

Public Document Pack

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

MONDAY, 3 OCTOBER 2022

SUPPLEMENTARY INFORMATION

Agenda Item 9 – Grant Thornton Annual Report and Value For Money Findings 2020/21

Copy of Grant Thornton’s Auditor’s Annual Report of Leeds City Council 2020-21

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Auditor's Annual Report on Leeds City Council

2020-21

26 September 2022



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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Appendices

- A – The responsibilities of the Council
- B – An explanatory note on recommendations
- C – Use of formal auditor's powers

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any significant weaknesses but have considered risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness.

Overall, we have not identified any significant weaknesses and related key recommendations, in including the Council's response to Covid-19. We have identified a small number of improvement recommendations to further enhance the Council's arrangements, which management has accepted and will implement.

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified. Five improvement recommendations made.
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified. One improvement recommendation made.
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified. Two improvement recommendations made.



Financial sustainability

We issued a qualified 'except for' value for money conclusion last year, 2019-20, relating to the Council's arrangements for financial management and level of General Fund Reserves to deal with significant unforeseen events. Since the 2019-20 'except for' value for money conclusion in March 2021, Leeds City Council has moved from a position where it felt it was unable to balance its budget for 2020-21 requiring a capitalisation order to putting in place significant actions and controls to reduce expenditure and withdrawing its request for a capitalisation order.

Actions taken by the Council in 2020-21 have resulted in the in-year financial gap being eliminated and an outturn underspend of £1.1m for the year being delivered which is a significant achievement. The Council's total General Fund and General Fund Earmarked Reserves have increased from £107.7m at 31 March 2020 (GF £31.5m and GF Earmarked £76.2m) to £229.5m at 31 March 2021 (GF £27.8m and GF Earmarked £201.7m).

Whilst Covid-19 and financial pressures remain for 2021-22 and beyond, the Chief Officer – Financial Services is of the view that the Council has the capacity to manage and address these budget pressures. The 2021-22 outturn report presented to Executive Board in June 2022 reported an outturn underspend of £1.5m for the year.

The Council is operating in an increasingly uncertain financial environment. Leeds City Council, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term. This situation has been exacerbated by the recent increased levels of inflation placing greater pressures on the Council's finances in 2022-23 and beyond.

Our work has not identified any significant weaknesses in arrangements to secure financial sustainability at the Council. However, we have made five improvement recommendations.

Further details can be seen on pages 8-19 of this report.

Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Council.

Our work on both business as usual governance and adapted arrangements resulting from Covid-19 has not identified any significant weaknesses in relation to governance. However, we have made one improvement recommendation in relation to the financial statements audit process.

Further details can be seen on pages 20-23 of this report.



1. Executive summary continued



Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements in relation to delivering economy efficiency and effectiveness. However, we have made two improvement recommendations in respect of improving housing void management and the use of unit cost benchmarking.

Further details can be seen on pages 24-28 of this report.



Covid-19 arrangements

We did not identify any risks of significant weakness around the Council's arrangements in responding to the Covid-19 pandemic. However, we have made one improvement recommendation.

Further detail can be found on pages 29-31.



2. Statutory and key recommendations



The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.

Our work has not identified any significant weaknesses in arrangements and therefore we have not made any key recommendations.

Appendix C outlines the use of auditor’s statutory powers. These powers include the use of written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.

Our work at the Council has not identified any significant weaknesses in arrangements and therefore we have not made any statutory recommendations or had to discharge any other wider powers under the Local Audit and Accountability Act 2014, for the 2020-21 audit year.



The range of recommendations that external auditors can make is explained at Appendix B.

3. Opinion on the financial statements

Audit opinion on the financial statements

Subject to completion of our audit work, we expect to issue an unqualified audit opinion on the financial statements following the Corporate Governance and Audit Committee meeting on 3 October 2022.

Audit Findings (ISA260) Report (AFR)

More detailed findings can be found in our Audit Findings (ISA260) Report – Working Draft, which was reported to the Authority’s Corporate Governance and Audit Committee (CGAC) on 4 February 2022. Our updated Audit Findings Report will be presented to the Corporate Governance and Audit Committee on 3 October 2022 prior to concluding our audit for 2020-21.

Preparation of the accounts

The Council provided its draft 2020-21 financial statements ahead of the national deadline. At the time the draft financial statements for 2020-21 were made available to us on 22 July 2021, no working papers were provided by the Council. We understand this was due to workload pressures on the finance team as well as planned leave. We agreed a revised date of 6 September for the provision of working papers to support the 2020-21 accounts. Whilst some working papers were provided by this date not all were available. We have previously reported this issue to the Corporate Governance and Audit Committee at its meeting in November 2021 and in February 2022. Further details and a proposed recommendation is included within the Governance Section of this Report (pages 21-22).

Issues arising from the accounts

Our audit work reported in our Audit Findings (ISA260) Report – Working Draft presented to the CGAC on 4 February 2022 did not identify any adjustments to the Council’s Comprehensive Income and Expenditure Statement or the Council’s level of useable reserves.

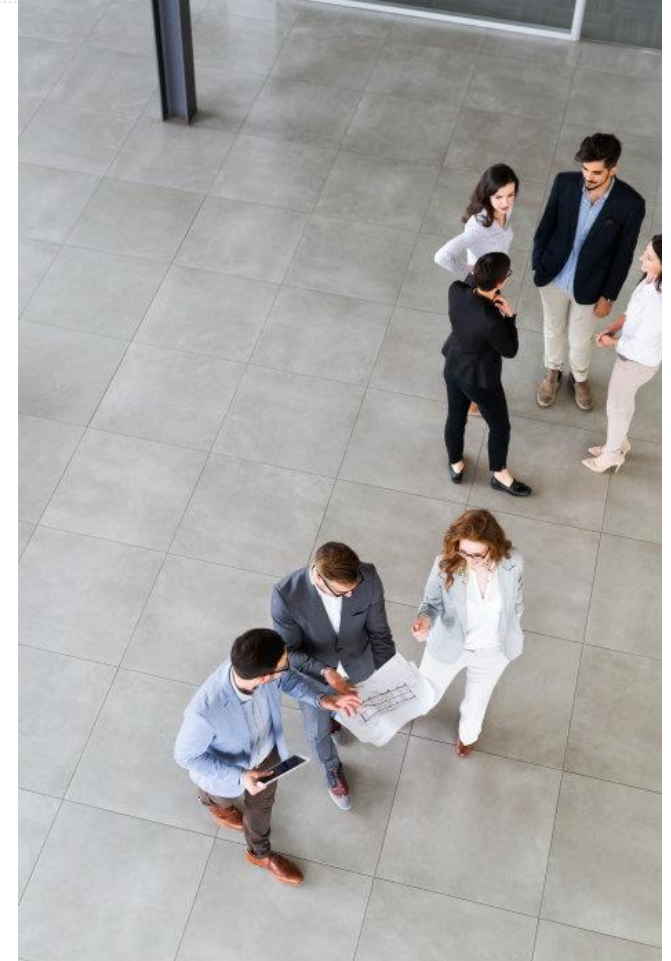
However, we identified two adjustments impacting on the Council’s balance sheet:

1. PPE valuations – the valuation of a number of other land and building assets in the financial statements had been overstated within the rolling programme of valuations (£2.1m) resulting from a clerical error, and the Temple Green Park and Ride scheme (£16.4m) which incorrectly included the land value twice and used the wrong building costs in valuation
2. Net Pension liability – management were awaiting details of two adjustments to the net pension liability from the West Yorkshire Pension Fund. The first adjustment related to an increase in asset revaluations estimated to be some £32.5m, whilst the second was in respect of an increase in liabilities following the recalculation of early retirements, and estimated at £16.1m. Both figures are estimates only provided by management and may differ on receipt of the actual confirmation.

Management agreed to adjust the financial statements for these areas. Our audit work also identified a number of presentational and disclosure adjustments which management has agreed to process. Our updated Audit Findings Report will be presented to the Corporate Governance and Audit Committee on 3 October 2022 and will include any further matters identified since our initial Audit Findings Report was presented to CGAC on 4 February 2022.

Grant Thornton provides an independent opinion ensuring the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



4. Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Local Authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out at Appendix A.

Local Authorities report on their arrangements, and the effectiveness of these arrangements as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 8 to 31.



5. Financial sustainability

Background

We issued a qualified 'except for' value for money conclusion last year, 2019-20, relating to the Council's arrangements for financial management and level of General Fund Reserves to deal with significant unforeseen events.

Since the 2019-20 'except for' value for money conclusion in March 2021, Leeds City Council has moved from a position where it felt it was unable to balance its budget requiring a capitalisation order to putting in place significant actions and controls to reduce expenditure and withdrawing its request for the capitalisation order.

The significant actions taken by the Council in 2020-21 have resulted in the in-year financial gap being eliminated and an outturn underspend of £1.1m for the year.

The impact of Covid-19

Covid-19 significantly impacted on the Council during 2020-21 with additional costs of £99.9m and an expected budget shortfall of £118.7m in 2021-22. The level of the Council's general fund reserves which amounted to £31.5m at 31 March 2020, were initially considered insufficient to absorb the additional costs associated with Covid-19. Whilst the Council believed it had sufficient time to manage its position for 2021-22 through a range of actions to reduce overall expenditure, it believed it was at that time unable to absorb the additional costs for 2020-21 without significantly impacting on services.

As a result, the Council requested support from the Ministry of Housing, Communities and Local Government (MHCLG) in May 2020 (now the Department for Levelling Up, Housing and Communities - DLUHC) through a capitalisation order to allow the Council to better manage the situation over a longer period, rather than having to make short term decisions.

The November 2020 Executive Board Report set out that if support was not agreed with MHCLG by the end of November, the Council would bring forward budget proposals to balance the budget for 2020-21 in December 2020.

Since May 2020 when a capitalisation order was requested from MHCLG, the Council took a range of steps to reduce the budget gap resulting from Covid-19 and by November 2020, had reduced

the gap to £30.5m (from some £99.9m). At this point, the Council felt it was able to manage the remaining additional costs for 2020-21 and withdrew its application for a capitalisation order on 12 November 2020.

The 2020-21 Financial Performance Outturn Report was presented to the Executive Board on 23 June 2021, this identified the significant financial challenges faced during the year from the Covid-19 pandemic. The report highlighted that the Council had received emergency Covid-19 funding from Central Government during the year of £99.6m of which £2.6m was applied in 2019-20 leaving a balance of £97.0m which had been applied during 2020-21. The final financial outturn position for 2020-21 was an underspend of £1.1m.

Total General Fund and General Fund Earmarked Reserves had increased from £107.7m at 31 March 2020 (GF £31.5m and GF Earmarked £76.2m) to £229.5m at 31 March 2021 (GF £27.8m and GF Earmarked £201.7m). The overall increase was mainly due to the use of Covid-19 Business Rates grant funding and Tax Income guarantee funding which was set aside for future years, as well as the use of the Government's Contain Outbreak Management Fund grant to support the base budget, which given the cost controls put in place, was not fully utilised. Additionally, underspends within directorates allowed contributions to be made to reserves.

For 2021-22, the Council set a balanced budget with net expenditure of £435.3m. Council Tax has increased by 4.98% (1.99% for Council Tax and a further 2.99% for Adult Social Care). To deliver this balanced budget, the Council needed to deliver savings of £56.1m during 2021-22. Actual savings delivered for 2021-22 totalled £56.7m.

The 2021-22 Revenue Budget and Council Tax Report presented to Executive Board on 10 February 2021 reported estimated savings required of £65.7m in 2022-23 and a further £34.2m in 2023-24. The Council's MTFs for 2022-23 to 2026-27 presented to Executive Board in September 2021 identified an estimated budget gap of £146.5m for the five years of the MTFs of which £65.4m related to 2022-23, and £48.1m to 2023-24 (after initial savings proposals). The budget gaps noted for 2022-23 and beyond are likely to be exacerbated by the recent increased levels of inflation, particularly in relation to energy costs and higher pay awards, placing greater pressures on the Council's finances.



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

5. Financial sustainability

Summary of the Council's arrangements

The Council has established budget setting processes in place which incorporate all available information, including the outcome of the annual funding settlement (if available) which is used to develop a draft budget which is presented to members. The budget incorporates various assumptions in a number of areas including on council tax and business rate growth.

The Council also has in place a five year Medium Term Financial Strategy (MTFS) which it normally updates during July each year following approval of the annual budget in February. For 2020-21 this was updated in July 2019 covering the period 2020-21 to 2024-25, and is updated each year to reflect the most up to date information allowing the Council to plan ahead, but also inform the next annual budget setting cycle.

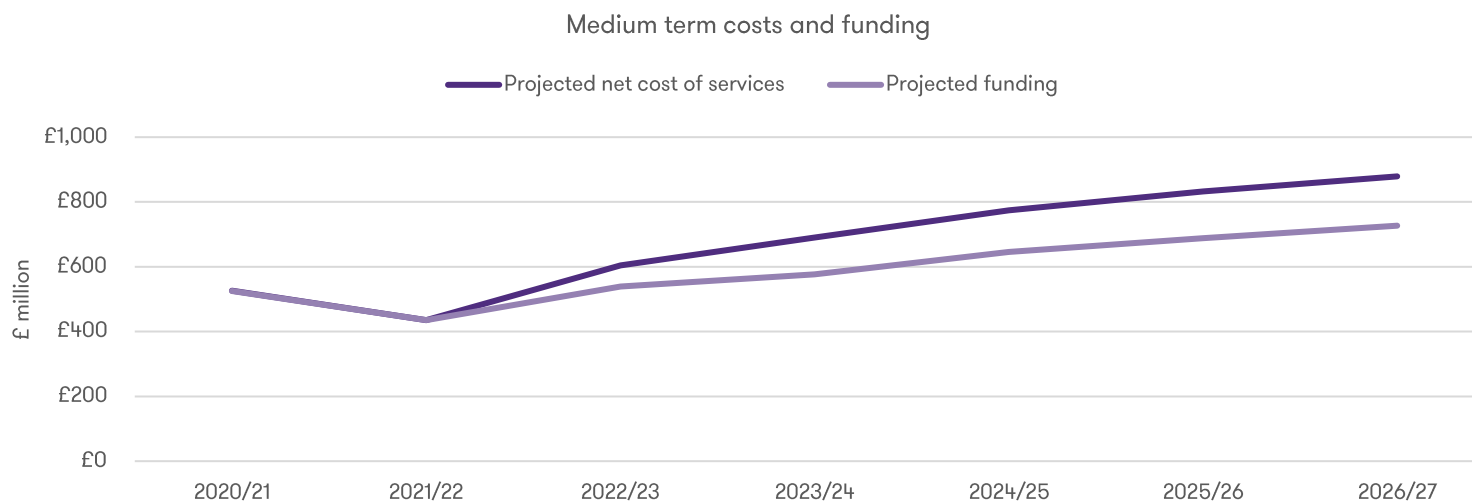
The Council has processes in place which detail the responsibilities of Council members and senior management for planning and managing the Council's finances. These are set out in the Council's Constitution (Part 4 – Rules of Procedure). We have not identified any evidence of the Council not complying with these processes.

Financial performance is monitored and routinely reported to the Executive Board through the Financial Health Monitoring Reports with monthly management reporting also taking place through senior management team meetings within individual Council directorates.

The reports to Executive Board set out key financial information, such as actual and forecast outturn performance against budget. These reports are sent out in advance of meetings which enables sufficient time for members to consider the content, and formulate questions for discussion and scrutiny allowing appropriate challenge to take place.

Overall, the Council has established budget setting arrangements in place which incorporate all available information. As well as setting its annual financial budget each year, the Council plans ahead through its Medium Term Financial Strategy which ensures it is able to manage expected changes more effectively and in a planned manner. The Council has managed the significant impact of Covid-19 noted above during 2020-21 and delivered an outturn underspend of £1.1m (as well as an underspend of £1.5m in 2021-22).

However, the Authority continues to face significant financial pressures as can be seen in Chart 1 below. The MTFS for 2022-23 to 2026-27 presented to Executive Board in September 2021 identified an estimated budget gap of £146.5m for the five years of the MTFS of which £65.4m related to 2022-23. This situation is likely to be exacerbated by the recent increased levels of inflation placing greater pressures on the Council's finances, particularly in relation to energy costs and higher pay awards which are estimated at £5.4m and £19.5m respectively. There is a need for the Council to continue to keep its financial position under review and continue to closely monitor the delivery of savings schemes and actions to address the current and future years budget gap. We have raised an improvement recommendation in this regard.



5. Financial sustainability

2020-21 revenue outturn

The 2020-21 budget was presented to Executive board on 12 February 2020. The net revenue budget for 2020-21 totalled £525.7m with Council Tax increasing by 3.99% (1.99% Council Tax plus the Adult Social Care precept of 2%). To deliver a breakeven budget, savings of £26.03m were required.

The Council delivered savings in 2020-21 of £24.45m, this compares to the budgeted savings at the start of the year of £26.03m, delivering some 94% of the savings planned. Given the impact of Covid-19 during the year, some savings could not be delivered due to the impact of the pandemic. In addition to these savings, the Council took robust action to control costs resulting from the financial impact of the pandemic including for example, a recruitment freeze, restrictions on agency and overtime use, review of contract procurement arrangements and, use of the Council's Early Leaver's Initiative. These measures helped deliver an outturn underspend of £1.1m for the year.

Total General Fund and General Fund Earmarked Reserves increased from £107.7m at 31 March 2020 to £229.5m at 31 March 2021 (and fallen to £220.0m at 31 March 2022). Our comparison of the level of the Council's reserves as a proportion of net service revenue expenditure (%) for 2020-21 with other metropolitan authorities indicates the Council's reserves are the lowest of all metropolitan authorities at 31 March 2021 and significantly below the metropolitan average. See Chart 2 below. Chart 3 alongside shows the Council's position with other metropolitan authorities for General Fund Reserves only as a proportion of net cost of services.

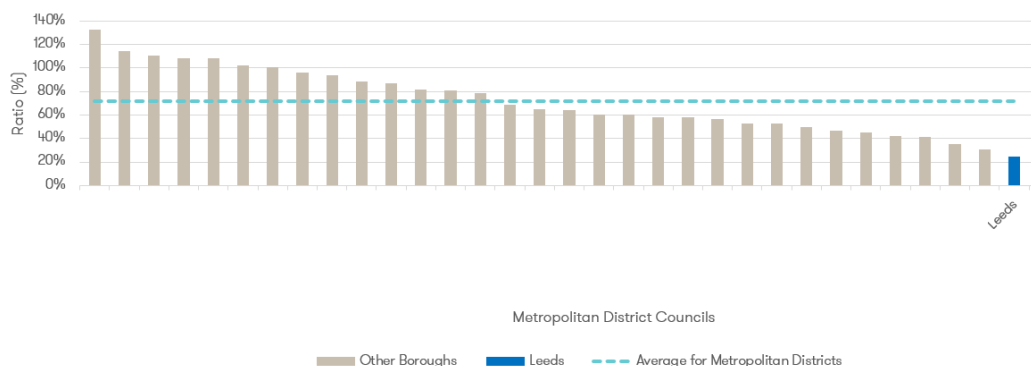
The Council should continue to consider the adequacy of its current level of General Fund Reserves and Balances to ensure these remain adequate for its needs and potential unforeseen events. We have raised an improvement recommendation in this regard.

Given the impact of Covid-19 and the management time being spent on developing actions to manage the budget position for 2020-21 and routine monthly reporting, the update to the MTFs was delayed from July to September 2020. The MTFs for 2021-22 to 2025-26 identified an overall budget gap to deliver a balanced budget of £174.4m for the five year period 2021-22 to 2025-26, with a gap of £122.1m in 2021-22. Since this time, the Council has been developing actions to eliminate the budget gap for 2021-22.

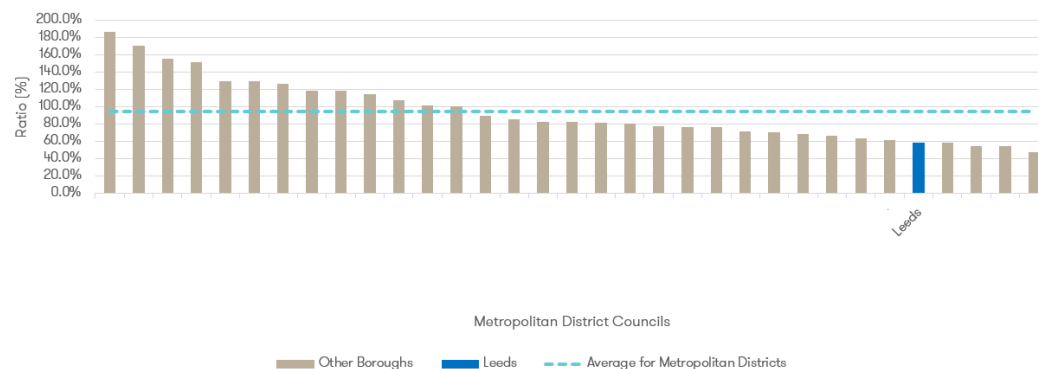
2021-22 revenue budget

For 2021-22, the Council set a balanced budget with net expenditure of £435.3m. Council Tax has increased by 4.98% (1.99% for Council Tax and a further 2.99% for Adult Social Care). To deliver this balanced budget, the Council needed to deliver savings of £56.1m during 2021-22. The Council delivered £56.7m at the year end, or some 101% of savings planned. The June 2022 Outturn Report to Executive Board in June 2022 reported an outturn underspend of £1.5m for 2021-22.

General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%) 2020/21



Reserves as a proportion of Net cost of services (%) 2020/21



5. Financial sustainability

Long term borrowings

The Council's total long term borrowings at 31 March 2022 amounted to £2,256m, this compares with £2,203m at 31 March 2021 and £2,225m at 31 March 2020. The fall between 2019-20 and 2020-21 relates to the repayment of debt whilst the increase of £53m between 2020-21 and 2021-22 relates to increased borrowings to fund capital expenditure in accordance with the Council's capital programme and treasury management strategy.

The Council's Financial Performance Outturn Report for 2021-22 presented to the Executive Board on 22 June 2022, noted a borrowings requirement of £721.4m for the five year period, 2021-22 to 2025-26 to fund a capital programme of £1,984m for the same period (General Fund £1,265.2m and HRA £718.7m).

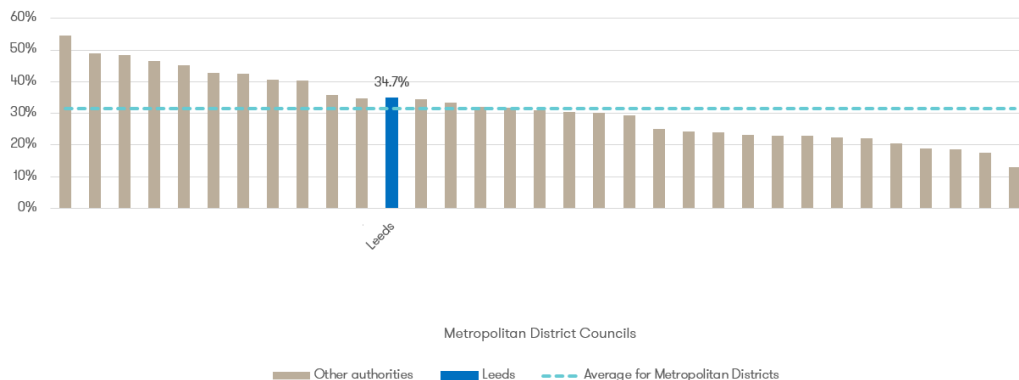
Our comparison of the Council's long-term borrowings as a percentage of long-term assets for 2020-21 with other metropolitan authorities indicates the Council's debt equates to 34.7% of its long term assets, this is slightly above the average for other metropolitan authorities (see Chart 3 below).

However, the Council's long-term borrowings as a percentage of Council Tax, Business Rates and other Grant Income for 2020-21 is significantly above the average of other metropolitan authorities at 228%. See Chart 4 below. This indicates that whilst the average borrowings of metropolitan authorities is some 1.5 times the level of income, for Leeds City Council, its borrowings are nearly 2.3 times its revenue income (see Chart 4 below).

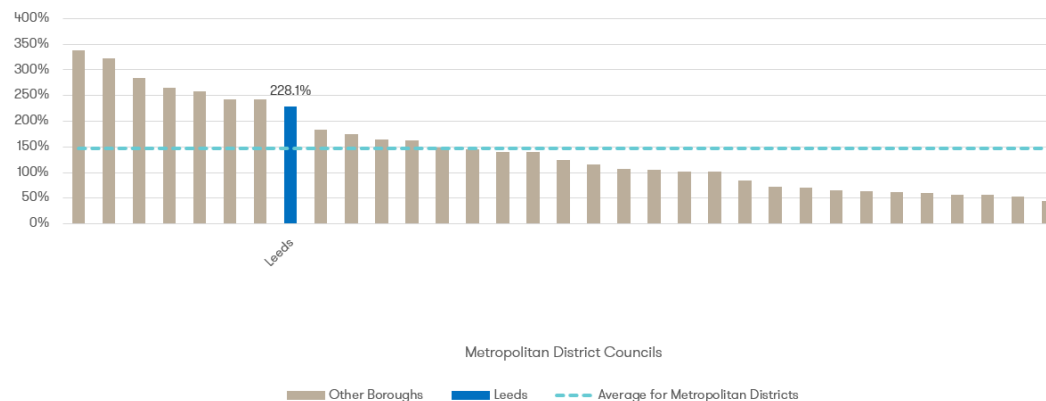
There is a need for the Council to consider as part of its wider capital investment ambitions and treasury management strategy, the level of its long term debt and its ability to fund the associated future revenue costs, in particular, the future Minimum Revenue Provisions (MRP) required. This may be particularly relevant given the expected increase in future interest rates and associated borrowing costs. We have made an improvement recommendation in this regard.

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Long-term borrowing as a proportion of Long-term assets 2020/21 (%)



Long-term borrowing as a proportion of Tax & Non-specific Grant Income 2020/21 (%)



5. Financial sustainability

Statutory and discretionary services

The Council has established financial management arrangements in place and is aware of the services it provides, both statutory and discretionary.

The Council's current financial planning does not currently demonstrate a distinction between core statutory services and discretionary areas of spend. However, the focus of the Council's MTFS and annual revenue budget process ensures that resources are prioritised to statutory services. This means that non statutory service budgets are cash limited. The annual budget setting process also ensures that any savings proposals are considered to ensure they do not impact on the Council's statutory responsibilities. The Council ensures that statutory services continue to be prioritised, for example, in 2020-21, the Council budgeted to spend 61.4% of the Net Revenue Charge (NRC) on social care relating to adults and children's services (NRC is the net cost of all Council services funded through Council Tax, Business Rates and Revenue Support Grant). In 2021-22, this had increased to 62.9%.

Whilst the Council has continued to deliver a balanced budget and has a clear understanding of what are its core statutory services, we consider the Council should clearly identify statutory and discretionary spending in budgetary information which is provided to members and the public during the budget cycle. This would help members and residents to understand the difference between these types of spending and would help inform any spending decisions. We have raised an improvement recommendation in this regard.

2020-21 capital outturn

The Financial Performance Outturn Report for 2020-21 presented to Executive Board in June 2021 noted that capital expenditure for 2020-21 totalled £404.1m (General Fund £332.8m and HRA £71.3m). This was an underspend of £32.4m (7.4%) against the revised budget. The reduction in spending was principally due to the impact of Covid-19 delaying the progress of a number of capital schemes.

The key capital schemes in 2020-21 were the new East Leeds orbital road, flood alleviation schemes, street lighting LED replacement programme and moving towards an electric vehicle replacement programme. Spending on the HRA related to the Council house growth programme and refurbishment of council houses.

The Council's annual capital budget report explains how the Council's capital budget supports the Council's Best Council Plan and projects the Council's capital programme for a five year period, allowing early consideration of schemes and their financial impact.

The Council has appropriate arrangements in place to monitor capital projects.

Medium term financial strategy

The Council's Medium Term Financial Strategy (MTFS) is a key strategy of the Council and covers a five year period. The MTFS links the Council's vision and priorities with its financial budgets and details how the Council's finances will be structured and managed to support its priorities.

The Medium Term Financial Strategy aligns the Council's expenditure decisions to the Council's Best Council Plan ambitions which include, working in partnership to tackle poverty and inequalities through strengthening the economy and doing this in a way that is compassionate and caring.

There are three pillars which underpin this vision:

- Inclusive growth
- health and wellbeing
- the climate change emergency.

These all aim to embed sustainability across the Council's decision-making. The Council's internal Best Council focus is on becoming a more efficient, enterprising and healthy organisation. Together, these set the strategic context for the Council's Medium Term Financial Strategy.

The Council applies several key assumptions in developing its Medium Term Financial Strategy and plans. These assumptions are subject to question and challenge by Executive Board and include for the MTFS 2022-23 to 2026-27:

- a 1.99% Council Tax increase for each financial year and a lower than average underlying growth in the taxbase for 2022-23 of 1.36% which will not recover to pre-pandemic levels until 2025-26
- the Council will continue with a 50% Business Rates retention until 2023-24 when 75% retention will be introduced from 2024-25
- 2021-22 is the final year of the Adult Social Care precept increase in Council Tax, reflecting concerns about the local tax burden, particularly post-Covid-19. All other social care grants continue to be protected and have been rolled forward into 2022-23 and beyond
- no increase in Children's Social Care resources over the period 2022-23 to 2026-27 and ending of the £1.6m per annum Strengthening Families grant in 2024-25
- the Housing Benefit and Local Council Tax Support Administration Subsidy grants are anticipated to continue to reduce by a further £0.6m over the MTFS up to 2024-25
- recognition of the increasing demography and demand pressures for services in Adult Social Care, Children and Families services and Waste services, with an additional £52.2m being provided over the five years up to 2026-27.

5. Financial sustainability

The Council updates its MTFS during July each year to ensure all available information has been incorporated, as well as extending the MTFS to the following year.

In preparing the MTFS, the Council incorporates sensitivity analysis which allows appropriate scenario modelling to take place with the Council using the most likely projections in developing its budget, ensuring the MTFS is as realistic as possible.

As noted earlier (on Page 9), the Council continues to face significant financial pressures. The Council's MTFS for 2022-23 to 2026-27 presented to Executive Board in September 2021 identified an estimated budget gap of £146.5m for the five years of the MTFS of which £65.4m related to 2022-23, £48.1m 2023-24, £13.3m 2024-25, £12.8m 2025-26 and £7.0m 2026-27. These budget gaps are after initial savings proposals of £4.8m for the five year period of the MTFS. See Chart 4 below.

This situation is likely to be exacerbated by the recent increased levels of inflation placing greater pressures on the Council's finances. As noted earlier, there is a need for the Council to continue to keep its financial position under review and continue to closely monitor the delivery of savings schemes and actions to address the current and future years budget gap.

Managing risks to financial resilience

The Council's budget reports outline the key financial risks faced by the Council when setting the budget each year. The Council's Medium Term Financial Strategy also includes details of the key risks faced. All financial health monitoring reports to Executive Board highlight any specific risks impacting on the budget and the Council's financial position. Further details are provided within the individual directorate financial dashboards.

Aligning workforce needs to financial plans

The Council has in place a People Strategy 2020-25 which sets out the approach the Council takes with all its staff, including treating people fairly, spending money wisely, working as a team and also working with communities.

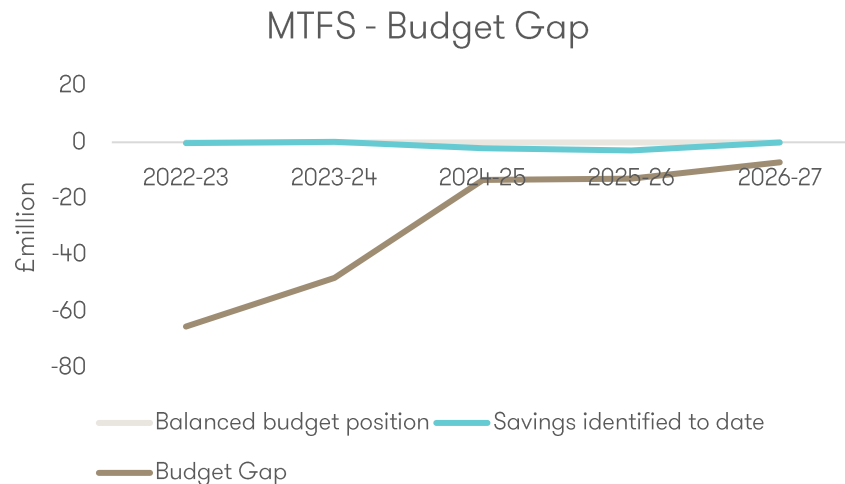
However, the Council does not have in place an Council wide workforce plan which integrates with its People Strategy and looks ahead for the short to medium term to identify workforce gaps and staffing needs. Instead, each Chief Officer has a dedicated HR Business Partner. The role of the HR Business Partner is to work alongside each service area to understand any workforce implications associated with its financial plans and to ensure the appropriate people, skills and experience mix within services meets service delivery requirements. We understand, HR Business Partners have played a key role during 2020-21 and into 2021-22 as the Council dealt with the impact of Covid-19 requiring a reduction in the overall employee headcount.

The Council should consider introducing a Council wide workforce plan for the full Council built up by each service area and directorate looking ahead for the short to medium term (covering a period of one to three years). This would help identify staff resource gaps and needs by service areas to deliver effective services and also align to the Council's financial plans. A workforce plan would also ensure the Council is able to plan ahead by better forecasting workforce supply and demand, assessing gaps, and determining recruitment needs. We understand Officers have already started to further develop the workforce planning framework which will include a workforce plan and will be forward looking. We have made an improvement recommendation in this regard.

Minimum Revenue Provision

The Council is required by statute to charge a Minimum Revenue Provision (MRP) to the General Fund Revenue account each year for the repayment of debt. The MRP charge is the means by which capital expenditure which has been funded by borrowing is paid for.

Legislation requires local authorities to make a prudent level of MRP provision, with statutory guidance referring to a prudent MRP policy which ensures debt is repaid over the period over which the capital expenditure is expected to provide benefits. Within this overall aim, the guidance gives local authorities considerable freedom to determine a prudent level of MRP.



5. Financial sustainability

In 2015, the Council reviewed its MRP contributions and identified it had over provided MRP in earlier years by some £93m. As a result, the Council used this credit to offset MRP charges in future years starting in 2015-16 and up to and including 2019-20. The gross calculated MRP charge for 2019-20 was £56.8m, this was reduced by a credit of £34.3m from earlier years and offset by a further £11.1m of capital receipts received resulting in the net MRP charge being reduced to £11.4m (GF £5.0m and HRA £6.4m (relating to PFI liabilities)).

In 2020-21, the gross MRP charge for the year amounted to £64.3m, this was offset by £26.9m of capital receipts only (as previous MRP credits had been exhausted) reducing the net MRP charge for the year to £37.5m (GF £31.2m and HRA £6.3m).

Given the Council has now exhausted its MRP credits from earlier years, the level of MRP charge to General Fund will be higher than in earlier years. The Council's ability to also use offset arrangements from the use of capital receipts will be dependant on the continuing receipt of monies from asset sales. We understand the Council will not be using capital receipts for offsetting going forward and so the MRP charge will be more in line with our expectations, which based on an average asset life of 50 years, would equate to around a 2% MRP charge each year.

The Capital Programme budget report to Executive Board in February 2021 projected MRP charges of £54.1m in 2021-22, £57.7m in 2022-23, £60.0m in 2023-24 and 60.6m in 2024-25. These charges are more in line with our expectations based on Council debt subject to any offset arrangements from capital receipts.

The Department for Levelling Up, Housing and Communities published a consultation paper on changes to the capital framework: Minimum Revenue Provision in November 2021. The consultation closed in February 2022. The consultation sought to address two issues, local authorities using sales from assets (capital receipts) in place of a charge to revenue and, not charging MRP on debt related to certain assets. The Government proposal was to add additional text to the 2003 Capital Finance Regulations to make it explicit that:

- capital receipts may not be used in place of the revenue charge
- a prudent MRP must be determined with respect to an authority's total capital financing requirement.

Following the consultation on proposed changes to the regulations, the Government was made aware of concerns raised by a number of authorities that the changes may have unintended consequences where authorities had made capital loans. As a result, the Department for Levelling Up, Housing and Communities issued a survey on amended proposals to provide additional flexibilities for capital loans on 17 June 2022, with the survey closing on 8 July.

The outcome of the consultation and proposed changes is currently awaited.

Conclusion

Generally, we have found the Council to have a good understanding of its budgetary position, budgetary pressures and the savings required to be delivered each year. There is an established process by which the budget is reviewed regularly, and issues are reported in a timely manner to members.

Whilst the Council has faced significant financial pressures resulting from the Covid-19 Pandemic during 2020-21 and into 2021-22, the Council has managed its financial position and delivered an underspend in both years without the significant use of reserves to bridge the Council's funding gap. There remain however significant financial pressures which the Council will need to manage, and which have been exacerbated by the increasing levels of inflation and rising interest rates.

Overall, we are satisfied that the Authority has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses, however, we have made five improvement recommendations which are set out in the following pages.



Improvement recommendation



Financial sustainability

Recommendation 1 The Council should continue to keep its financial position under review and continue to closely monitor the delivery of savings schemes and actions to address the current and future years budget gap.

Why / impact Leeds City Council continues to operate in an uncertain financial environment. The Council continues to face significant financial pressures resulting from the Covid-19 pandemic and will also need to continue to plan with little certainty over funding in the medium term whilst also recovering from the impact of the Covid-19 Pandemic. Without continuing its close monitoring, the Council may put its ability to deliver a balanced budget at risk.

Auditor judgement The Council continues to face significant financial pressures. The MTFs for 2022-23 to 2026-27 presented to Executive Board in September 2021, identified an estimated budget gap of £146.5m for the five years of the MTFs of which £65.4m related to 2022-23. This situation is likely to be exacerbated by the recent increased levels of inflation placing greater pressures on the Council's finances. There is a need for the Council to continue to keep its financial position under review and continue to closely monitor the delivery of savings schemes and actions to address the current and future years budget gap.

Summary findings The Council continues to face significant financial pressures and needs to continue to plan with little certainty over funding in the medium term whilst also recovering from the impact of the Covid-19 Pandemic. Without continuing its close monitoring, the Council may put its ability to deliver a balanced budget at risk. The Council should continue to keep its financial position under review and continue to closely monitor the delivery of savings schemes and actions to address the current and future years budget gap.

Further detail is provided on page 9.

Management comments *Agreed. As detailed in both this report and the Chief Financial Officer – Financial Services annual assurance report on financial management arrangements to Corporate Governance and Audit Committee, there are appropriate arrangements in place that provide assurance that the Council has established an effective financial control environment including robust arrangements for strategic financial planning.*

The range of recommendations that external auditors can make is explained at Appendix B.



Improvement recommendation



Financial sustainability

Recommendation 2 The Council should continue to consider the adequacy of its current level of General Fund Reserves and Balances to ensure these remain adequate for its needs and potential unforeseen events.

Why/impact Total General Fund and General Fund Earmarked Reserves have increased from £107.7m at 31 March 2020 to £229.5m at 31 March 2021. Our comparison of the level of the Council's reserves as a proportion of net service revenue expenditure (%) for 2020-21 with other metropolitan authorities indicates the Council's reserves are the lowest of all metropolitan authorities at 31 March 2021 and below the metropolitan average. Without reviewing the level and adequacy of General Fund Reserves and Balances, there remains a risk that the Council's reserves and balances may not be sufficient to meet its needs and potential unforeseen events.

Auditor judgement Following recommendations made in previous years, the Council has sought to increase the level of its General Fund Reserves and Balances. Whilst these have increased from £107.7m at 31 March 2020 to £229.5m at 31 March 2021 (reduced to £220.0m at 31 March 2022), they remain the lowest proportionately when compared with other metropolitan authorities at 31 March 2021. The Council should continue to consider the adequacy of its current level of General Fund Reserves and Balances to ensure these remain adequate for its needs and potential unforeseen events.

Summary findings Our audit findings reports for the last two years has raised the issue of the level of the Council's General Fund Reserves and Balances and for the Council to consider their adequacy for the Council's needs and future unforeseen events. Whilst there has been a conscious decision to increase the level of reserves and balances carried, these still remain the lowest of all metropolitan authorities at 31 March 2021. The Council should continue to consider the adequacy of its current level of General Fund Reserves and Balances to ensure these remain adequate for its needs and potential unforeseen events.

Further detail is provided on page 10.

Management comments *Agreed. The Council recognises the requirement to keep the level of reserves under review. Whilst the current Medium Term Financial Strategy provides for a budgeted contribution to the Council's general reserve, the Council will continue to maintain a robust approach towards its management of risk especially in the determination of the level of reserves that it maintains.*

The range of recommendations that external auditors can make is explained at Appendix B.



Improvement recommendation



Financial sustainability

Recommendation 3 The Council should consider as part of its wider capital investment ambitions and treasury management strategy, the level of its long term debt and its ability to fund the associated future revenue costs, in particular, the future Minimum Revenue Provisions (MRP) required.

Why / impact

The Council's long-term borrowings at 31 March 2021 as a percentage of Council Tax, Business Rates and other Grant Income is significantly above the average of other metropolitan authorities. This indicates that whilst the average borrowings of metropolitan authorities is some 1.5 times the level of income, for Leeds City Council, its borrowings equate to nearly 2.3 times its revenue income. Without close monitoring, there remains a risk that the level of the Council's long term debt may significantly impact on future revenue costs and the Council's future budget flexibility.

Auditor judgement

The Council's total long term borrowings at 31 March 2022 amounted to £2,256m compared to £2,203m at 31 March 2021. The Council's Financial Performance Outturn Report for 2021-22 presented to the Executive Board on 22 June 2022, noted a borrowings requirement of £721.4m for the five year period, 2021-22 to 2025-26 to fund a capital programme of £1,984m for the same period. The Council's long-term borrowings at 31 March 2021 as a percentage of Council Tax, Business Rates and other Grant Income is significantly above the average of other metropolitan authorities. The Council should consider as part of its wider capital investment ambitions and treasury management strategy, the level of its long term debt and its ability to fund the associated future revenue costs.

Summary findings

The Council's total long term borrowings at 31 March 2022 amounted to £2,256m with a further borrowing requirement of £721.4m for the five year period, 2021-22 to 2025-26 to fund a capital programme of £1,984m. The Council's long-term borrowings at 31 March 2021 as a percentage of Council Tax, Business Rates and other Grant Income is significantly above the average of other metropolitan authorities. The Council should consider as part of its wider capital investment ambitions and treasury management strategy, the level of its long term debt and its ability to fund the associated future revenue costs, in particular, the future Minimum Revenue Provisions (MRP) required.

Further detail is provided on page 11.

Management comments

Agreed. The Council's 10 year capital programme already considers the need for capital investment against affordability within the Medium Term Financial Strategy. A detailed review of the whole capital programme, covering the period up to 2023/24, was undertaken in the lead up to the Capital Programme being approved by Executive Board and Full Council in February 2021. A key principle of that review was to replace borrowing with external funding sources where possible and that principle continues, for example in the Council's recent bids to the Government's Levelling Up Fund. A further full review of the Capital Programme will take place in the autumn of 2022 and will inform the updated Capital Programme to be reported to next February's Full Council. The Council's long term borrowing is at a fixed rate so not exposed to risk from interest rate rises.

In May 2022 the Council's Strategic Investment Board agreed an overarching Capital Strategy to support a further review of the capital programme, whereby new borrowing would not exceed budgeted MRP, except where this would prevent the delivery of savings or robust prudential borrowing proposals.

The Medium-Term Strategy 2023/24 – 2027/28, which was received at September's Executive Board, details the MRP impact of the current capital programme and the financial implications of this are taken into consideration in the determination of the balanced budget position for the forthcoming financial year that is presented to Full Council each February.

The range of recommendations that external auditors can make is explained at Appendix B.



Improvement recommendation



Financial sustainability

Recommendation 4 The Authority should clearly identify statutory and discretionary spending in budgetary information which is provided to members and the public when setting the budget each year.

Why / impact Without this approach, members and residents may not fully understand any spending decisions made which impact on discretionary or statutory services during budget setting.

Auditor judgement Whilst the Council has delivered a balanced budget with a small underspend over the last few years and has a clear understanding of what are core statutory services, we consider the Council should clearly identify statutory and discretionary spending in budgetary information which is provided to members and the public when setting the budget each year. This would help members and residents to understand the difference between these types of spending and would help inform any spending decisions.

Summary findings Existing budgetary arrangements do not formally identify statutory and discretionary spending during budget setting. The result is that members and the public may not fully understand why spending decisions have been made to either reduce or increase service provision and investment. The Council should formally provide this information as part of the budget setting cycle.

Further detail is provided on page 12.

Management comments *The Council does not currently budget or account for its services on a statutory or discretionary basis. Therefore to implement this recommendation will involve mapping services being provided to the statutory requirement and then allocate and apportion costs and income in accordance with this.*

This process will be complicated where it is not clear where services are delivering both statutory and discretionary elements of their service. Consideration will also have to be given as to the extent statutory responsibilities have been met and therefore whether further expenditure within a particular service area can be considered as statutory “plus” or should it be considered as discretionary e.g. providing more than one library

Whilst the Council does not currently budget in this way Members will be aware as to which services are statutory or a priority to the Council based on its Best City ambitions. Similarly, the annual public consultation in respect of the forthcoming year’s budget demonstrate which services are high priority and it is the Council’s responsibility to reconcile this with the resources required to deliver statutory obligations.

The Council recognises that in the determination of future budget strategies the analysis of its revenue budget into statutory and discretionary areas of activity remains an option that it may wish to pursue.

The range of recommendations that external auditors can make is explained at Appendix B.



Improvement recommendation



Financial sustainability

Recommendation 5 The workforce plan currently being developed should be Council wide for the full Council and be built up by each service area and directorate and cover a period of one to three years. The Council should complete its workforce plan as soon as possible and maintain it up to date.

Why / impact The Council has in place a People Strategy 2020-25 which sets out the approach the Council takes with all its staff, including treating people fairly, spending money wisely, working as a team and also working with communities. A dedicated HR Business Partner works alongside each service area to understand any workforce implications and determine workforce requirements. However, the Council does not have in place a workforce plan which integrates with its People Strategy and financial plans and looks ahead for the short to medium term to identify workforce gaps and staffing needs. This would help identify staff resources required by service areas to deliver effective services and also align to the Council's financial plans for the short to medium term. Without a workforce plan, there remains a risk that the Council may not be able to plan ahead effectively by forecasting workforce supply and demand, assessing gaps, and determining recruitment needs.

Auditor judgement The Council has in place a People Strategy, however, it does not have in place a workforce plan which integrates with its People Strategy and allows the Council to understand any workforce implications across the Council. The Council should consider introducing an Council wide workforce plan for the full Council built up by each service area and directorate. This would help identify staff resources required by service areas to deliver effective services and also align to the Council's financial plans over the short to medium term. We understand Officers have already started to further develop the workforce planning framework which will include a workforce plan and will be forward looking.

Summary findings The Authority has in place a People Strategy and each service area is supported by a HR Business Partner who works alongside to identify any workforce issues. However, the Council does not have an Council wide workforce plan for the Council to identify staff resources required by service areas to deliver effective services and aligning to the Council's financial plans. A workforce plan would also ensure the Council is able to plan ahead by forecasting workforce supply and demand, assessing gaps, and determining recruitment needs. The workforce plan currently being developed should be Council wide for the full Council and be built up by each service area and directorate and cover a period of one to three years. The Council should complete its workforce plan as soon as possible and maintain it up to date. Further detail is provided on page 13.

Management comments *We recognise there is work to do to develop our maturity as an organisation in relation to workforce planning. We are in the early stages of developing our approach, work is already underway through pilots to test our approach and develop a framework to support the organisation. A tiered approach will be offered to services to support them in developing a service workforce plan. Alongside the framework being developed, sessions have started with services to help raise awareness and enable services to start more detailed workforce plans.*

Due to the diversity of the services and the range of different roles, and the size of the organisation our approach will be to ensure services develop local plans specific to their area, setting out the workforce requirements for the future based on the current and future workforce requirements, based on expected service need. The focus will be to ensure that services take a consistent approach to workforce planning based on the outline framework mentioned above and link to their local budget. This will not culminate in one workforce plan for the organisation; however, we will review plans for trends, commonalities or areas of concern working with the HR business partnering teams.

The range of recommendations that external auditors can make is explained at Appendix B.



6. Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Leadership and committee effectiveness

Appropriate leadership is in place. The Executive Board is the principal decision making body of the Council. The Leader of the Council chairs the Executive Board which leads and oversees the Council's priorities, working with its partners and councillors from across the City. In addition, scrutiny committee arrangements are in place through 11 Scrutiny Boards which hold the Executive Board to account.

The work of the Council's committees is governed by the constitution. The constitution is regularly reviewed and updated and is available to all staff and members in addition to the public on the Council's website. The Corporate Governance and Audit Committee is the Committee which undertakes the role of Those Charged with Governance (TCWG) and demonstrates appropriate challenge of financial and non-financial information. The Committee contains an appropriate mix of elected members with financial and non-financial experience in addition to an independent member. We have observed and experienced the appropriate debate and challenge they provide at each Corporate Governance and Audit Committee meeting.

Executive Board meetings are normally held monthly and the Council meets every two months with agendas and minutes published on the Council's website. Papers are provided in advance of meetings to allow decision makers the opportunity to read and reflect in advance. The Council publishes and updates regularly its Forward Plan on-line which sets out details of all key decisions expected to be taken during the next few months by either the Leader of the Council, Executive Board, the Chief Executive, or other Officers. This ensures members are aware in advance of the key decisions to be taken on a rolling basis and enables the Council's Scrutiny Boards to formulate their work plans.

Policies, procedures and controls

As a public organisation, the Council aims to maintain the highest standards of conduct and integrity. The Council expects the highest standards of corporate behaviour and responsibility from all Council members and all staff. The Council has in place a wide range of policies and procedures designed to ensure compliance with legislative and regulatory standards, including for example codes of conduct for members and staff and HR policies and procedures.

The Council has an established anti-fraud culture through its counter fraud and corruption strategy and fraud response plan, its whistleblowing policy, and the proactive counter fraud work undertaken during the year. The Council also has in place clear codes of conduct for both members and officers along with registers for gifts and hospitality and a register of interests.

Monitoring and assessing risk

The Council has in place a risk management framework which includes a Risk Management Policy and Strategy which sets out the Council's approach to embedding risk management arrangements within the Council. The policy aims to identify, analyse and manage potential threats posed by risks to the Council. The risk policy is supported by the Council's risk management strategy which aims to provide a systematic approach to support the effective, robust, consistent and proportionate management of risk.

The risk strategy sets out the risk management process to be followed by which risks are identified, evaluated, treated, reported and monitored on a regular basis. To identify and RAG rate risks, the Council uses a 5x5 matrix (probability x impact). All risks identified are recorded in risk registers.

Risks are routinely reported to the Corporate Leadership Team (CLT) and to members through the Strategy and Resources Scrutiny Board, Executive Board and the Corporate Governance and Audit Committee.

6. Governance

The Council considers risks as part of their routine decision making role and the impact on corporate policies, including the annual budget setting process. The risk management approach is well understood across all levels of management at the Authority.

There is an appropriate internal audit function operating at the Council and we have noted no issues with the standard of work being carried out by Internal Audit. Each year, Internal Audit agree an internal audit plan, the audit plan is agreed by the Chief Officer - Financial Services and then presented to the Corporate Governance and Audit Committee for approval. Changes are made to the plan throughout the year to recognise any new risks that arise. Progress is reported on the internal audit plan on a regular basis to the Corporate Governance and Audit Committee. The Committee use the work and findings of internal audit to consider the operation of key controls during the year which is used to draft the annual governance statement.

The Internal Audit function operates to the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) and is subject to external quality assessment every five years. The last assessment was in December 2021 and the Internal Audit function was found to be meeting all necessary standards. Internal Audit also issue each year, its Internal Audit Annual Report and Opinion, which sets out the work undertaken to be able to provide an annual opinion on the risk, governance and control arrangements in place at the Council. This report gave a satisfactory overall opinion over these arrangements for 2020-21.

Budgetary Setting Process

The Council has an established budget-setting process in place for agreeing its budget each year. The budget-setting process is thorough, with several stages. The budget is considered and approved by full Council in February. Routine monitoring of the budget takes place through the Financial Health Monitoring Reports which are presented to Executive Board normally on a monthly basis.

The Council has in place a Medium Term Financial Strategy (MTFS) which covers a five year time horizon. The MTFS is normally updated in July following the approval of the annual budget in February to take account of any further information and developments. Given the impact of Covid-19, the last MTFS was updated and approved a few months later in September 2021, covering the period 2022-23 to 2026-27.

Routine reporting including of longer-term projections and any risks to the medium term are incorporated into the Financial Health Monitoring Reports considered by Executive Board.

The level of routine review by Executive Board together with the Council's track record of delivering an underspend outturn position for 2020-21 (and 2021-22) confirm the effectiveness of the budget setting and monitoring processes in place.

Budgetary control

All cost centres within the Council are linked to a budget holder and a finance business partner to support each budget holder. Within each directorate, monthly budget monitoring is provided using the actual and projections module in the Council's financial management system (FMS). These projections are informed by discussions with budget holders. The Council wide monthly budget monitoring timetable provides for the financial position to be agreed with budget holders before being reported at a directorate level.

The Council's revenue and capital principles (approved by Executive Board in July 2019) require all directorates to identify appropriate proposals to balance the budget if a budget variation is identified.

Where there are any significant variances, the actions being taken to deliver a balanced budget position is incorporated into the narrative of the Financial Health Monitoring Report with further details (and information on smaller variances) included within the directorate dashboards included as appendices. Reporting takes place normally on a monthly basis to Executive Board.

Processes are in place for in-year budget virement if required in accordance with the Council's Budget and Policy Framework Procedure Rules. The delegated limits for virement are approved each year as part of the annual budget setting exercise.

Monitoring and ensuring appropriate standards

The annual governance statement is compliant with the CIPFA code. The Authority has adopted the CIPFA/SOLACE framework Delivering Good Governance in Local Government. An appropriate level of care is taken to ensure the Authority's policies and procedures comply with all relevant codes and legislative frameworks.

Final accounts closedown and audit process

We have previously reported to members at the Corporate Governance and Audit Committee the challenges experienced in undertaking our audit work. Our comments were included in our Audit Progress Report and Sector Update in November 2021, and in our Audit Findings Report Working draft which was presented to the CGAC in February 2022.

The Authority has a dedicated team responsible for the Council's final accounts preparation and audit process consisting of two key officers who are also responsible for other duties including budget preparation.

6. Governance

At the time the draft financial statements for 2020-21 were provided to us on 22 July 2021, no supporting working papers were provided by the Council. We understand this was due to workload pressures and planned leave. We agreed a revised date of 6 September for working papers to be provided.

Whilst the majority of working papers for property, plant and equipment and pensions were provided before September, the remaining working papers took longer with some remaining outstanding at November 2021. Timely responses to audit queries is essential to ensure issues can be resolved and cleared promptly and avoid potential late adjustments to the accounts. Whilst some queries are resolved in a reasonable time, others, due to workload pressures have taken longer or remained outstanding for some time.

Following changes to the original planned timing of the Leeds audit, we had to release a number of staff bookings to work on other audits. We recognise the workload pressure that both the finance team and ourselves continue to be under as a result of the on-going impact of the pandemic. As at the date of this report, most of our audit work in respect of the 2020-21 accounts is nearing completion. A small number of issues remain outstanding, including some key matters on the valuation of assets, the Council's share of the pension fund and the national issue in respect of accounting for infrastructure assets.

As last year, we also noted a general theme that whilst working papers showed the build up of the numbers in the accounts, there was generally a gap providing supporting evidence to show how these reconciled to the Council's FMS system. This required additional work by us to agree or further requests to management for additional information. We recommended in our Audit Findings (ISA260) Report last year (2019-20) that Management should introduce a review process where working papers produced are reconciled to FMS and reviewed by someone independent of the preparers and signed off before being uploaded for auditor access. We have repeated this recommendation in our 2020-21 Audit Findings Report Working Draft.

Whilst there has been some improvements in a number of working papers for 2020-21, the nature of the FMS system remains a challenge in terms of the clarity of the audit trail from the FMS system, to supporting figures included within the draft accounts. The Authority's FMS system dates back to the 1990's with limited functionality. It requires additional work to produce the information necessary for both management and for audit purposes.

As we have previously reported to CGAC, there has been an on-going focus on increasing audit quality over the last few years. As a result, the detailed level of audit work required is now significantly greater including increased levels of testing, greater challenge of management and increased levels of corroboration from experts used by the Council. To allow the audit process to be as efficient as possible, quality working papers are key which agree to the Council's ledger system (FMS) as well as the adequacy of staff resources to answer queries.

To address these issues, we are aware the Chief Officer - Financial Services is progressing work to procure a new financial ledger system. This would allow direct access for external audit staff to drill down into detailed ledger transactions on a read only basis. This approach is the norm we experience at most other local authority clients and should ensure a more efficient and effective accounts and audit process once the new ledger system is implemented.

In addition, procedures for the accounts and audit process in 2021-22 have been developed to allow for working papers to go through a quality assurance process before being finalised and shared with external audit. Whilst this will not address the issue in respect of the Council's existing ledger system not being conducive to a modern audit process, it should enhance the audit trail and audit assurance required by us as external audit going forward.

The action taken to enhance working papers coupled with finance staff responding to audit queries in a timely manner should ensure that the delivery of the 2021-22 and 2022-23 audits are on a more timely basis. In the context of the above we have raised an improvement recommendation in this regard.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. However, we have made one improvement recommendation.



Improvement recommendation



Governance

Recommendation 6 The Council should ensure supporting working papers are prepared on a basis that shows a clear audit trail from the FMS system to the figures that go into the Council's draft accounts corroborated as necessary by relevant evidence. Working papers should be subject to a quality assurance process prior to the working papers being provided to external audit. In addition, the Council should ensure that responses to audit queries are provided in a timely manner and are specific to the query or request raised.

Why/impact Without the provision of draft accounts supported by good quality working papers, and timely responses to audit queries and requests for information, there remains a risk that the audit process could be delayed and may not be as efficient as planned.

Auditor judgement The Council's existing ledger system is very dated and is not conducive to a modern external audit work programme. Whilst there are undoubted issues arising from the Council's current ledger system, we have experienced challenges in the last two years in respect of receipt of timely working papers and responses to audit queries. This is at a time when there have been a number of other factors impacting on the accounts and audit process, for example, a raising of the audit quality bar by the audit regulator (FRC) requiring greater depth of testing and auditor challenge of management's judgements and the impact of Covid-19 on the availability of staff working on both officers and the audit team.

Summary findings The Council has a ledger system that is outdated and is a factor in the quality and timeliness of working papers and we are aware the Council is currently in the process of procuring a new ledger system. Notwithstanding the issues of the FMS system, we believe there is scope to enhance the quality and timeliness of the supporting working papers provided by the Council in order to ensure that the accounts and audit process can be completed to an earlier timetable in 2021-22 and beyond.
Further detail is provided on page 22.

Management comments *Agreed. The Council has undertaken its own review of the closure of accounts process in 2020/21 and a number of actions have been identified with regard to the timely production of working papers which will ensure that they are more readily understandable by the external auditors.*
In order to improve the audit planning process focus needs to be upon the Council liaising closely with Grant Thornton to agree a schedule of work in advance of the audit to ensure that working papers can be provided and staff are available at the agreed times.

The range of recommendations that external auditors can make is explained at Appendix B.



7. Improving economy, efficiency and effectiveness

Performance Management



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

The Council is committed to delivering high quality and value for money for its residents, and the evaluation of this achievement is represented through the performance management framework. The Council make use of Key Performance Indicators (KPIs) which are aligned to the Best Council Plan, under each of the eight Best City priorities. The KPIs are updated on a quarterly basis and reported to the directorate management teams and Corporate Leadership Team (CLT) in order to identify issues with performance and develop mitigating actions in response. The overall performance is then reported twice yearly to the Scrutiny Board in January and June, along with the publication of the Council Annual Performance Report which focusses on year-end results. This ensures that senior leadership and members are aware of performance across a range of areas and can develop improvement actions throughout the year. The Council also publishes the Best Council Plan KPI Scorecard on their website for members of the public to view. There is also ongoing work to provide more detailed analysis of wider drivers and trends in order to provide greater context for annual performance during the year.

The Annual Performance report is used to highlight the differences made to local communities through the work carried out by the Council and partners. The report provides a clear picture of progress in the year, comparing results to both targets and prior year outcomes. There are also links to local case studies which provide further details of key projects and initiatives which have supported the Council in achieving their objectives. It is evident that for 2020-21 performance was noticeably affected by the pandemic, particularly in areas such as culture and housing which where targets were affected due to lockdowns and disruption to the construction industry. This was particularly clear in Housing in relation to void properties which were 730 at March 2021, and significantly behind the Council's baseline target of 540. Although it must be noted this service was significantly impacted by Covid-19 and the team had reduced this from a peak of 892. We would expect action plans to be developed and monitored as a result in order to make improvements against this target in future years to recover to the Council's pre-covid position. We have made an improvement recommendation in this regard.

For 2020/21 it is evident that many of the KPIs have been significantly affected by the effects of the Covid-19 pandemic, with some results suspended due to lockdown restrictions particularly those in relation to schools. Whilst there is some evidence of good progress particularly in relation to Inclusive Growth targets, it is clear that the Council will need to address performance going forward. We will monitor this as part of our work in 2021-22.

The Council make significant use of data and benchmarking as part of performance management. KPIs are benchmarked to the Core Cities, the region and nationally, where possible and results are included in reports to directorate management teams and the Corporate Leadership Team. There is recognition of the fundamental role of data as the basis for improvement conversations, while being upfront on contextualising the strength of evidence that performance data presents. One area of improvement would be to expand the use of benchmarking to also consider costs, particularly unit costs. Analysis of unit costs would help to assess the value of proposals and transformation of services. We have made an improvement recommendation in this regard.

Overall the Council's approach to performance management is sound, with clear links to the corporate strategy and regular updates are provided to senior leaders and members on progress against targets. The Council make use of a range of benchmarking data in order to inform the results of performance across the year, however, it could strengthen this further with the use of unit cost data benchmarking, where applicable.

7. Improving economy, efficiency and effectiveness

Partnership working

The Best Council Plan sets out the key ambitions and priorities of the Council with a recognition that these are not achievable without close partnership working. The Council has focussed on developing a partnership and locality working approach across the local area to achieve outcomes.

The success of this partnership working is particularly clear in the Children's Social Care directorate, which has received recognition through formal reviews. Children's services were graded as Outstanding in 2018 by Ofsted. There was a focussed visit in 2021, which whilst noting the impact Covid-19 has had, highlighted that the 'local authority and partners responded quickly to identify those most affected and are working effectively together to deliver support'. Although some improvements could be made to attendance of key strategy meetings by all partners. There has now been a follow up inspection in February 2022 which continued to provide Children's Services with an outstanding rating and made clear that Leeds 'harness highly effective partnership working' as a key part of the service delivery. Attendance of partner agencies also notably improved from the 2021 visit. This outcome is a significant achievement for the Council.

The engagement with key stakeholders has increased over the pandemic, along with the number of partners with whom the Council works, with more third sector and voluntary organisations working in partnership with the Council. There are examples of the Council capturing learning from partnership working practices as a result of the pandemic. The Council wanted to capture the key positives of new working practices and changed relationships, setting up Voluntary Action Leeds. This was in partnership with Forum Central, Leeds Community Foundation, Social Enterprise Yorkshire and Humberside and Third Sector Leeds, and together they have carried out two resilience of the Third Sector surveys during Covid-19.

Other examples of partnership working include Safer Leeds which focusses on tackling anti-social behaviour and protecting communities. Achievements over the last three year's has included a reduction in recorded crime and changes to victim support. The Safer Leeds partnership was updated in the year to build on the work of strengthened relationships in order to tackle root causes of offending - in partnership with police, probation, NHS and voluntary partners. Additionally there was national recognition for Leeds shielding programme by the Health Service Journal (HSJ). Leeds Health and Care System were awarded the 'Highly Commended' award for the Health and Local Government Partnership Award in November 2021 for their work with the health service during the pandemic.

The Council regularly encourage engagement from other stakeholders including through Your Voice Leeds, the Leeds Citizens' Panel and Community Committees, all helping to inform strategies and actions plans. There is clear evidence of a collaborative approach to partnership working throughout the Council. The Council also focus on engagement with other stakeholders in order to effectively achieve objectives including local communities.



7. Improving economy, efficiency and effectiveness

Procurement and Contract Management

The Council has in place a Procurement and Commercial Services Team (PACS) made up of specialist procurement, legal and finance staff. The Council's procurement activity is governed by the Procurement Strategy (2019-2024). This is a comprehensive five year strategy built using the national Procurement Strategy for Local Government 2018 toolkit which clearly outlines the Council's five areas of focus for procurement activity. These areas are also very clearly aligned with the Council's Best Council Plan and showcase how procurement activity can help achieve these objectives.

The Council has a category management approach which is clearly mapped out, although there is recognition that resource constraints mean some areas are currently receiving less focus, with an ambition to fully resources over the life of the strategy. As procurement continues to face challenges, including rising inflation, global supply chain instability and climate changes, focussing on resourcing constraints may be a key aim for the Council. The latter is particularly pertinent given the Council's net zero ambitions which may be heavily affected by supply chain emissions.

It is evident that social value is a core component of procurement activity. The Council's PACS team have developed Social Value Guidance for Commissioners which was published in January 2020. In addition, a Social Value Board of officers from services across the Council and chaired by the Director of Resources is in place. The Council has increased spend year on year with local suppliers and SMEs for each of the last five years, with spend with local suppliers and SMEs equating to 66% of total expenditure in 2020-21 (up from 65% in 2019-20).

The Local Government Association (LGA) facilitated a peer-review of procurement activity which highlighted the Council should now focus on further embedding social value considerations across the Council, which the PACS team have committed to do in 2021-22 onwards.

There are arrangements in place to monitor the performance of key service providers through Chief Officers and Contract Procedure Rules. The Council has in place clear roles and responsibilities with contract management sitting firmly within directorates as they are believed to be best placed to manage strategic supplier relationships. These teams also work with the PACS team to seek new ways to develop and create commercial opportunities and develop engagement with suppliers and the marketplace to promote new forms of service delivery. Directorates are provided with the contract management toolkit to support them in their role.

Conclusion

Overall, our work has not identified any risks of significant weakness in the Council's arrangements with regards to economy, efficiency and effectiveness. We have made two improvement recommendations.



Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 7 The Council should review the action plans for Housing Void Management in order to adequately address the backlog and reduce the number of void properties. It should also ensure that sufficient capacity is available to deliver all areas of responsibility and improve performance against targets.

Why/impact Void properties which are untenanted for a period of time can lead to loss of income, as well as increased security and repair costs. It is also important to maintain good estate management as voids may have a detrimental impact on neighbouring properties. Good management is also essential for meeting housing needs of the local community.

Summary findings The Council's management of void properties has been significantly impacted by Covid-19 due to social distancing measures, staff sickness, material shortages and labour market pressures in the construction industry. This has increased the number of void properties to 730 at the year end 2020-21, although this is a decrease from the peak of 892. The Council should review the action plans for Housing Void Management in order to adequately address the backlog and reduce the number of void properties. It should also ensure that sufficient capacity is available to deliver all areas of responsibility and improve performance against targets.

Management comment *Agreed. We accept the comments in this report and are continuing to refresh our action plan to reduce the number of voids across the city. Additional contractor support has been arranged to assist with the backlogs and changes across the operational teams to address capacity issues including some amendments to our allocation process.*

The range of recommendations that external auditors can make is explained at Appendix B.



Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 8 The Council should consider the use of unit cost benchmarking as part of their overall benchmarking analysis.

Why/impact Analysis of unit costs would help to assess the value of proposals and transformation of services by understanding the value each £ can deliver in outcomes for the community.

Summary findings The Council make significant use of data and benchmarking as part of performance management. KPIs are benchmarked to Core Cities, the region and nationally, where possible and results are included in reports to directorate management teams and the Corporate Leadership Team (CLT). There is recognition of the fundamental role of data as the basis for improvement conversations, however one area which could be improved on is the use of unit cost benchmarking. The Council should consider the use of unit cost benchmarking as part of their overall benchmarking analysis.

Management comment *Agreed. The Council already undertakes unit cost benchmarking with the Adults and Health directorate where such benchmarking exercises are completed at a national and regional level quarterly. In addition Housing Services utilise House Mark to benchmark functions against a range of local authorities and some of this involves the production of unit cost information. Recognising the benefits of unit cost comparisons the Council will continue to identify further opportunities to benchmark mark against other local authorities.*

The range of recommendations that external auditors can make is explained at Appendix B.



8. COVID-19 arrangements

Financial sustainability

The Council has established arrangements in place to deal with one off significant events. Under the Civil Contingencies Act 2004, Leeds City Council (as other local authorities) has a responsibility to take steps to protect the health of their local population. The Council set up the Leeds Covid-19 Oversight, Assurance and Co-ordination Group (COACG) to maintain an oversight of the local Health and Care response to Covid-19. Membership of this group included the Director of Public Health, NHS Leeds CCG, NHS Trusts, primary care, adult and children's social care, independent providers and communication officers from across the system.

Within the COACG, a number of areas were developed to deal with specific aspects of the Covid-19 pandemic response and recovery arrangements, including the risks identified for each, these were:

- outbreak management
- health and social care
- infrastructure and supplies
- business and economic impact
- citizens and communities
- organisational impact
- media and communications.

The main risks facing each area and the actions undertaken to address the risks was included in the Coronavirus Pandemic: Response and Recovery Plan report to each Executive Board.

The impact of Covid-19 has cut across the Council's activities, impacting both on its income in the collection rates of housing rents, Council Tax and Business Rates, and in expenditure, which has seen additional pressures.

To offset the additional costs of Covid-19, the Council received emergency Covid-19 funding from Central Government of £99.6m of which £2.6m was applied in 2019-20 leaving a balance of £97.0m which was applied during 2020-21.

This additional funding together with the robust action taken by the Council to manage its cost base and tightly control all areas of expenditure meant the Council was able to deliver a small underspend outturn position for 2020-21.

The Council has maintained a good oversight of its Covid-19 related costs and income losses which have been identified and recorded separately. The Council's MTFS was also updated during September 2020, and detailed reporting against the in-year budget was provided to Executive Board through the Financial Health Monitoring Reports throughout the year which separately identified Covid-19 related costs.

Governance

As a result of the lockdown restrictions announced on 16 March 2020, the Authority moved to ensure that all staff were able to work from home where possible. All office-based staff were provided with the necessary IT equipment to work from home, enabling a smooth transition to remote working where this was possible.

Home-based working has continued throughout the pandemic and there has been a good level of continuity of service. Enabling staff to work from home has also supported the Council in protecting its frontline staff and residents by reducing the risk of virus transmission.

The Authority also responded quickly to the pandemic following the introduction of regulations to hold formal meetings via remote attendance. All committee meetings moved to remote video conferencing arrangements to ensure a business-as-usual approach and to maintain effective governance arrangements.

All committees, but especially Executive Board and the Corporate Governance and Audit Committee have maintained a keen interest in the Council's response to the pandemic. Governance and oversight arrangements have continued to be in place.

Internal audit have acted in an advisory capacity throughout the pandemic, where processes and systems have had to adapt to changed circumstances. Internal audit also demonstrated it can offer a responsive service, adapting its annual plan to accommodate new reviews required as a result of changed circumstances, including for example, Covid-19 grant payments. Internal audit did not identify any significant weaknesses in key internal controls over the course of the year.



Since March 2020 COVID-19 has had significant impact on the population as a whole and how local government services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

8. COVID-19 arrangements

The Council's risk registers have also continued to be updated to ensure all risks are recorded appropriately, mitigated and monitored.

Improving economy, efficiency and effectiveness

The Council's existing financial regulations and governance procedures have continued to remain in place during Covid-19 with no relaxation in the operation of routine controls.

Appropriate use of emergency provisions within the Council's Constitution and Contract Procedure Rules has taken place on occasion where needed which applied before and during the Covid-19 Pandemic. Waivers for contract procedure rules are published on-line on the Council's website in advance and are subject to scrutiny.

The Council's Procurement Team also present an annual report to the Corporate Governance and Audit Committee on Procurement Assurance which includes decisions taken under special emergency provisions. In total, contract compliance with the Council's contract procedure rules was 96.4% for 2020-21 compared to 95.6% in 2019-20. The number of waivers of contract procedure rules under urgency provisions during 2020-21 was 60 compared to 79 in 2019-20.

The Council should consider expanding this report to the Corporate Governance and Audit Committee to include a complete listing of all waivers issued for the year to include for example, entity name, value of contract, directorate and service area, reason for the waiver and if a waiver has previously been issued. This will allow any themes arising from all the waivers issued during the year to be identified and provide reporting in a single place. We have raised an improvement recommendation in this regard.

Conclusion

Our review has not identified any significant weaknesses in the Council's VFM arrangements for responding to the Covid-19 pandemic. However, we have made one improvement recommendation.



Improvement recommendation



Covid-19 arrangements

Recommendation 9	The Council should consider expanding the Waiver report to the Corporate Governance and Audit Committee to include a complete listing of all waivers issued for the year to include for example, entity name, value of contract, directorate and service area, reason for the waiver and if a waiver had previously been issued.
Why / impact	Providing a detailed listing and supporting information for all waivers issued in a single place will aid transparency of reporting, allow greater member challenge and help identify any themes arising to improve the procurement process.
Auditor judgement	The Council has in place appropriate provisions within its Contract Procedure Rules for the use of waivers when necessary. All waivers are routinely published by the Council on-line on its website in advance and are subject to scrutiny. The Council's Procurement Team present an annual report to the Corporate Governance and Audit Committee on Procurement Assurance which includes decisions taken under special emergency provisions including the number of waivers of contract procedure rules. The current report can be expanded to provide details of all waivers issued during the year in one place.
Summary findings	<p>The Council has established arrangements in place for the use of waivers which are contained within the Council's Constitution and Contract Procedure Rules. An annual report on Procurement Assurance which includes the number of waivers issued during the year is presented to the Corporate Governance and Audit Committee. The Council should consider expanding this report to include a complete listing of all waivers issued for the year to include, for example, entity name, value of contract, directorate and service area, reason for the waiver and if a waiver had previously been issued.</p> <p>Further detail is provided on page 30.</p>
Management comments	<p>Agreed. The Procurement and Commercial Service accepts the recommendation and can confirm that all future reports will include a schedule set out in the report. Such information will include the reasons for the exemptions as follows:-</p> <ol style="list-style-type: none">1. There is a genuine, unforeseeable emergency meaning there is no time to go through a procurement process e.g. to deal with the consequences of extreme weather.2. To purchase supplies or services on particularly advantageous terms due to liquidation/administration.3. Requirement to put a contract in place with a current provider whilst a review of the services is completed.4. Ran out of time to undertake a new procurement exercise5. Other (please provide summary here)

The range of recommendations that external auditors can make is explained at Appendix B.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer:

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

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Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.	No Statutory recommendations have been raised in 2020-21.	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as ‘key recommendations’.	No key recommendations have been raised in 2020-21.	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Authority, but are not a result of identifying significant weaknesses in the Authority’s arrangements.	Five recommendations have been raised on financial sustainability, one relating to Governance, two recommendations on improving economy, efficiency and effectiveness and one relating to Covid-19.	15-19, 23, 27-28, and 31

Appendix C - Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014

Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public issue report under Schedule 7 of the Local Audit and Accountability Act 2014.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply to court under Schedule 28 of the Local Audit and Accountability Act 2014.

Advisory notice

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice under Section 31 of the Local Audit and Accountability Act 2014.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

