the wording of this Annual Governance Statement accords with their understanding of our arrangements.

## **5. SIGNIFICANT GOVERNANCE ISSUES**

- 5.1 The independent opinion from our External Auditors provides considerable assurance in respect of the Council's governance arrangements. The External Auditor's recent Interim Audit assessed our organisational control environment as effective overall, with no significant issues or areas for improvement.
- 5.2 The wider context for local government remains challenging with the toughest financial settlement for decades; the uneven road to economic recovery; major policy reforms in welfare, education and health; a growing city and increasing demands for services.
- 5.3 We have a clear vision based on civic enterprise, an ambitious and positive vision of the future of local democracy, with ward councillors at its heart as community champions.
- 5.4 The Commission on the Future of Local Government sees three key roles for councils: a new social contract between councils and citizens around service provision, an economic role to help stimulate jobs and an environmental role to build new 21st century infrastructure - from superfast broadband to public green spaces. It is also recognised that there is a need to continue to seek more powers from Whitehall to enable us to shape our own destiny, both through our own authority and the collective voice of the West Yorkshire Combined Authority.
- 5.5 Despite this challenging environment we have outcome-focused plans which set out our ambitions that Leeds will become the best city in the UK by 2030.

The Best Council Plan sets out our outcomes that will drive our priorities over the next four years:

- Improve the quality of life for our residents, particularly for those who are vulnerable or in poverty;
  - Make it easier for people to do business with us; and
  - Achieve the savings and efficiencies required to continue to deliver frontline services.
- 5.6 These will be delivered through our revised best council objectives for the period 2013-17 which give more detail on how we will achieve our outcomes:
    - Supporting communities and tackling poverty
    - Promoting sustainable and inclusive economic growth
    - Building a child-friendly city
    - Delivering the Better Lives programme
    - Dealing effectively with the city's waste
    - Becoming a more efficient and enterprising council

- 5.7 Our values will continue to underpin how we work: Working as a team for Leeds; being Open, honest and trusted; Working with communities; Treating people fairly & Spending money wisely. Action plans have been drawn up to address recommendations arising from external and internal audit reports, findings from inspectorates and issues identified and reported by the Local Government Ombudsman.
- 5.8 As our organisation evolves so our engagement with partners (to deliver services to meet need and improve the well-being of our citizens) becomes more extensive. Ensuring that our values and good governance are rooted in those arrangements, particularly in how we commission services and monitor outcomes, will continue to be a challenge in the years ahead.
- 5.9 Perhaps the most demanding aspect relates to the challenges and opportunities presented by The Care Act (2014). This represents a generational change in adult social care services and re-redefines the relationship between the state, local authorities, the citizen, service users and carers. It will challenge the Council and everyone who works in the sector and service users and carers to think differently about care services.
- 5.10 The singly unifying purpose around which Adult Social Care Services is organised will be wellbeing. The themes in respect of prevention, personalisation and independence which are aligned with the Better Lives Programme will become statutory duties.
- 5.11 Whilst the reforms set out in the Act are welcomed, the new burdens and responsibilities present significant challenges and risks as well as opportunities for the Council. They consist of financial risks, the scale and pace of the implementation and additional demand through new carers and assessment responsibilities.
- 5.12 This means that that the implementation will be highly sensitive and dynamic. In order for Adult Social Care Services successfully to implement these reforms, to the timescale set by the Government, we and our partners in the health and social care sectors, will need to be closely involved in planning and delivery of the new statutory duties.
- 5.13 We will continue to use 'Health Act Flexibilities' to commission care using a budget pooled between ourselves and the NHS. This has served us well for the past 12 years, however we will carefully consider how best to make further progress using these arrangements in relation to the 'Better Care Fund' agenda.
- 5.14 The Children and Families Act became law in March 2014. The law brings changes to a number of areas including family justice, care and in particular children and young people with special educational needs and disabilities (SEND). The special educational needs and disabilities changes are the most significant in 30 years and include a requirement for Leeds City Council to produce a 'local offer' of services for children, young people and their families. Our 'Leeds Local Offer' will clearly set out the services that are available locally, for those 0-25 with special educational needs and disabilities, and how to citizens can access the services.

## 6. ASSURANCE SUMMARY

- 6.1 Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making - collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services that meet all local people's needs. It is fundamental to showing public money is well spent. Without good governance councils will struggle to improve services.
- 6.2 From the review, assessment and on-going monitoring work undertaken and supported by the ongoing work of Internal Audit, we have reached the opinion that, overall, key systems are operating soundly and that there are no fundamental control weaknesses.
- 6.3 We can confirm, to the best of our knowledge and belief, and there having been appropriate enquiries made, that this statement provides an accurate and fair view.

*Signed*

*Signed*

Date

Date

**Councillor Keith Wakefield**  
Leader of the Council

**Tom Riordan**  
Chief Executive

*Signed*

*Signed*

Date

Date

**Councillor Ghulam Hussain**  
Chair, Corporate Governance and  
Audit Committee

**Alan Gay**  
Deputy Chief Executive and  
Section 151 Officer

*Signed*

Date

**Catherine Witham**  
City Solicitor & Monitoring Officer