

Corporate Governance and Audit Committee

Monday, 18th July, 2011

PRESENT: Councillor G Driver in the Chair
Councillors N Taggart, C Campbell,
G Kirkland, A Lowe, J Elliott, W Hyde,
T Hanley, C Fox and G Hussain

Co-optee G Tollefson

Apologies Councillor P Grahame

15 Appeals Against Refusal of Inspection of Documents

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

16 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

17 Late Items

There were no late items submitted to the agenda for consideration.

18 Declaration of Interests

Councillor Driver declared a personal interest in Agenda Item 12 (Minute 27 refers) as a board member of Aire Valley Homes ALMO. Councillor Lowe declared a personal interest in Agenda Item 12 (Minute 27 refers) as a board member of West North West ALMO. Councillor Fox declared a personal interest in Agenda Item 8 (Minute 23 refers) as a trustee of the West Yorkshire Pension Fund.

19 Apologies for absence

Apologies for absence were received from Councillor P Grahame.

20 Minutes of the Previous Meeting

The minutes of the Corporate Governance and Audit Committee meeting held on 15th June 2011 were approved as a correct record.

21 Matters Arising

The Chief Officer (Audit and Risk) updated the Committee on the Communities and Local Government (CLG) consultation process on the future of Local Public Audit which was discussed at the meeting of the Committee held on 15th June 2011 (Minute 7. refers). The Committee were informed that the Audit Commission have now published their response to the consultation, which can be obtained on request. Leeds City Council's response to the consultation was circulated to Members of the Committee and has been forwarded to CLG. The next stage is for CLG to co-ordinate a summary of responses which will be circulated when completed.

In relation to the Leeds response Councillor Driver circulated an article from the Local Government Chronicle entitled 'Members matter for an effective audit committee'.

22 KPMG Interim Audit Report

The Principal Finance Manager presented a report of the Director of Resources which identified the findings from KPMG's interim audit work in relation to the 2010/11 financial statements and the initial work undertaken to support their 2010/11 Value for Money conclusion. The report concluded that procedures and system controls are generally sound, full reliance can be placed on the work of Internal Audit and that the Council understands the scale of the financial challenge and is responding appropriately to the risks.

Steve Clarke and Sam Bradford from KPMG were also in attendance and presented the findings of the interim report in detail to the Committee.

Members discussed the report in detail specifically questioning the amount of overtime paid to Council staff, how this arose, the authorisation process for overtime payments and whether in all cases it had been genuinely claimed. Members also considered ways of reducing spend on overtime.

Members also highlighted and discussed the overspend in Children's Services and Adult Social Care Services with the KPMG representatives and that this is an annually occurring problem. KPMG informed the Committee that the Council was trying to take better control over this but that it remains high on KPMG's agenda.

The Chair of the Committee congratulated Council staff for their positive efforts which have resulted in improvements on previous years reports.

RESOLVED – The Committee resolved to note the positive assurances provided by KPMG on the organisational procedures and system controls which underpin the Council's financial statements.

(Councillor Hanley entered the meeting during discussion of this item at 2.15pm.)

23 2010/11 Statement of Accounts

The Principal Finance Manager presented a report of the Director of Resources on the 2010/11 Statement of Accounts for Leeds City Council prior to the accounts being made available for public inspection on the 25th July 2011. The report provided a summary analysis of the accounts to aid understanding of the main financial issues.

The Statement of Accounts have been certified as correct by the Council's Responsible Financial Officer.

Members discussed the report in detail and questioned figures featured in the accounts specifically around employee remuneration and organisations which are subsidiaries of the Council.

Members also raised the issue of the pension deficit at the Council and the change from pensions being based on the retail price index to the consumer price index and the effect that this would have on Council staff.

The Committee were given details on the pension deficit and its effects on the accounts and an explanation of the factors that determine whether an organisation is a subsidiary organisation for the purposes of the accounts.

RESOLVED – The Committee resolved to:

- (a) note the 2010/11 Statement of Accounts as certified by the responsible financial officer; and
- (b) agree to release the accounts for public inspection.

(Councillor Taggart entered the meeting at 2:35pm during the discussion of this item)

24 Annual Risk Management Report

The Principal Risk Management Officer presented a report of the Director of Resources. The report provided the committee with an overview of the risk management work conducted by the Risk Management Unit (RMU) over the last year in support of the Council's Risk Management Framework.

Members considered the report and raised questions surrounding the roll out of risk management software and how this was progressing in the current

financial situation, expressed concern at the continuing delay in its implementation.

Members also reviewed the Corporate Risk Map attached at Appendix 1 to the report and questioned the reasons why certain risks were deemed higher and of greater impact to the City of Leeds than others.

City flooding was also raised as a major risk that could have a devastating impact on thousands of people living in the city centre. and that detailed action plans should be in place to mitigate the impact of a severe flood in Leeds.

RESOLVED – The Committee resolved to note the assurances given on corporate risk management, financial risk management, project risk management, and integration of risk into performance management.

(Councillors Kirkland and Campbell left the meeting at 2.55pm during the discussion of this item.)

25 Annual Monitoring of Key and Major Decisions

The Head of Governance Services presented an annual report of the Director of Resources in respect of the Council's decision making arrangements. The report also provided details of the results of a follow up audit undertaken by Internal Audit in 2010/11 with regards to decision making.

Members discussed the report and raised questions specifically on how often a decision is changed after it has been 'called in'. Members also discussed on what grounds a decision is made exempt from Call In.

Members considered the impact partnership working might have on the existing executive decision-making framework, particularly the extent to which Member oversight of decisions might be diluted.

RESOLVED – The Committee resolved to note the assurances provided and note the areas for further improvement.

26 Localism Bill - Outcome of initial consultation

The Head of Governance Services presented a report of the City Solicitor. The report provided an update on the proposals in the Localism Bill about ethical issues, and to outline the results of the first round of consultation with various stakeholders on the future of the ethical framework in Leeds.

RESOLVED – The Committee resolved to note the timetable for further consultation contained in Appendix 2 to the report.

27 Council Housing Assurance Framework

The Housing Policy and Monitoring Manager presented a report of the Chief Officer for Statutory Housing. The report provided assurance that the delegated housing management service to the ALMOs and BITMO are appropriately managed.

RESOLVED – The Committee resolved to note the assurances provided that the management of council housing in the City is being monitored by the Housing Partnerships team based within Housing Services.

28 Procurement & Commissioning Efficiency Savings

The Chief Procurement Officer presented his report informing Members of the actions and measures in place within the Council to achieve the procurement savings required by the 2011/12 budget. The report significantly related to procurement and commissioning efficiency savings.

Members discussed the report in detail and welcomed the work done by central procurement to identify large savings in contracts already in place and by extending contracts with improved terms for the Council. Members questioned officers on why this had not been done previously and for how long contracts were being extended in the context that extending contracts could potentially prohibit the Council receiving quotes for goods and services from the wider market.

Members noted that in obtaining best value, it was right that both quality and price should be considered in all procurement exercises.

RESOLVED – The Committee resolved to:

- (a) note the actions in place to create and measure the procurement and commissioning efficiency savings;
- (b) note the governance arrangements in place to give assurance that the procurement efficiency savings will be monitored, recorded and achieved; and
- (c) agree to a further progress report in due course.

(Councillor Lowe left the meeting at 3.34 pm during the discussion of this item.)

29 Work Programme

The Director of Resources submitted a report notifying Members of the work programme.

The Committee reviewed its forthcoming work programme.

RESOLVED – The Committee resolved to note the work programme.