

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 25th June 2015

Subject: Leeds City Region Joint Committee Annual Financial Return and Annual Governance Statement 2014/15

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 Leeds City Region Leaders Board Joint Committee was dissolved on 31st March 2015. As a body which is covered by the Accounts and Audit Regulations, there is a statutory requirement for its closing annual financial return and annual governance statement to be approved by an appropriate body.
2. Following discussions with the Audit Commission, it was recommended that the most appropriate body to undertake approval of these statements would be Leeds City Council, as the council was the body which held the stewardship of the joint committee's assets and liabilities, and its financial activities were conducted in accordance with Leeds City Council's policies and procedures.
3. This report presents the annual financial return and the annual governance statement.

Recommendations

4. Members are asked to approve the Leeds City Region Leaders Board Joint Committee draft 2014/15 Accounting Statement and the Chair is asked to acknowledge the approval on behalf of the Committee by signing the appropriate section.
5. Members are asked to confirm that they have received and accepted the Declaration on Governance Arrangements for 2014/15 which has been provided by the Chair and the responsible officers of the former Leeds City Region Leaders Board Joint

Committee, and the Chair is asked to acknowledge this on behalf of the Committee by signing the abbreviated Annual Governance Statement.

1 Purpose of this report

- 1.1 This report accompanies the 2014/15 Annual Accounting Statement and Annual Governance Statement for Leeds City Region Leaders Board Joint Committee.
- 1.2 The report explains why the responsibility of approving these statements has fallen to this Committee, and outlines what assurances the Committee can rely on in approving the statements.

2 Background information

- 2.1 The Leeds City Region Leaders Board Joint Committee was dissolved on 31st March 2015. As a joint committee there is a requirement under the Accounts and Audit Regulations for it to produce, approve and publish accounting statements and an annual governance statement for 2014/15.
- 2.2 Leeds City Council acted as the support services authority for the joint committee and had custody of all of its assets and liabilities. The joint committee's constitution required that its financial activities were to be carried out in accordance with Leeds City Council's Financial Regulations and Contracts Procedure Rules. These activities were carried out by Leeds City Council employees using the council's financial systems.
- 2.3 When the decision was taken to wind up the joint committee, advice was sought from the Audit Commission on who should approve its closing financial statements given that the Leaders Board itself would no longer exist as a decision-making body. It was concluded that Leeds City Council would be the most appropriate body to approve the closing statements, being the body which had been responsible for the financial stewardship of the joint committee's activities. The Board determined at its meeting of 12th December 2014 to delegate the approval of its closing accounting statements to Leeds City Council.
- 2.4 The remaining assets and liabilities of the joint committee are to be allocated between Leeds City Council and the West Yorkshire Combined Authority. Broadly speaking, Leeds will retain custody of those assets which cannot be transferred for legal reasons and a small number of projects with fixed end dates which have only a few months left to run.

3 Main issues

3.1 Statutory requirements for approval of the accounting and annual governance statements

- 3.1.1 The Leeds City Region Leaders Board Joint Committee qualifies as a 'smaller relevant body' under the Accounts and Audit Regulations. The qualifying test in the regulations is that the body's gross income or expenditure (whichever is higher) is not more than £6.5m in the current year or in either of the two immediately preceding years. As the joint committee's gross income and expenditure for 2012/13 were £2.2m and £1.8m respectively, it remained qualified as a smaller relevant body for 2014/15.

- 3.1.2 As a 'smaller relevant body', the joint committee has a different statutory timetable for approving its annual financial statements from the council as a whole. It also has simpler requirements for the format of the accounting statements.
- 3.1.3 The annual accounts should be approved by the body on or before 30th June, and before they are subject to external audit. There is no requirement for the body to re-approve the final audited version of the statements before they are published. Once approved, the statements are made available for public inspection and submitted to the auditors, who this year are PKF Littlejohn LLP. Once the audit has been completed, the audited accounting statement, the audit report and the annual governance statement should be published on or before 30th September.
- 3.1.4 As a smaller relevant body, the joint committee is not required to produce a full set of accounts, but instead has to produce an annual return which consists of simplified accounting statements, a simplified annual governance statement, and a report from the body's internal auditor covering internal controls and the accounting statements.

3.2 Accounting Statements

- 3.2.1 Section 1 of the Annual Return presents the accounting statements of the body for the relevant financial year. These are prepared in accordance with proper accounting practice and have been signed by the Deputy Chief Executive in his capacity as the Responsible Financial Officer for Leeds City Region Joint Committee, to certify that they present fairly the financial position of the body and are consistent with the underlying financial records.
- 3.2.2 A review of internal controls, including those related to financial transactions, has also been carried out by Internal Audit, and their report is included as Section 4 of the attached Annual Return.
- 3.2.3 The required accounting statements are a highly simplified alternative to a full statement of accounts, showing only the body's opening balances and reserves, income and expenditure for the year, and the closing balances and reserves. The statement also discloses the body's cash position at the year end and the value of any fixed or long term assets and any borrowings.
- 3.2.4 The accounting statements show closing reserves and balances of £43,411,997, of which £460,824 are general reserves and the remaining £42,951,173 is ring-fenced to grant funded projects.

3.3 Annual Governance Statement

- 3.3.1 The required annual governance statement for a smaller relevant body is in the form of a list of arrangements which should have been in place to ensure a sound system of internal control. Since it was the responsibility of the joint committee's Board to ensure that these arrangements were in place during 2014/15, a revised two-part format has been adopted for the Annual Governance Statement. The covering statement which the Committee is asked to approve makes clear that the responsibility for governance during the year lay with the Board, and asks the Committee to confirm that it has received and accepted the assurances on

governance which are given in the Declaration on Annual Governance, which is attached to the covering statement.

3.3.2 The Declaration on Annual Governance will be published as an integral part of the Annual Governance Statement. This lists all of the points which are required to be covered by the Annual Governance Statement, and has been signed by the Chair of the Leeds City Region Joint Committee Leaders Board, its Chief Officer during 2014/15, and the Deputy Chief Executive of Leeds City Council in his capacity as the responsible financial officer for the joint committee, to confirm that they consider such assurances to have been in place during the 2014/15 financial year.

3.3.3 The Committee are also asked to note that Internal Audit have concluded that the internal control objectives set out in Section 4 of the Annual Return have been achieved throughout the financial year to a standard adequate to meet the needs of the body.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The draft annual statements will be made available for public inspection as required by statute.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 There are no issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and the Best Council Plan

4.3.1 As this is a factual report based on past financial performance there are no direct implications for Council policies or for the Best Council Plan.

4.4 Resources and value for money

4.4.1 There are no implications for the Council itself as regards resources and value for money.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The report does not require a key decision and is therefore not subject to call-in.

4.6 Risk Management

4.6.1 The review carried out by Internal Audit has not identified any significant risks to the council.

5 Conclusions

5.1 The annual accounting statement has been signed by the Deputy Chief Executive to confirm that it presents fairly the closing financial position of the joint committee, and it is accompanied by a report from Internal Audit confirming that

they have reviewed the statements and the internal controls which were in place for the joint committee.

- 5.2 The Chair, the Chief Officer and the Responsible Finance Officer of the joint committee during 2014/15 have signed a declaration giving assurance that appropriate internal controls were in place during the year.

6 Recommendations

- 6.1 Members are asked to approve the Leeds City Region Leaders Board Joint Committee draft 2014/15 Accounting Statement and the Chair is asked to acknowledge the approval on behalf of the Committee by signing the appropriate section.
- 6.2 Members are asked to confirm that they have received and accepted the Declaration on Governance Arrangements for 2014/15 which has been provided by the Chair and the responsible officers of the former Leeds City Region Leaders Board Joint Committee, and the Chair is asked to acknowledge this on behalf of the Committee by signing the abbreviated Annual Governance Statement.

7 Background documents¹

- 7.1 None.

¹ 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.