



Draft

Annual Governance

Statement

2017

**Final Draft for Consideration by
Corporate Governance and Audit Committee
22nd September 2017**

1. SCOPE OF RESPONSIBILITY

- 1.1 For Leeds City Council our governance framework comprise the policies, plans, systems and processes and culture and values (our system of 'internal control') that we have in place to ensure that our intended outcomes are defined and delivered. To deliver good governance our outcomes must be achieved whilst also acting in the public interest.
- 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 2017.

Context

- 1.3 Our ambition continues to be for us 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 council in the UK, for Leeds to have a strong economy and be a compassionate, caring city that helps all its residents benefit from the effects of the city's economic growth.
- 1.4 We will focus on creating the right conditions for the economy in Leeds to prosper and, hand in hand with that, ensure a consequence of that growth is a reduction in the inequalities that exist in Leeds.
- 1.5 The changing needs of our citizens and communities, ongoing 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 our management of risk. Whether this be by direct service provision, in partnership, by alternative innovative service delivery mechanisms (such as our staff led mutual Aspire) or simply by exerting our influence.
- 1.6 By applying our values and 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.

2. THE GOVERNANCE FRAMEWORK

- 2.1 Our governance arrangements are designed to ensure that we take an appropriate and proportionate approach to managing risk whilst ensuring that our outcomes are delivered. 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 reviewed and revised by our Corporate Governance and Audit Committee (April 2017) to further align our arrangements to the requirements of the revised proper practices 'Delivering Good Governance in Local Government: Framework 2016'.

2.3 Our governance framework in Leeds comprises our policies, plans, systems and processes and culture and values that allow us to achieve our strategic outcomes and provide services in an appropriate and cost effective way and 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 decision making;
- 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 management arrangements that help us mitigate threats and make the most of opportunities which present themselves;
- Our performance, safeguarding and accountability arrangements that help us analyse and act on performance information as a means of improving services and delivering better outcomes for the citizens of Leeds;
- Our People and Culture Strategy, 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

3. REVIEW OF EFFECTIVENESS

- 3.1 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 support our 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.
- 3.2 Our process of review is continuous and 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 and work undertaken by external auditors and inspectorates. This Annual Governance Statement draws on that work and presents a conclusion in relation to our governance arrangements.

A self-assessment of our effectiveness

Behave lawfully, with integrity and in the public interest and demonstrating this through our conduct and behaviour.

- 3.3 Our council values are a key component of our governance arrangements and provide a framework within which our organisational culture has become embedded. Our values are at the heart of our organisation. In a period of immense change and real challenge we must be both confident and decisive about what we do and how we do it. Our values have been reviewed during the year using focus groups. Feedback was positive and colleagues feel that the values are for everyone and help us work together, as a result some small adjustments have been made. The main changes are:
- Get the best deal on price, quality and social impact
 - I am part of a team with a “can do” attitude
 - Working with people - Engaging all communities
 - Take a “no wrong door” approach if someone needs help.
- 3.4 An annual report is compiled by the Chief Officer HR to give assurance that key policies and procedures are fit for purpose, effectively communicated, working as intended and have been regularly reviewed. This report has been considered by our Corporate Governance and Audit Committee.
- 3.5 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 2017. 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.

- 3.6 Work undertaken by Internal Audit provided good assurance that arrangements are in place to ensure that council officers are aware of how to deal with gifts and hospitality offered to them in their roles, to record offers received, and to seek approval if accepting these. Internal Audit has also assessed the arrangements for council officers to declare their interests. The review resulted in acceptable assurance on the control environment and good assurance that the arrangements in place are being complied with in practice. Recommendations were made to improve the process for identifying high risk posts, and for cascading information relating to declarations to relevant managers.
- 3.7 The Monitoring Officer has supported members of the authority (and of Parish and Town Councils) in meeting their obligations to notify any disclosable pecuniary interest within 28 days of either their election or of a change in the circumstances relating to such interests. These requirements have been met during the year with quarterly reminders being issued to elected members to review their registers of interests. Guidance has also been provided to support the registration of Gifts and Hospitality.
- 3.8 An importance element of our arrangements relates to the independence brought to the consideration of Members' Allowances (through our Independent Remuneration Panel) and in securing an independent view on issues relating to conduct (through our appointed Independent Person). Both have been reviewed in year by General Purposes Committee and recommendations made to ensure that both continue to be, and be seen to be, independently minded.
- 3.9 Our Whistleblowing Policy sets out the correct channels through which serious issues can be appropriately escalated from within the organisation and the Raising Concerns Policy provides guidance and direction to the wider public. Assurances that the policies are routinely complied with are gained through regular reporting of the policy outcomes delivered through Internal Audit reporting to each meeting of our Corporate Governance . During the year the Anti-Money Laundering policy has also been reviewed and updated.
- 3.10 In-house lawyers provide comprehensive legal advice, training, and support to members, member bodies, and all directorates, as well as managing the provision, where necessary, of external legal advice. The in-house lawyers have strong relationships with their in-house customers which facilitates a high support, high challenge environment, leading to better and more robust outcomes. In sum, the ready access by members and officers to high quality lawyers, specialised in local government work and having a clear understanding of the council's vision and values, plays an important part in helping to ensure that the council adheres to the principle of behaving lawfully.

Focus our resources on outcomes and ensure council tax payers and service users receive excellent value for money.

- 3.11 Our business planning and performance management arrangements have enabled members and senior management to focus our resources on outcomes and ensure value for money. The arrangements are centred on our corporate plan, the 'Best Council Plan' which is updated each year. Following consultation with staff and elected members, the refreshed Best Council Plan 2017/18 was approved by Full Council in February 2017. It sets out 8 outcomes, 7 priority areas of work and a range of supporting key performance indicators (KPIs) to help monitor progress as well as being clear on our values and how we will work as an organisation.
- 3.12 An annual report looking back on progress in delivering the prior year Best Council Plan is produced each summer. Performance against the 2015/16 Plan was considered by the Executive Board in July 2016 and the Board is again considered this in July 2017. The Best Council Plan, annual reports and performance scorecards are all publicly available on the leeds.gov.uk website.
- 3.13 The Best Council Plan sits alongside a range of supporting plans and strategies (for example, the Children and Young People's Plan; Leeds Housing Strategy; Better Lives Strategy; Safer Leeds Plan and Joint Health and Wellbeing Strategy), each with their own performance management arrangements, including Scrutiny Boards and partnership boards. Operational performance management arrangements are in place at service level.
- 3.14 An annual assurance report is provided to the Corporate Governance and Audit Committee on the council's business planning and performance management arrangements. The Committee considered this report in June 2016 and an updated report in June 2017. This incorporated the findings of an Internal Audit review into the arrangements carried out in April 2017.
- 3.15 Our Corporate Governance and Audit Committee considered the Annual Assurance report of the Chief Officer Projects, Programmes and Procurement Unit in relation to procurement policies and practices. The committee received assurance that these arrangements are compliant with legislation, are up to date, fit for purpose and effectively communicated with no procurement challenges being brought against the council in-year.
- 3.16 Members were advised that off and non-contract spend has continued to reduce year and year but remained a focus for the Chief Officer to further drive compliance – particularly in light of issues considered by the Corporate Governance and Audit Committee concerning the specification and management of contracts and the spending money wisely reviews undertaken by Internal Audit where there continued to be instances where the requirements of Contract Procedure Rules had not been followed for expenditure that is not linked to a contract.

Be open and engage with local communities, service users and our other stakeholders.

- 3.17 The delivery of Our Best Council Plan recognises the importance of effective engagement with the public, partners and staff and taking account of this in decisions that we take. A central theme running throughout our Best Council Plan is to tackle inequalities and so we also recognise the importance of taking account of equality considerations in the decisions we take.
- 3.18 As reported in our Annual Governance Statement in 2016, we have received reaccreditation at the 'Excellent' level to the Equality Framework for Local Government. The framework is a national standard for measuring an organisation's commitment and ability to mainstream equality. Our Executive Board also receives regular reports and updates on our Equality improvement priorities – the most recent consideration being July 2017.
- 3.19 The shaping of our services in the present financial climate is challenging, particularly where those services are provided to vulnerable people. Our Executive Board (with input from our Scrutiny Boards) has worked to balance need, service provision and available resources in difficult financial circumstances.
- 3.20 Working with communities themselves and with partners particularly in the third sector, we are building resilience through improving community capacity and leadership, helping communities become more enterprising through citizen led approaches, supporting people to grow more financially resilient and carrying out a range of community safety actions through the Safer Leeds partnership. Much of this is being delivered via the council's cross-cutting 'breakthrough project', *Strong communities benefitting from a strong city*.
- 3.21 We strive to continually improve the relationship between the council and the citizens of Leeds, and in so doing improve trust in public services and ensure the delivery of local integrated and responsive services for local people. Our Community Committees are integral to that vision.
- 3.22 The committees have a crucial role in improving the way we work locally and form a vital part of our commitment to involving our residents more closely with the priorities for their local area and decision-making on funding and services. The committees have played an important part in meeting our ambition to bring place, people and resources together by:
- ensuring that we spend money and work more intelligently and flexibly than before;
 - making it easier for people to do business with us; and
 - improving the way we make decisions locally with residents.
- 3.23 Executive Board has also considered reports relating to community assets, including the transfer of a community asset to a local charity and the use of an existing asset by a community association and whether this continues to meet the needs of the local community.

- 3.24 In addition the Board as received annual reports relating to the local social care account (providing an explanation of the responsibilities placed upon councils and the contribution made towards enhancing local accountability to the public and as a tool to support sector led service improvement) and of the Director of Public Health concerning progress in addressing health inequalities in the city.
- 3.25 The Chief Officer, Customer Access has reported to Corporate Governance and Audit Committee (January 2017) that the council's processes and procedures around customer access and satisfaction are working effectively. This is supported by work undertaken by Internal Audit - however that conclusion has recognised that there are areas where the processes and procedures can be improved to deliver a much more consistent experience for customers who contact the Council.
- 3.26 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 employees, councillors' and the council's reputation as social media use continues to grow. We have embraced these new opportunities by webcasting our full council and Executive Board meetings and opening up meetings of our committees, boards and panels by enabling third party recording.

Ensure that we have robust and effective audit, scrutiny, information governance, risk and financial management controls.

- 3.27 The Section 151 Officer has continued to ensure that effective budget monitoring and reporting arrangements (involving the Executive Board and Scrutiny) are in place. The council to date has managed to achieve considerable savings in the order of £330m since 2010 and the budget for 2016/17 has required the council to deliver a further £76m of savings.
- 3.28 The 2016/17 budget was supported by the use of £3.45m of general reserves. The outturn position of a £2.6m underspend reduced the use of general reserves, resulting in closing general reserves of £20.7m at March 2017. The Housing Revenue Account revenue reserves stood at £28.1m, an in-year reduction of £10.0m reflecting the planned use of amounts previously set aside to fund PFI and other capital expenditure.
- 3.29 The Council's arrangements around financial accountability and responsibility have also been reviewed in light of the streamlining of senior officer arrangements with a new Section 151 Officer being designated by full Council and a new deputy identified with effect from 1st April 2017. These new arrangements are also supported by a newly created Section 151 protocol.
- 3.30 In January and April 2017 our Corporate Governance and Audit Committee received assurance that the Chief Officer Financial Services has established an effective overall financial control environment framework for treasury management, financial planning and exercises effective financial management and control which, in his opinion, discharge his statutory responsibilities.

The framework of control was reported as fit for purpose, up to date, embedded and being regularly complied with.

- 3.31 Assurance was also received that a number of rigorous reviews and assessments have been undertaken that support the substantial assurances provided, 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 outcomes. 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.
 - Executive Board consideration of the Medium Term Financial Strategy and Treasury Management arrangements,
- 3.32 One continuing risk relates to uncertainties associated with outstanding Business Rate Appeals from the 2010 Ratings list and whether those uncertainties continue under the 2017 Ratings list. Our Corporate Governance and Audit Committee has considered these matters during the year and made recommendations to the Chief Finance Officer.
- 3.33 To accelerate the reforms in Children's Social Care, the Department for Education has invested an additional £9.6m in Leeds over the three years to 2019/20 as part of their Partner's in Practice programme. The funding will be used to create a Centre for Excellence in restorative social work and leadership. Activity will include supporting operational improvement in the sector, leadership development, hosting events, providing additional expertise and capacity for programme management and developing a range of publications.
- 3.34 In addition, the investment will establish early support teams to develop practitioners existing skills, using restorative practices, to improve early interventions with children and families and establish an integrated restorative adolescent service that will work restoratively with families, based around reformed residential homes.
- 3.35 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. Having led a concerted effort to embed arrangements, our Corporate Governance and Audit Committee, has also received assurance that our business continuity plans are in place for all our critical services.

- 3.36 The council's Risk Management Policy sets out our commitment to a risk management framework that enables staff and elected members to identify, understand, manage and report on strategic and operational risks that could impact upon delivery of the Best Council Plan. As part of our decision-making arrangements, all reports for key decisions consider risk management. The council's most significant risks are captured in a corporate risk register.
- 3.37 An annual report is provided to the Executive Board and published on the leeds.gov.uk website explaining the corporate risks and how they are managed. The 2016 report was considered at the July 2016 Executive Board meeting and the 2017 report was presented at the July 2017 meeting. A corporate risk map is updated and published each quarter and group Leaders continue to be briefed on key risks.
- 3.38 An annual assurance report is provided to the Corporate Governance and Audit Committee on the council's risk management arrangements. In March 2017 Internal Audit reviewed the corporate risk management arrangements as measured against CIPFA's risk maturity assessment guidance. The Audit reviewed the key issues that are critical to the successful implementation and management of a risk framework and assessed the authority's performance relating to these key issues on a scale of 1 to 5. Best practice identifies that public services should attain at least a level 3 in order to contribute to the overall control framework. This was either met or exceeded in seven of the eight areas assessed. Partnership risk management arrangements were assessed as a level 2.
- 3.39 Key recommendations were made to provide central guidance on how to manage partnership risks and also to review the risk management responsibilities assigned to our Corporate Governance and Audit Committee. These recommendations will be considered in order to further strengthen the council's risk management arrangements.
- 3.40 A Strategic Safety Advisory Group has met on a quarterly basis. Membership of the group consists of Police, Fire, Ambulance, LCC Highways, Entertainment Licensing, Events Teams, City Centre Management, Environmental Health, Health and Safety and Health. The group reviews lessons learned from events in the previous 3 months and also looks forward to the upcoming period to allow for any issues with the planning process for events to be raised and resolved. The introduction of these arrangements has improved communication with partners and internal stakeholders
- 3.41 The Health and Safety Management System has operated largely as expected. The Annual Risk Report defines the overall rating for 'health and safety' as high because of the possible impact should things go wrong. The stated target is to reduce the probability from possible to unlikely.

Key challenges identified were:

- to review the health surveillance programme; and
- to ensure suitable, sufficient and up to date risk assessments are completed across all service areas.

- 3.42 In summary good progress was reported in the management of health, safety and wellbeing. Performance is improving across most indicators. There is a clear strategic vision for what needs to be achieved and key risk priorities have been identified for the next three years
- 3.43 Significant work on information management and information governance has been undertaken to strengthen management of our information assets, to respond to external requirements and to identify opportunities for efficiency and other value gains in the management of information. A Lead for Cyber Assurance and Compliance has been appointed and is now working with the Information Management and Governance Management Team.
- 3.44 As regards Information Access and Compliance our Corporate Governance and Audit Committee has been assured that processes and procedures are in place regarding upholding citizen rights to request information and we operate within the Information Commissioners Office thresholds for response times. Assurance has also been received that we are compliant with current Data Protection legislation and that work is in hand to become compliant with the General Data Protection Regulations by May 2018.
- 3.45 Due to more stringent compliance control brought in by the Cabinet Office in 2015 the council are presently unable to meet the Public Services Network (PSN) certification requirements. The Head of Information Management Governance has provided assurance that this does not impact on current service delivery (as the council still had access for example to .GCSX email accounts and Department of Work and Pensions Systems) however the Cabinet Office has placed the council into an 'escalation' process for PSN, a process by which the Cabinet Office provides further support in remediation against the controls.
- 3.46 Through our Open Data approach, we continue to proactively publish datasets over and beyond that required by the Local Government Transparency Code 2015 and make data available in response to FOI requests where possible. This means that we are one of the most open and transparent local authorities in the country and ensures we are compliant with the EU Public Sector Information Re-Use Directive focusing on making data from public authorities available for re-use.
- 3.47 We are required to make all INSPIRE* related data (as is) and metadata available to view and download by December 2020. To date we have published four datasets. We are committed to doing as much as we can to work towards compliance. A review is currently being undertaken of GIS software, which can be used to progress this work. Whilst this approach would not mean that datasets are published to the exacting INSPIRE standards, it does mean that we will be in a position to publish more of our geo-spatial datasets within a reasonable timescale.
- 3.48 With regards to Records Management our Corporate Governance and Audit Committee has received reasonable assurance from the Information Management and Governance Team that processes and procedures are in place and delivering data protection compliance. Processes are in place to ensure that changes to the retention schedule are sufficiently challenged and work is ongoing to simplify the way our retention schedules are documented. Plans are in place to ensure continuous improvement

Ensure we have clear responsibilities and arrangements for transparent and effective accountability.

- 3.49 We have during the year been working with the Local Government Boundary Commission for England as part of their review of our electoral divisions. The Commission had previously agreed with our submission that our council size should remain at 99 councillors and work has now been completed to address review imbalances in the population of some of our electoral wards. This has resulted in some ward boundary changes and some renaming of wards that will be effective from the local elections in 2018.
- 3.50 Our Executive Board has also considered the Integrity of the Elections Process in Leeds and received assurance from the Chief Executive that voters are able to exercise their fundamental right to vote in secret and without interference or undue influence, and that there can be no place in elections in Leeds for behaviour which prevents voters freely exercising those rights. Assurance was also given that Electoral Services officers will continue to look for ways to continually improve and further strengthen our arrangements.
- 3.51 Our Constitution, including the delegation scheme for Council and Executive responsibilities, has been regularly reviewed and updated to reflect various legislative and organisational changes. This has included a substantial overhaul of our senior management structure from 1st April 2017. Sub delegation arrangements are in place and provide a clear description of decision-making responsibilities below director level. The way in which services are being delivered continues to evolve with more services being commissioned and delivered in partnership.
- 3.52 Partnerships and other joint working arrangements with external bodies form an increasing element of our activities, providing challenges in terms of transparency, demonstrating accountability and managing risk. The Corporate Governance and Audit Committee received assurances in respect of financial and control arrangements that are place (including those for partnerships and other joint arrangements where the authority has a financial governance role).
- 3.53 Whilst our Audit committee received assurances that the partnerships identified have appropriate arrangements in place and make due regards to expected standards, further work is required following Internal Audit's recommendations on risk maturity and how to manage partnership risks.
- 3.54 In addition our Executive Board has considered annual reports on our safeguarding arrangements for both children and adults. Both reports have concluded that systems and practices to safeguard adults at risk continue to be firmly established and that for children all the available management and third party analysis indicates that good attention is paid to managing risk appropriately and safely with the frameworks in place. Safeguarding in Taxi and Private Hire Licensing has also been considered by the Executive with good progress being reported in safeguarding policies, improvements that have been implemented, and in progress of recommendations to contribute to public safety.

- 3.55 Our Health and Wellbeing Board has completed its fourth year of work and has provided an open and transparent forum through which joint work on improving health and wellbeing is progressed. The Health and Wellbeing Board has considered and provided an opinion on whether to NHS Leeds Clinical Commissioning Groups takes proper account of the outcomes set out in the Leeds Health and Wellbeing Strategy and has agreed an approach to review the operational plans during 2017-2019. Our full Council meeting has considered the minutes of the Board to enable wider member engagement.
- 3.56 We have fully participated in the work of the West Yorkshire Combined Authority, and in doing so have, with our neighbouring local authorities, reviewed and streamlined other aspects of regional governance. Collaborative working is taking place across the region to support negotiations with HM Treasury for a devolution deal for the region. Given the importance of this, full Council receives a regular update report on the devolved matters; allowing cross party engagement and debate on this evolving area.
- 3.57 We have been working in collaboration with other Local Authorities and Voluntary adoption agencies (VAA's) throughout the Yorkshire and Humber region to create a new model of service delivery for adoption services in line with the government's agenda. We have an agreed approach (based on a Joint Committee and Shared Service approach) to the future delivery of services in West Yorkshire which will improve services for children and adoptive families and deliver a more effective and cost efficient service, utilising government funding to manage the transition and improve the practice in this important area of work.
- 3.58 In addition the proper officer for Scrutiny has confirmed that scrutiny arrangements are operating in accordance with the terms of reference and procedures agreed by full council with inquiries both adding value to the delivery of the council's outcomes and providing challenge to the Executive. This will be reported to members of the authority by way of an annual report to the full Council in July 2017.
- 3.59 The reviews undertaken are a key element of the continuous review of our arrangements and ensuring that they are up-to-date, fit for purpose, Focus resources on outcomes and ensure council tax payers and service users receive excellent value for money.

Take informed and transparent decisions.

- 3.60 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. Continued review of the decision making framework seeks to ensure that there is appropriate use of council resources in complying with the framework with no duplication of effort or resource.

- 3.61 The annual report to our Corporate Governance and Audit Committee (June 2017) in relation to our principle decision making processes provided substantial assurance that the arrangements are up-to date, fit for purpose and are functioning well. In particular assurance is given that systems and processes exist and are used to review and maintain the framework, that requirements in relation to publication of decisions are embedded and routinely complied with, that key performance indicators are regularly monitored and that steps are taken to work positively and transparently.
- 3.62 Given the assurances it is considered that the systems and processes in place continue to represent an appropriate use of resources and good value for money and mitigate risk of recurrence of error or poor performance in relation to decision making governance.
- 3.63 The City Solicitor has provided assurance to our Corporate Governance and Audit Committee (June 2017) that the council has complied with the requirements of the Regulation of Investigatory Powers Act 2000 – both as regards directed surveillance and the use of covert surveillance sources and also as regards the acquisition and disclosure of communications data.
- 3.64 The Council sees Scrutiny as a key performance tool in ensuring that the Council meets its best city ambitions. The 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 often challenging cross cutting issues.

Develop our capacity and capability to be effective.

- 3.65 Our Best Council Plan sets out our ambition to become a more efficient and enterprising organisation. 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 internal processes and develop an agile, skilled and diverse workforce with the ability to work flexibly.
- 3.66 We have continued to work with our trade union colleagues to make significant reductions in staffing costs through challenging the use of agency and overtime and having a robust approach to authorising external recruitment. The flexibility protocol and use of the Early Leavers Initiative has allowed us to reduce staffing in areas where savings are needed and redirect resources to the frontline.

- 3.67 Within this context we are also looking at our future work force needs to ensure we retain sufficient capacity and resilience including
- Development of our apprenticeship programmes;
 - Targeting entry and graduate level talent into the workplace through structured apprenticeship programmes at level 2, 3 and 4;
 - creating organisational capacity and succession planning opportunities;
 - capacity building in areas of skill shortage/gaps through the provision of vocational training and targeted work experience
- 3.68 We maintained our engagement score of 7.5 out of 10 and 79% of colleagues rated work as 7 or more out of 10. However the numbers of staff without access to IT completing the survey was lower than last year. Work is taking place within services to ensure that follow-up action within teams engages everyone.
- 3.69 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 provide front line services in a time of significant budget restraint.
- 3.70 We are proud to hold Investors in People status and our staff survey results suggest we are doing well, the response rate was 53% an increase of 8% on last year. Large numbers of staff , over 90% said they understand what is expected of them and their teams and feel like they make a difference to the city.
- 3.71 We also recognise the importance of undertaking 'quality' appraisals with colleagues and for the last three years over 96% of staff received an annual appraisal. Appraisals feed into individual and service development plans to provide a holistic view of what support and development colleagues require to enable them to carry out their roles and be the best that they can.
- 3.72 We have arrangements in place to support a healthy workforce through;
- Health and wellbeing programmes including employee assistance
 - Manager and staff development training programmes including mental health awareness etc.
 - Managing Attendance policy with proactive guidance and support to managers to enable them to support their employees and progress sickness absence
 - Continued reduction in our sickness absence levels increasing workforce availability and capacity

- 3.73 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 developed and implemented quickly and effectively.

Internal Audit Opinion

- 3.74 The Corporate Governance and Audit Committee receive updates on audit activity and progress in meeting the audit plan at each of their meetings. The annual report, from the Acting Head of Internal Audit, 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.
- 3.75 On the basis of the audit work undertaken during the 2016/17 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. There are no outstanding significant issues arising from the work undertaken by internal audit. The audit work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing and the Public Sector Internal Audit Standards. The Acting Head of Internal Audit has confirmed that there have been no limitations in audit scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.

An Independent opinion of effectiveness

- 3.76 Office for Standards in Education, Children's Services and Skills (Ofsted) - Inspection of Adult Learning - this Skills Funding Agency funded provision is subject to inspection under Part 8 of the Education and Inspections Act 2006. Ofsted undertook the inspection of provision on 8th and 9th February 2017. Ofsted published the Inspection Letter on 8 March 2017, recording that the Council Adult Learning provision continues to be Good and that safeguarding is effective.
- 3.77 In accordance with the Children and Families Act (2014), Ofsted and the Care Quality Commission operate an inspection framework to cover children's services and health arrangements for children and young people with Special Educational Needs and Disabilities. Leeds was the fifteenth local authority to be inspected under this new framework, with a one-week inspection taking place in December 2016.
- 3.78 The outcome letter for the inspection was published on 16 February 2016. Inspectors noted a number of key strengths in Leeds, and identified some areas for development which we and health services will address and monitor through the Complex Needs Partnership Board and Scrutiny arrangements. Inspectors and the Minister noted the sense of pride that children with special educational needs and disabilities feel about being citizens of Leeds and that their voice is being heard and that the Council and partners in CCGs take joint ownership of the findings and work together to improve services

- 3.79 The Care Quality Commission (CQC) has been producing reports based on their new inspection process for the past 2 ½ years and have now completed initial inspections of most residential and nursing services in the city however, CQC still need to complete the inspection of a number of domiciliary care providers. Adult Social Care has a good working relationship with CQC inspectors and has regular meetings with them to share information on registered providers. CQC inspection reports are being utilised to gain an overview of the quality of services in the city.
- 3.80 Contract Officers also use the reports to inform our contract monitoring priorities and to inform decisions on suspending placements or services under contract. We are currently in the process of re-commissioning our care home contracts and as part of this process the Commissioning Section will be establishing, in conjunction with CCG partners, a Quality Team to assist providers in raising standards of care in the city.
- 3.81 The Council's Scrutiny Board (Adult Social Services, Public Health, NHS) also receive a monthly report on newly published CQC reports of registered providers and council officers and CQC officers have attended this Scrutiny Board to answer questions from its members.
- 3.82 KPMG, our external auditors have again evaluated the Council's key financial systems as part of their interim audit work in respect of the 2016/17 accounts and have confirmed that nothing has come to their attention which they would be required to communicate to the authority. This work involved;
- Understanding accounting and reporting activities,
 - Evaluating design and implementation of selected controls,
 - Testing the operating effectiveness of selected controls,
 - Assessing the control risk and risk of the accounts being misstated.
- 3.83 As part of their preparation process KPMG must also report whether this Annual Governance Statement does not reflect compliance with Delivering Good Governance in Local Government: a Framework ((CIPFA/SOLACE 2016 edition). No such report has been received and KPMG has concluded that we have made proper arrangements to ensure we took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.
- 3.84 The number of grant claims which the council's appointed auditors are required to audit has fallen over recent years, and the Housing Benefit Subsidy claim was the only grant claim that they were required to audit in this period. KPMG's audit of the Housing Benefit Subsidy claim identified a number of minor errors, as a result of which KPMG have qualified the claim, as they are required to do by the grant regime despite the minor nature of the errors identified, and requested corrections. This is in line with the outcome in previous years. There are also a number of minor grants each year for which the council is required by the awarding body to arrange for an external audit. All such grant claims during the 2016/17 year have been certified without adjustment.

- 3.85 As part of their work on the Council's overall control environment each year, KPMG's IT specialists carry out audit work on the council's IT controls. The 2016/17 audit concluded that overall IT controls were effective, and made some recommendations on specific issues including the structure of passwords and the authorisation of system amendments within two of our systems.

Future appointments of our External Auditor

- 3.86 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and also established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. The council must appoint its external auditor to audit its accounts for a financial year not later than the 31st December in the preceding financial year. Therefore, the council must have appointed its external auditor by the 31st December 2017. In February 2017 our Full Council agreed to opt into the Local Government Association established sector-led body for the appointment of external auditors.

Independent Assessment of Internal Audit

- 3.87 In line with the requirements of the Public Sector Internal Audit Standards an external assessment of Internal Audit has been conducted by a qualified, independent assessor and assessment team from outside the organisation. The review concluded that the Council's Internal Audit service conforms to the requirements of the PSIAS. An action plan with recommendations arising from the review is being monitored as part of the Internal Audit update report to Corporate Governance and Audit Committee.

Local Government Association Peer Review

- 3.88 In July 2016, a review team, of seven experienced peers - elected members and officers spent four days in Leeds. They met a range of stakeholders and toured the city. The key messages from the corporate peer challenge have been summarised into three headline achievements which provide strong foundations for progress and three areas for further improvement. In October 2016 our Executive Board considered the review team's findings. Strong engagement from council staff was highlighted as was the clarity of council's vision and ambitions which have been well-articulated. High degrees of trust and confidence in the council and its senior leadership were also evidenced with a good level of self-awareness at strategic level which is evident in plans and strategies.
- 3.89 In addition in September 2016 a Local Government Association Peer Challenge Review of the use of resources by Adult Social Care Directorate was undertaken. The peer review concluded that Leeds City Council Adult Social Care is a self-aware organisation driven by data with clear transformational plans in place, supported by a strong corporate and member ethos and structure. The outcomes of this review have been considered by our Executive Board.

4. SIGNIFICANT GOVERNANCE CHALLENGES

- 4.1 Our organisational control environment is effective overall, with no significant issues or areas for improvement. However we face a number of significant and ongoing challenges which will impact upon our governance arrangements and how we operate as a provider of public services.

Our Best City / Best Council Ambitions

- 4.2 Our refreshed Best Council Plan 2017/18 continues with the aim previously set out in the 2016/-17 Plan of tackling poverty and reducing inequalities, and the articulated around the integrated concepts of promoting economic growth and of being a compassionate city. It sets out and is based around 7 'Best City' priority areas of work:

- Good growth
- Transport and infrastructure
- Low carbon
- Resilient communities
- Health and wellbeing
- Better lives for people with care and support needs³
- Child-friendly city

- 4.3 Our 'Best Council' ambition remains to be an efficient and enterprising organisation. Maintaining provision of good quality, efficient services that communities in the city need is essential, while finding new ways of delivering the best for Leeds. Innovative approaches developed with service users, citizens and partners are already changing relationships and shifting responsibilities.

- 4.4 Our approach recognises the challenges that the city and the council are facing: 2017/18 has brought continued reductions in the council's funding and this is set to continue to 2020 and beyond; Leeds has a growing and ageing population with increasingly complex needs; some communities are not benefiting from the economic growth the city has experienced and welfare changes could make the inequality gap bigger. Having a clear, strategic vision centred firmly on tackling poverty and inequalities will help tackle these challenges.

Financial Pressures

- 4.5 The government have announced that by 2020 local government will be able to retain 100% of business rates, estimated to be £26 billion nationally, at which time government will withdraw its core funding of local government completely.
- 4.6 In order to ensure that its impact is fiscally neutral in terms of the national finances, the government propose to transfer a number of new functions to local government. This will be a fundamental change in the way local government is financed and brings with it risks associated with Business Rate Appeals.

- 4.7 More broadly the financial climate for local government continues to present significant risks to the council's priorities and ambitions. A key financial risk faced by the council is managing the demand pressures in the children looked after budget, specifically the number of children and young people in external residential placements or with independent fostering agencies. The budget was overspent in 16/17 and additional resources were provided as part of the approved 17/18 budget.
- 4.8 Another significant financial challenge will be managing schools' budgets. At a time when schools are facing uncertainty from the planned introduction of a National Funding Formula (now planned for the 2018/19 academic year), the Department for Education estimates that maintained schools will need to find savings of £3bn nationally by 2019/20. This equates to an 8% real-terms reduction in per pupil funding between 2014/15 and 2019/20 due to cost pressures such as pay rises, the national living wage, higher employer national insurance contributions, teachers' pension scheme costs and the apprenticeship levy. Schools will need support as funding for schools has been relatively protected compared with most other areas of public expenditure.
- 4.9 We will continue to make every effort possible to protect the front line delivery of services, and whilst we have been able to balance the budget each year since 2010, have continued to deliver a broad range of services despite declining funding from government, and have avoided large scale compulsory redundancies, it is clear that the position is becoming more challenging to manage. It will be increasingly difficult to maintain current levels of service provision without further changes in the way the council operates.

Devolution

- 4.10 We are an integral member of the West Yorkshire Combined Authority and are fully engaged at Leader and Chief Executive level through to project delivery in specific areas such as economic development, housing, skills and transport. Leeds is represented in Northern Powerhouse discussions and as a member of Transport for the North, as well as our Leader recently becoming the Chair of the Core Cities UK group. Whilst Leeds has not been able so far to secure a new devolution deal as other city regions have, the Leader and Chief Executive are in dialogue with central government on the geography and powers of a deal that would bring further powers and resources to the city. A Key Account Management approach is being taken in regards to central government departments, to maximise opportunities for devolved funding and pilot schemes for the city.

LGA Peer Reviews

- 4.11 Nine recommendations were made to the Council by the LGA Corporate Peer Review including being bolder in communicating successes, greater prioritisation, revisiting locality working, investing in more innovative and radical change and reviewing the processes in place to support this.

- 4.12 The focussed LGA Peer review on Adult Social Care also made recommendations and identified that key areas of service transformation need to be progressed further and faster and will require resource and better joined up plans across the health system. The Directorate is incorporating the suggestions of the review team within its existing planning and governance processes.

Information Governance

- 4.13 We will need to be able to demonstrate that we have put in place appropriate technical and organisational measures, to ensure and to demonstrate compliance with all aspects of the General Data Protection Regulation. All of these processes will be monitored and audited to ensure on-going effectiveness. These more exacting requirements mean we will need to review our approach to governance, and how data protection compliance is managed as a corporate issue. The remaining outstanding work required to address the recommendations of the Information Commissioners Audit report will be carried out by a small team of information governance staff with completion due in March 2018.
- 4.14 Work to regain PSN certification is the highest priority for the Information Management and Governance Service, the Digital Information Service, with the full backing of CLT. However, at this time and until all the actions required by the Cabinet Office are completed, only limited assurance can be given with regards to Cyber Assurance and Compliance.

Procurement

- 4.15 Compliance with Contract Procedure Rules remains an issue in some areas, notably around justification in reports considering waivers. Further work will be undertaken to improve performance in this area.

Staff Survey

- 4.16 The results indicate that we still need to improve listening to and acting upon what colleagues tell us and how it makes a difference to the way things are. Leadership teams will review the results, and identify where progress can be made.

Health and Safety

- 4.17 Whilst the majority of Health and Safety performance indicators have been met two areas require further work:
- completion of Fire Risk Assessment Reviews in all schools; and
 - A review and development of Health and Safety Performance Standards, where these are currently absent.

Customer Access

- 4.18 Significant progress has been made in how citizens access services however further improvements in processes and procedures will be made to deliver a more consistent experience for customers who contact the Council.

5. ASSURANCE CONCLUSION

- 5.1 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.
- 5.2 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.
- 5.3 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.

Councillor Judith Blake
Leader of the Council

Councillor Patrick Davey
Chair, Corporate Governance and
Audit Committee

Tom Riordan
Chief Executive

Doug Meeson
Chief Officer Financial Services &
Section 151 Officer

Catherine Witham
City Solicitor & Monitoring Officer