Leeds
CITY COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

**Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Monday, 28th November, 2022
at 10.00 am**

MEMBERSHIP

Councillors

G Almass	R Downes	P Harrand
P Truswell		J Shemilt
M Midgley		B Flynn
P Wray (Chair)		
J Dowson		
J Illingworth		

Independent Member

Linda Wild

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Council and democracy (leeds.gov.uk)

Agenda compiled by: Debbie Oldham
Governance Services
Civic Hall

Produced on Recycled Paper

A G E N D A

Item No	Ward	Item Not Open		Page No
1			**APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS**	
			To consider any appeals in accordance with Procedure Rule 15.2 of the Access to Information Procedure Rules (in the event of an Appeal the press and public will be excluded).	
			(*In accordance with Procedure Rule 15.2, written notice of an appeal must be received by the Head of Governance Services at least 24 hours before the meeting)	
2			**EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC**	
			1 To highlight reports or appendices which officers have identified as containing exempt information, and where officers consider that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.	
			2 To consider whether or not to accept the officers recommendation in respect of the above information.	
			3 If so, to formally pass the following resolution:-	
			RESOLVED – That the press and public be excluded from the meeting during consideration of the following parts of the agenda designated as containing exempt information on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information, as follows:-	

Item No	Ward	Item Not Open		Page No
3			**LATE ITEMS**	
			To identify items which have been admitted to the agenda by the Chair for consideration	
			(The special circumstances shall be specified in the minutes)	
4			**DECLARATION OF INTERESTS**	
			To disclose or draw attention to any interests in accordance with Leeds City Council's 'Councillor Code of Conduct'.	
5			**APOLOGIES FOR ABSENCE**	
			To receive apologies for absence.	
6			**MINUTES - 3RD OCTOBER 2022**	7 - 14
			To consider the minutes of the previous meeting held on 3rd October 2022, for approval as a correct record	
7			**MATTERS ARISING**	
			To consider any matters arising from the previous minutes.	
8			**ANNUAL REPORT - FINANCIAL PLANNING AND MANAGEMENT ARRANGEMENTS**	15 - 52
			The annual report of the Chief Officer Financial Services sets out the standing arrangements for financial management and treasury management within the Council and provides evidence of compliance over the reporting period from November 2021 to October 2022.	
9			**COUNTER FRAUD AND CORRUPTION UPDATE REPORT**	53 - 88
			The report of the Head of Audit provides a source of assurance that the internal control environment is operating as intended through a summary of the counter fraud activity for the period from April to September 2022.	

Item No	Ward	Item Not Open		Page No
10			**ANNUAL REPORT ON CORPORATE PERFORMANCE MANAGEMENT ARRANGEMENTS** This annual report of the Director of Resources presents assurances to the Corporate Governance & Audit Committee on the effectiveness of the council's corporate performance management arrangements.	89 - 108
11			**ANNUAL ASSURANCE ON CORPORATE RISK AND RESILIENCE ARRANGEMENTS** The report of the Director of Resources provides the Corporate Governance & Audit Committee with assurances relating to the adequacy of the risk and resilience controls currently in place in the council; that they are up to date, fit for purpose, embedded and routinely applied.	109 - 140
12			**CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME 2022-23** The report of the Chief Officer Financial Services presents the work programme for the Corporate Governance and Audit Committee, setting out future business for the Committee's agenda, together with details of when items will be presented	141 - 146
13			**DATE AND TIME OF NEXT MEETING** To note the next meeting of the Corporate Governance and Audit Committee will be on Monday 3rd February 2023 at 10:00am.	

Third Party Recording

Recording of this meeting is allowed to enable those not present to see or hear the proceedings either as they take place (or later) and to enable the reporting of those proceedings. A copy of the recording protocol is available from the contacts named on the front of this agenda.

Use of Recordings by Third Parties– code of practice

a)   Any published recording should be accompanied by a statement of when and where the recording was made, the context of the discussion that took place, and a clear identification of the main speakers and their role or title.

Item No	Ward	Item Not Open		Page No

b)   Those making recordings must not edit the recording in a way that could lead to misinterpretation or misrepresentation of the proceedings or comments made by attendees. In particular there should be no internal editing of published extracts; recordings may start at any point and end at any point but the material between those points must be complete.

Item No	Ward	Item Not Open		Page No

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Corporate Governance and Audit Committee

Monday, 3rd October, 2022

PRESENT: Councillor P Wray in the Chair

Councillors G Almass, J Illingworth,
R Downes, M Midgley, B Flynn and
J Dowson

Independent Member
Linda Wild

27   Appeals Against Refusal of Inspection of Documents

There were no appeals against refusal of inspection of documents.

28   Exempt Information - Possible Exclusion of the Press and Public

There were no exempt items.

29   Late Items

There were no formal late items. However, there was Supplementary information in relation to Agenda Item 9 – Grant Thornton's Annual Report and Value for Money Findings 2020/21. This had been circulated to all Members before the meeting.

30   Declaration of Interests

No declarations of interests were made at the meeting.

31   Apologies for Absence

Apologies for absence were received from Councillors Harrand, Shemilt and Truswell.

32   Minutes of the previous meeting - 29th July 2022

RESOLVED – To approve the minutes of the meeting held on 29th July 2022, as a correct record.

33   Matters arising from the minutes

Members were provided with an update on the progress of the 2020/21 accounts. The Committee were advised that until an agreement is reached on a national issue in relation to valuation of highways and other infrastructure

Draft minutes to be approved at the meeting
to be held on Monday, 28th November, 2022

the accounts for the Council cannot be finalised. It was noted this should be agreed soon and officers were hopeful that the final accounts and the external audit report on them would be provided at the next meeting.

34   Annual Assurance - Planning Regulation and Enforcement Arrangements

The Chief Planning Officer presented the annual assurance report which provided assurances in relation to planning decision making and enforcement arrangements.

In attendance for this item was David Feeney the Chief Planning Officer

Responding directly to questions from the Members the Committee were provided with the following information:

- There was an acknowledgement that there had been some concerns in relation to enforcement being understaffed. However, the service had now recruited to this part of the service. Enforcement would continue to check on listed buildings, there was also the buildings at risk register which was regularly monitored.
- Members were informed the service was doing the best with the resources has available to streamline use of resources. It was the view that pre application stage provided an early sight to applications and the resources that might be required, going forward.
- Digitisation of the planning service had started in May 2022 which had seen improvements to the back-office systems.
- Members were advised that the Council could be vulnerable through non-determination of decisions which could cause risks in relation to the council's reputation and incur costs. However, the Chief Planning Officer was confident that there were arrangements in place.
- The service had faced challenges through Covid and had seen a backlog of applications. The service was also facing challenges due to national changes in planning policy. One of the challenges was clear communication of the changes and putting processes in place to react to the change. It was noted that this did cause a potential risk but there was scrutiny oversight to mitigate the risks.
- The service had a good working relationship with other departments and there were protocols in place for effective and efficient working to ensure the applicant gets a joined up view from all the services.
- Members were informed a validation criteria is used for assessing information produced in support of applications which included maps. The service was looking at automation of the systems used to validate applications but were still waiting for this. The Council shares best practice with other core cities.

RESOLVED – To consider and note the positive assurances provided in the submitted report and future steps to provide additional assurance in the process.

35   Grant Thornton Annual Report and Value for Money Findings 2020/21

Draft minutes to be approved at the meeting
to be held on Monday, 28th November, 2022

The report of the Chief Finance Officer presented Grant Thornton's Annual Auditor's Report for 2020/21. The report gave the outcome of the audit of the Council's value for money arrangements and included a summary of their audit work to date on the Council's statement of accounts. The report did not identify any statutory or key recommendations but did make a number of recommendations for improvement.

The Auditor's Report was provided as supplementary information.

The Committee had no questions in relation to the report.

RESOLVED – To receive the Annual Auditor's Report presented by Grant Thornton and to note the recommendations for improvement which have been made.

36   **Internal Audit Update Report June-August 2022**

The report of the Head of Audit provided a source of assurance that the internal control environment was operating as intended through a summary of the internal Audit activity for the period from June to August 2022. The report highlighted the incidence of any significant control failings or weaknesses.

Responding to questions from Members the Committee were provided with the following information:
- *Recommendation Tracking* – Members were advised this was the first time this new process had been used to track the implementation of high and medium priority recommendations raised within audit reports. The work was a key part to helping to understand where controls had been strengthened following audits and also highlighting areas where Internal Audit may wish to re-visit to ensure actions were being progressed appropriately. Members were informed that the onus is on the directorate or service leads to update the trackers. It was acknowledged that further engagement was necessary, and it would be important to keep promoting this process to ensure accurate information was provided to analyse and report on progress. The Committee requested indicative information on how long recommendations had been overdue. Internal Audit said this would be looked at for future reports to the Committee. Members were advised that there were currently no concerns in relation to suggested high priority recommendations. It was noted that Internal Audit were working on an escalation process which would feedback to the service and Members and would be brought to the Committee if there were any concerns.
- *Access to documents by members of the public* – Members were advised that the draft statement of accounts must be put on public deposit for a public inspection period of 30 days each year, during which time the public can ask questions or make objections to the auditors. For the 2021/22 accounts this had happened during August and early September, and it was noted there had been no formal

queries or objections this year. Members of the public are also able to put in a Freedom of Information (FOI) request for the Council's accounts or for any service area in the Council. Contracts over £500 are published on the data mill once the transaction has taken place. It cannot be published before the transaction has taken place as this could compromise the bidding process.

- *Internal Audit Productivity* – It was acknowledged that some areas appeared behind such as ICT and Information Governance. However, the audit plan is profiled across the year, and it is anticipated that these areas would catch up to the appropriate level.
- *Covid 19 grants* – In response to a question Members were informed that they would be provided with the most up to date information on fraudulent grant recovery outside of the meeting.

RESOLVED – To:
a) Receive the Internal Audit Update Report covering the period from June to August 2022 and note the work undertaken by Internal Audit during the period covered by the report.
b) Note that there have been no limitations in scope, and nothing has arisen to compromise the independence of Internal Audit during the reporting period.
c) Receive the report providing information relation to the Monitoring of Urgent Decisions covering the period June to August 2022.

37   Internal Audit Annual Report and Opinion 2021/22

The Internal Audit Annual Report and Opinion 2021/22 set out the annual opinion of the Head of Audit and provided a source of assurance that the internal control environment was operating as intended through a summary of the Internal Audit activity for 2021/22 Internal Audit plan.

In response to questions from the Committee the following information was provided:
- *Recommendation Tracking* – It was recognised that this is a new process, and everybody was still adjusting to the way in which this can work most effectively. It was the view that where it appeared that recommendations were still to be actioned, this may be a reflection of the fact that the process for updating the tracker was still being embedded rather than indicating that the action hadn't been implemented. It was expected that improvements in engagement would be seen across all areas as the process continued to take shape. The Members noted that Internal Audit would be looking to introduce a sample checking process in the future.
- *Procurement* – The Committee noted that the onus was on Contract Managers to regularly check information, check invoices, and check that the service was not being overcharged. This formed part of the central procurement function. It was the remit of Internal Audit to check that processes were working to perform the procurement functions.

The Chair suggested that a briefing note be providing to Members in relation to procurement to show that the Council is getting good services and value for money. It was also suggested that the briefing paper include internal contracts.

RESOLVED – To receive the Internal Audit Annual Report and Opinion for 2021/22 and note the opinion given. In particular:
  a) That, based on the audit work undertaken for the 2021/22 Internal Audit plan, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice.
  b) A satisfactory overall opinion is provided for 2021/22, based on the audit work detailed within this report.
  c) That the work undertaken to support the opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing (IPPF)

The Committee also noted that there have been no limitations in scope, and nothing has arisen to compromise the independence of Internal Audit during the reporting period.

38   Approval of Annual Governance Statement 21-22

The report of the Chief Officer Financial Services presented the 2022 Annual Governance Statement including the action plan for approval by the Committee.

The report supported the fulfilment of the council's statutory duty to review its system of the internal control, and to produce an Annual Governance Statement.

The report advised Members that the Annual Governance Statement had been published and made available for the statutory inspection period and no questions or objections had been raised.

The Annual Governance Statement had been updated to reflect changes in the internal control environment over the summer and was appended to the report at Appendix A.

RESOLVED – To approve the 2022 Annual Governance Statement including the action plan for 2022.

39   Grant Thornton Audit Plan 2021/22

The report of the Chief Finance Officer presented Grant Thornton's Annual Audit Plan for their 2021/22 audit, covering the audit of the Council's accounts and the process for assessing its arrangements to secure value for money in the use of resources.

The Audit Plan was attached at Appendix 1 and outlined Grant Thornton's approach, timing of the audit work and the significant audit risks identified to date.

The Committee acknowledged the national issue which was causing a delay in producing the Council's accounts and welcomed the update from Grant Thornton.

The Committee received assurance from Grant Thornton that their audit would consider the suitability of the accounting practice against standards in relation to:
- Multi-year contracts and
- Valuation of land, buildings and dwellings, including treatment of depreciation

The Committee also received assurance from the Chief Officer Financial Services that the valuation of assets in the statement of accounts has no impact on the Council's cost of borrowing; and that the Council would only borrow if able to service the MRP.

The Committee considered the auditors approach to follow up of prior year recommendations and sought assurance in relation to the technology used within the audit process.

RESOLVED – To receive the Annual Audit Plan presented by Grant Thornton and to note and agree the nature and scope of the proposed audit work.

40   Grant Thornton Audit Risk Assessment Enquiries 2021/22

The report of the Chief Finance Officer presented a series of enquiries from Grant Thornton which would inform their audit risk assessment for the 2021/22 audit. The enquiries covered accounting issues, arrangements to address the risk of fraud, and legal issues.

Grant Thornton had requested that responses to their enquiries were drafted by officers and formally considered by the Corporate Governance and Audit Committee. The questions and proposed responses were attached at Appendix 1 of the submitted report.

The Committee had no further comments to make.

RESOLVED – To consider the responses proposed by officers to Grant Thornton's enquiries, and to confirm whether these are consistent with Members' understanding of the Council's arrangements in these areas.

41   Corporate Governance and Audit Committee Work Programme 2022-23

The report of the Chief Officer Financial Services presented the work programme for the Corporate Governance and Audit Committee, setting out

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to be held on Monday, 28th November, 2022

future business for the Committee's agenda, together with details of when items will be presented.

The Committee were advised that there were no proposed changes to the programme. The work programme was appended to the submitted report at Appendix A.

RESOLVED – To consider and approve the work programme and meeting dates at Appendix A.

42   Date and Time of next meeting

To note the next meeting of the Corporate Governance and Audit Committee will be on Monday 28th November 2022 at 10:00am.

The meeting concluded at 11:20am

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Report author: Richard Ellis/David Brown Tel: 37 87814/ 37 89207

Annual Assurance report on Financial and Treasury Management

Date: 28th November 2022

Report of: The Chief Officer – Financial Services

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in?   ☐ Yes ☒ No

Does the report contain confidential or exempt information?   ☐ Yes ☒ No

Brief summary

This annual report sets out the standing arrangements for financial management and treasury management within the Council and provides evidence of compliance over the reporting period from November 2021 to October 2022.

This report fulfils the requirement in the Chief Finance Officer's protocol, (Section 5k of the Council's constitution), that the Chief Finance Officer will report to the Corporate Governance and Audit Committee annually to confirm that the arrangements set out in the protocol have been complied with and set out proposals for amendments in the light of any issues that have arisen during the year

Recommendations

a) Corporate Governance and Audit Committee are asked to note the Chief Officer (Financial Services) assurances that

   a. In respect of both Financial Management and Treasury Management that appropriate systems and procedures are in place to ensure that there is sound financial management and control across the Authority; and

   b. the arrangements set out in the Chief Finance Officer protocol have been complied with.

What is this report about?

1   This report provides assurance that the Council has established an effective financial control environment including robust arrangements for strategic financial planning combined with effective financial management and control.

2   The Council also has a sound framework for reviewing and challenging financial performance, has realistic plans in place to make the necessary savings in the 2022/23 financial year and is taking appropriate steps to deliver them. The Authority has contingency plans in place to help unforeseen variations against the budget. The report also outlines the governance framework for the management of the Council's Treasury Management function.

3   This report fulfils the requirement in the Chief Finance Officer's protocol, (Section 5k of the Council's constitution), that the Chief Finance Officer will report to the Corporate Governance and Audit Committee annually to confirm that the arrangements set out in the protocol have been complied with and set out proposals for amendments in the light of any issues that have arisen during the year.

What impact will this proposal have?

4   Given the financial challenges facing the Council both currently and in the medium-term, it is essential that we continue to ensure that we have in place appropriate arrangements around financial performance, strategic financial planning, financial governance and financial control. This report outlines;

- The key systems, controls and procedures,
- New developments and improvements which have been put in place,
- New developments in the near future
- New risks and any issues arising.

5   The Responsible Financial Officer has established an effective overall financial control environment framework for financial planning and exercises effective financial management and control which, in her opinion, discharge both her statutory responsibilities and are consistent with the Chief Financial Officer protocol which forms part of the Council's constitution.

6   The report provides assurance that the financial control and financial governance arrangements in place, in respect of financial management and treasury management, are fit for purpose, up to date and embedded across the organisation.

How does this proposal impact the three pillars of the Best City Ambition?

☐ Health and Wellbeing   ☐ Inclusive Growth   ☐ Zero Carbon

7   The Best City Ambition is the Council's strategic plan which sets out its ambitions, outcomes and priorities for the City of Leeds and for the Local Authority. The Three Pillars of health and wellbeing, inclusive growth and achieving zero carbon underpin this vision and these can only be delivered through a sound understanding of the organisation's longer-term financial sustainability which enables decisions to be made that balance the resource implications of the Council's policies against financial constraints. This is the primary purpose of the Medium Term Financial Strategy which provides the framework for the determination of the Council's annual revenue budget.

8   The Best City Ambition underpins the 2022/23 budget and has been used to ensure that the Council's financial resources are directed towards its policies and priorities and, conversely, that these policies and priorities themselves are affordable. Spending money wisely is one of the core Council's values, with the priority being for Directorates and services to keep within their budgets. Ensuring that the Council has appropriate financial management systems and procedures in place is clearly a key aspect and as such this report does provide assurance that money is being spent wisely.

What consultation and engagement has taken place?

Wards affected:		
Have ward members been consulted?	☐ Yes	☒ No

9   This report is provided for information and has not therefore been subject to consultation.

10   Arrangements for consultation and engagement in respect of the system of internal control for financial management and treasury management are set out in appendix 1 attached.

What are the resource implications?

11   The financial challenges faced by the Council resulting from any ongoing impact of the COVID-19 pandemic combined with significant inflationary pressures and uncertainty relating to the Government's future spending plans has re-enforced the need to deliver a balanced budget and for the Council's financial position to be robust, resilient and sustainable and that it has a sufficient level of reserves available to deal with any future unforeseen circumstances. This requirement underpins the Council's Medium Term Financial Strategy 2023/24 – 2027/28 which was agreed at Executive Board in September 2022. This report projected that the Council's general reserve would be £48.2m by March 2028.

12   Recognising the financial challenges identified through the currently approved Medium Term Financial Strategy, Support Services functions are working more collaboratively to both maximise the resources that are available to the Council whilst at the same time supporting services to ensure that they achieve value for money.

13   The execution of the Treasury Strategy enables funds to be raised and managed in the most efficient manner in line with the approved strategy as presented to Executive Board on 9th February 2022.

What are the key risks and how are they being managed?

14   It is clear that the current and future financial climate for local government represents a significant risk to the Council's priorities and ambitions, and that any ongoing impact of COVID-19 combined with significant pay and price pressures has added to the financial challenges faced by the Council. The Council continues to make every effort possible to protect the front line delivery of services, and whilst we have been able to successfully respond to the financial challenge so far, it is clear that the position is becoming more difficult to manage and it will be increasingly difficult over the coming years to maintain current levels of service provision without changes in the way the Council operates.

15   Recognising the significant financial challenges facing the Council it is critical that the Council has in place sound arrangements for financial management. The statement of internal control attached at appendix 1 demonstrates the arrangements in place to meet these risks.

16 As set out in the Treasury Management Policy Statement, Treasury Management activities are carried out within a risk management framework and the management of risk is key to securing and managing the Council's borrowing, lending and cash flow activities.

17 By complying with and adopting the CIPFA Treasury Management Code of Practice, Prudential Code and guidance notes, assurance is given that arrangements are in place to manage risks effectively.

18 In the past couple of years a number of high profile local authorities ran into significant financial difficulties. Some of these authorities issued Section 114 notices because in the view of the Section 151 officer the Council was at risk of not being able to balance its budget, whilst others, rather than issue a Section 114 notice, sought a capitalisation directive from the Government. As a result of this all local authorities are under increased scrutiny to demonstrate that they have appropriate governance arrangements in place to manage their financial affairs. This report forms part of that re-assurance to members with regards to the Council's financial management and control arrangements.

What are the legal implications?

19 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer have responsibility for those arrangements.

20 The Accounts and Audit Regulations 2015 came into force on the 1st of April 2015 and set out the responsibility for internal control, the published accounts and audit.

21 The legislative framework for treasury management requires compliance with the CIPFA Treasury Management Code of Practice, the Prudential Code for Capital and associated guidance notes. Revised versions of both of these Codes of Practice were issued in December 2021, and the revised Codes and associated guidance notes are being assessed and full compliance is expected to be in place for the 2023/24 financial year as required by the Code.

22 Appendix 1 to this report sets out how the Council meets these statutory requirements.

Options, timescales and measuring success

What other options were considered?

23 The financial procedures and controls for both financial managements and treasury management are part of the overall financial control environment and form a fundamental part of the assurances received by this Committee when approving the Annual Governance Statement as required by the Accounts & Audit Regulations 2015.

24 The treasury management governance framework is up to date and fit for purpose, that the Council is operating within its governance framework and as such is complying with the CIPFA Treasury Management Code of Practice, Prudential Code and updated guidance notes. A 2021/22 Internal Audit report gave the Treasury Management function substantial assurance on both control and compliance. It also confirms that the strategy is being monitored and reported back to Executive Board and full Council as appropriate

How will success be measured?

25 The financial management and control framework is subject to a number of independent assessments, including the Council's Internal Audit function which has reviewed and given substantial assurance that there are robust controls in place to support the central co-ordination of the setting and monitoring of the Council's budget.

26 Treasury Management continues to adhere to its governance framework including the current CIPFA Code of Practice, the Prudential Code and the associated CIPFA guidance. Further work on ensuring compliance with the 2021 revised codes and guidance notes is ongoing with full compliance anticipated for the start of the 2023/24 financial year. All borrowing and investments undertaken have been compliant with the governance framework with one exception. This exception involved a £15m loan for 3 months when the policy limit indicated a £5m 3 month limit, therefore a breach of the loan maximum for the Counterparty at the time of striking the deal. It should be emphasised that the Counterparty remained on the Council approved lending list throughout and that the investment was subsequently repaid in full and on time. This was reported to Senior Management immediately upon realisation however it is thought to be a rare and relatively minor breach. Success will be the continued optimal performance of the Treasury Management function within this framework.

What is the timetable and who will be responsible for implementation?

27 Not applicable.

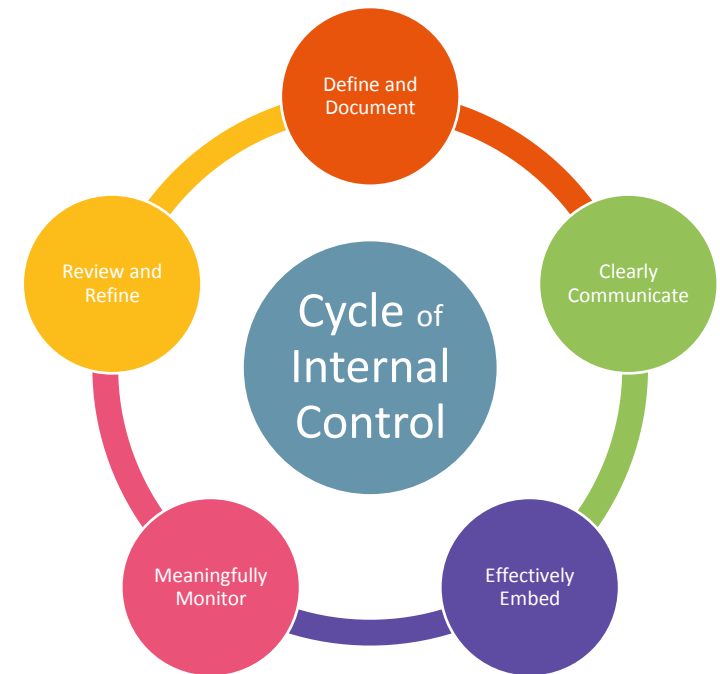**Appendices**

- Appendix 1 details

Background papers

- None

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Introduction

1. Given the significant financial challenges facing the Council especially when account is taken of uncertainty with the Government's future public spending plans and the level of resources available to local government, any ongoing financial impact of COVID-19, the additional costs to the Council associated with pay and price pressures and the impact of increased demand for support and welfare services the Council provides and in the context of several authorities running into financial difficulties, it is critical that the Council has in place sound arrangements for financial planning and management. In response the Council has established an effective financial management and control environment and specifically robust arrangements for strategic financial planning. This control framework is continually being assessed and reviewed to ensure that it remains fit for purpose.

2. The Council has a proven and comprehensive approach to the development and delivery of its Medium-Term Financial Strategy, through its annual budget setting and monitoring, together with the identification and implementation of saving plans. This statement of internal control provides assurance in respect of the Council's financial management framework; that it is up to date, fit for purpose, embedded and routinely applied.

3. Treasury Management is the management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The external debt relating to the Housing Revenue Account and General Fund, which is in the region of £2,336m, and investments currently stand at around £108m, as at the 7th October 2022.

4. The framework is comprised of those documents, systems and processes by which the Council's financial management and treasury management arrangements are directed and controlled.

5. Roles and responsibilities are clearly delineated and articulated to ensure accountable management of the council's financial resources, with appropriate democratic oversight.

6. This statement of internal control sets out the standing arrangements for financial management and treasury management within the Council and provides evidence of compliance over the reporting period from November 2021 to October 2022

7. The statement includes opportunities that have been identified to improve these arrangements.

Cycle of Internal Control: Define and Document, Clearly Communicate, Effectively Embed, Meaningfully Monitor, Review and Refine

Define and Document

FINANCIAL MANAGEMENT

The Best City Ambition (BCA)

8. Our overall vision for the city is set out in the Best City Ambition, the Council's strategic plan which sets out the ambitions, outcomes, and priorities for the City of Leeds and for the Local Authority. At its heart is our mission to tackle poverty and inequality and improve quality of life for everyone who calls Leeds home. The Ambition is focused on improving outcomes across three 'pillars': Health and Wellbeing, Inclusive Growth, and Zero Carbon. These pillars, and the areas of focus that cut across them all, capture the things that will make the biggest difference to improving people's lives in Leeds. The Best City Ambition aims to help partner organisations and local communities in every part of Leeds to understand and support the valuable contribution everyone can offer – no matter how big or small – to making Leeds the best city in the UK.

Medium Term Financial Strategy (MTFS)

9. The Best City ambition can only be delivered through a sound understanding of the organisation's longer term financial sustainability, which enables decisions to be made that balance the resource implications of the Council's policies against financial constraints. This is the primary purpose of the MTFS which also provides the financial framework for the annual budget.

10. To enable the achievement of the Best Council and Best City ambitions the Council has developed the MTFS to direct the resources of the Council to the priorities identified in the BCP. The MTFS provides a framework within which the annual budget process can sit. The strategy does not attempt to provide a detailed budget but it does recognise the Council's ambitions, policies and priorities, sets out the main financial challenges facing the Council and provides a broad framework for the delivery of efficiencies and savings to bridge the identified funding gap.

11. The MTFS covers a five year period and incorporates the Council's capital strategy. The updated 2023/24 to 2027/28 MTFS, which was agreed by Executive Board in September 2022, recognised the requirement for the Council's revenue budget to become more financially resilient, robust and sustainable, whilst at the same time reducing the risks associated with funding recurring revenue through mechanisms such as capital receipts and capitalisation.

12. For the period covered by the current MTFS there is an estimated budget gap of £182.6m of which £63.6m relates to 2023/24. An updated budget gap of £65.7m for 2023/24 was reported to October's Executive Board.

Capital Strategy

13. A combination of CIPFA's code and government guidance require a local authority to produce a Capital and Investment strategy. The Capital and Investment strategy was approved at Executive Board in February 2022 as an appendix to the Capital Programme report.

14. The capital element of the strategy sets out the principles that underpin the Council's Capital Programme and as such how it supports the corporate priorities and objectives. The strategy sets the framework for all aspects of the Council's capital expenditure and investment decisions. It supports strategic planning, asset management and robust option appraisal.

    The investment strategy element considers three broad areas:

    - Treasury management – covered in the treasury management strategy document annexed to the annual treasury strategy report.
    - Other financial investments such as loans and equity investment which are made to achieve service objectives; and
    - Non-financial investments such as property.

15. The Strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provisions of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

<u>The Budget</u>

16. Local authorities are under a statutory duty to set a balanced budget each year. The 2022/23 budget was approved by Full Council on the 23rd February 2022.

The headlines from the 2022/23 budget proposals, when compared to the 2021/22 budget, are as follows
- An increase in the Council's net revenue budget of £86.7m to £521.9m.
- The Council will receive £29.3m in Revenue Support grant (RSG) an increase of £0.9m on 2021/22.
- The net impact of business rate retention on the 2022/23 general fund is an increase of £63.6m. This is a mainly a consequence of a decrease in the level of the deficit that has to be funded in 2022/23 and a slow easing of the pressures on Business Rates income such as bad debts, appeals, with a slight return of growth, rather than the result of significant business rates growth.
- An increase in the Settlement Funding Assessment (SFA) of £0.9m (3.2%).
- An increase in the general Council Tax of 1.99% together with a further 1% in respect of the Adult Social Care precept and an increase in the Council Tax base, generating an additional £22.2m of local funding.
- A combination of a reduction in resources and the requirement to resource increased pay, price and demand pressures means that the Council will need to deliver £16.5m of savings by March 2023 and.
- A net increase in staffing of 192 full time equivalent posts.

17. Within the year, any decision to amend the approved budget must be undertaken within the virement rules which are agreed annually by Full Council as part of the annual budget setting process.

<u>Budget Principles</u>

18. In July 2019 the Council's Executive Board agreed the adoption of principles which have been developed to support both the determination and management of both the revenue and capital budgets.

19. The revenue principles have been developed to support both the process for the determination of the budget and the financial management arrangements for the delivery of a balanced revenue budget position.
20. The capital principles have been developed to enable the Capital Programme resource to achieve the priorities within the Best Council plan and will support the development and monitoring of the Capital Programme.
21. Adoption of these principles results in a more robust and accountable approach to budget management which closely aligns itself with the principles that are set out in CIPFA's Financial Management Code which all local authorities are required to fully comply with.

Constitution

22. The following documents, set out in the Council's constitution, add to the framework for the council's financial arrangements:

Part	Document	Function
Part 2 - Articles	Article 4 – The Full Council	Articulates the budget and policy framework
	Article 12 - Officers	Confirms designation of Chief Officer Financial Services as S151 Officer and sets out key responsibilities
	Article 14 – Finance, Contract and Legal Matters	Confirms application of financial regulations
Part 3 – Responsibility for Functions	Functions of the Full Council	Reserves to Council decision making authority in respect of relevant matters
	Officer Delegation Scheme (Council (non -executive) functions) Chief Officer Financial Services	Delegation of power to make financial standing orders (Financial Regulations)
	Officer Delegation Scheme (Executive functions) General Delegations	Delegates to Directors decision making authority in respect of financial matters in relation to matters within their remit
	Officer Delegation Scheme (Executive functions) Chief Officer Financial Services	Delegations to Chief Officer Financial Services in respect of financial strategy; financial management and controls; policies and procedures for budgets
Part 4 – Procedure Rules	Budget and Policy Framework Procedure Rules	Set out the procedure for adoption of documents within the Council's budget and policy framework.
	Financial Regulations	Set out the framework for managing the Council's financial affairs.
Part 5 – Codes and Protocols	Chief Financial Officer Protocol	Sets out the role and responsibilities, working arrangements, resources, and relationships of the statutory Chief Financial officers

23. The role of Chief Financial Officer and the statutory Section 151 officer within Leeds City Council is fulfilled by the Chief Officer (Financial Services).

24. The role of the Council's Chief Financial Officer is a strategic role.

25. The Chartered Institute of Public Finance and Accountancy (CIPFA) sets out the role of the Chief Financial Officer in local government in its Statement which was last updated in February 2016. This Statement sets how the requirements of legislation and professional standards should be fulfilled by Chief Financial Officers in the carrying out of their role. The Chief Officer Financial Services and has established appropriate arrangements to discharge her responsibilities in line with CIPFA's recommended practice.

CIPFA statement requires that the Chief Financial Officer:	In accordance with the Chief Finance Officer Protocol the Chief Officer Financial Services:
is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest,	reports directly to the Chief Executive in terms of their statutory Section 151 responsibilities[1]; meets regularly with the Head of Paid Service and the Monitoring Officer to consider and recommend action in connection with corporate governance issues and other matters of concern regarding any legal, ethical standards, probity, propriety, procedural or other constitutional issues that are likely to (or do) arise is a member of the Council's Corporate Leadership Team and has advance notice of all agendas and reports
must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy	attends meetings of the Council's Executive Board and has advance notice of all meetings, agenda and reports and the right to attend and speak; and has advance notice[2] of and the right to attend and be heard at all relevant meetings of the Authority (including meetings at which officer delegated decisions are taken) before any binding decision is taken (including a failure to take a decision where one should have been taken)
must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.	reports annually to the Corporate Governance and Audit Committee regarding whether the arrangements are satisfactory and have been complied with and will include any proposals for amendments in the light of any issues that have arisen during the year

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[1] Within the Council's management structure, the Chief Officer Financial Services reports to the Director of Resources in all other respects.
[2] including receiving agendas, minutes, reports and related papers

to deliver these responsibilities the Chief Financial Officer must lead and direct a finance function that is resourced to be fit for purpose and must also be professionally qualified and suitably experienced.

appoints a deputy and keep them briefed on any relevant issues that they may be required to deal with in the absence of the Section 151 officer; has sufficient resources to enable them to address any matters concerning their Section 151 functions

Financial Services

26. As part of the ongoing Council-wide review of support services the Financial Service needs to ensure that it remains a highly effective and responsive function whilst continuing to demonstrate that it offers value for money.

27. The new Financial Management structure, agreed in December 2020, has been implemented to enable the service to deliver the Council's key financial priorities. These priorities include building the Council's financial resilience, delivering improved value for money and targeting resources where they can make the most difference.

28. The structure recognises the implications of CIPFA's Financial Management Code (the Code) and the requirements placed on the S151 Officer to provide assurance that the Council has in place effective and robust arrangements for financial planning, financial control and other financial management activities.

29. Through this structure, financial management across the council is delivered by colleagues who are managerially responsible to the Chief Officer Financial Services. Many of the staff within the Financial Management service are professionally qualified accountants with many years of experience; and are personally and professionally responsible for their actions and advice. This is reinforced through the Council's performance and appraisal scheme which incorporates identifying key skills for finance staff, programmes of training, development and continuing professional development.

30. The implementation of the new Financial Management structure has been accompanied by a revision to the finance service offer with more emphasis upon a risk-based approach which has been facilitated through streamlining and automating our processes especially with regard to the production of more user friendly monthly financial dashboards. Combined with the way that we have organised ourselves with more routine financial activities now being delivered through a central operational hub this has facilitated finance business partnering teams working innovatively and collaboratively with Senior Officers in Directorates to deliver strategic priorities, transformation and delivering value for money.

Financial Challenge

31. Recognising the challenge of bridging the estimated budget gaps for the period 2023/24 to 2027/28, whilst at the same time seeking to ensure that the Council's revenue budget is robust, resilient and sustainable, another savings programme has been established, focusing primarily on the three-year period 2023/24 to 2025/26. This builds on the 'Financial Challenge' savings programmes carried out over the last two years, with the cross-council senior officer group established in 2020 to provide support and ensure a co-ordinated, consistent approach across the programme continuing its role. Further support and challenge to identify new proposals and consider options put forward by officers will again be provided by Scrutiny Board working groups.

32. Reviews are underway across the Authority to identify opportunities to continue to modernise and improve services, reduce costs and generate additional income. The outcome of this work will lead to a number of savings proposals for consideration by the Executive Board during the Autumn of 2022. Those approved for implementation, or consultation as required, will subsequently be built into the 2023/24 Budget and Provisional Budgets for 2024/25 and 2025/26.

33. Where appropriate, and in accordance with the Council's adopted budget principles, progress against the delivery of these targeted savings is incorporated into the monthly Financial Health reporting to Executive Board.

Officer Oversight

34. The table below sets out a summary of officer groups providing for oversight and accountability in the financial management framework.

Group	Composition	Function
Financial Services Management Team	Directorate Heads of Finance – chaired by the Chief Officer (Financial Services)	To oversee the strategic direction of the service; sharing best practice; updating on professional developments, policies and guidance and looking forward to considering future developments.
Heads of Finance	Directorate Heads of Finance – chaired by the Chief Officer (Financial Services)	This meeting provides weekly communication with regard to the delivery of key processes that include the Budget Setting; Savings Programme; Budget Monitoring; the Capital Programme and; Closure of Accounts
Finance Performance Group	Directorate Heads of Finance - chaired by the Deputy Chief Officer – Financial Services.	As well as receiving the monthly year-end revenue projections for each Directorate which are reviewed and challenged this forum also receives updates on the capital programme, capital receipts, council tax and business rate collection and treasury/debt activities. It also receives invest to save business cases.
Directorate leadership teams	Directors and Chief Officers meeting within directorates.	To receive monthly budget monitoring information; identification of implementation of budget savings plans that will result in a balanced revenue budget position in year and; contribute towards the determination of the budget for the forthcoming financial years.
Corporate Leadership Team	Chief Executive, Directors, City Solicitor and Chief Officer Financial Services	To receive monthly Financial Health reports and Capital Programme and Treasury Management reports and contribute to and agree the budget strategies for the forthcoming financial year.
Financial Challenge	Cross council - Chaired by the Chief Officer – Financial Services.	Provision of high support, co-ordinated and consistent approach to the identification of robust, realistic and deliverable budget savings proposals; and

Page 27

		oversight over the budget savings programme
Corporate Financial Integrity Forum	Senior finance staff – chaired by Deputy Chief Officer - Financial Services	This Forum has a key role within the financial control environment and its function is to help ensure that there are procedures and operations in place to provide the necessary quality, integrity and reliability of financial information and accounts.

Democratic Oversight

35. The table below sets out a summary of democratic oversight and accountability in the financial management framework.

Councillor / Committee	Oversight
Leader of Council	Oversight of functions in relation to Council's financial strategy
Executive member for Resources	Oversight of functions in relation to financial management and controls; policies and procedures for budgets; and corporate governance
Executive members	Oversight of development of budget options and savings proposals for matters within their remit
Executive Board	Consideration of capital injections and budget proposals Receive financial health monitoring, capital programme and Treasury Management monitoring reports Recommend the annual revenue budget, Capital Programme and Treasury Management Strategy to full Council.
Full Council	Approval of the annual revenue budget and virement rules, the capital programme and Treasury Management Strategy. Approve Council Tax and Business Rates bases.
Scrutiny Boards	Member scrutiny via Scrutiny Boards ensures that the budget continues to meet the council's priorities and objectives.
Corporate Governance & Audit Committee	Approval of the Council's audited accounts and receive the Annual Audit Report.

TREASURY MANAGEMENT

<u>Policy and Strategy</u>

36. Treasury Management in local government is subject to a number of legal and professional codes which forms the framework for Treasury Management in local government. These include Local Government Act 2003 Chapter 26 Part 1 (LGA)';Statutory Instruments on Capital Finance and Accountancy (SI's); CIPFA Prudential Code for Capital Finance in Local Authorities 2017 and 2021 and guidance notes; CIPFA Treasury Management in the Public Services – Code of Practice and cross sectoral Guidance notes 2017 and 2021 (Together the Code of Practice); Ministry of Housing Communities and Local government revised guidance on investments 2017 (MHCLG); Public Works Loan Board (PWLB) circulars on lending policy; The Bank of England UK Money Markets Guide; LAAP Bulletins and EU Markets in Financial Instrument Directive II (MIFID II).

37. In addition, the LGA 2003 states in section 15 Guidance, that a local authority shall have regard to such guidance as the Secretary of State may issue, and to such other guidance as the Secretary of State may by regulations specify for the purposes of this provision. The Secretary of State has specified that the CIPFA codes of practice are guidance to which a local authority must have regard and therefore have the effect of law. The Codes also specify and recommend a number of other requirements such as roles and responsibilities, monitoring and oversight and provides an outline for considerations to be taken into account when setting strategy and managing risk including setting of suitable prudential indicators in relation to treasury management activity and the capital programme.

38. The Following table outlines and summarises the Treasury Management governance framework

↓DEMOCRATIC OVERSIGHT			
FULL COUNCIL	**EXECUTIVE BOARD**	**CORPORATE GOVERNANCE & AUDIT COMMITTEE**	**RESOURCES AND COUNCIL SERVICES SCRUTINY BOARD**
Setting Borrowing limits	Treasury Management Strategy	Adequacy of Treasury Management policies and practices	Review / scrutinise any aspects of the Treasury management function
Changes to borrowing limits	Monitoring reports in year	Compliance with statutory guidance	
Treasury Management Policy	Performance of the treasury function		
↓DELEGATIONS TO OFFICERS			

DELEGATION SCHEME	TO WHOM	FUNCTION DELEGATED
Part 3 Section 3E(d) Officer Delegation Scheme	To Chief Officer Financial Services	to discharge the following functions 1) Ensuring effective financial management and controls, including:- b) managing the Council's borrowing and investment requirements;
Miscellaneous Functions - Financial Regulation 23: Treasury Management Page 35	Function delegated to Chief Officer (Financial Services). Sub-delegated to Deputy Chief Officer Financial Services and Head of Finance – Technical.	To ensure that all investment and borrowing is valid, accurate, efficient, properly accounted for and in accordance with statutory and corporate requirements

↓OPERATIONAL AUTHORITY OF OFFICERS/CONTROL FRAMEWORK		
POLICY DOCUMENT	**TO WHOM**	**OPERATIONAL AUTHORITY**
Treasury Management Policy Statement (section 11) Policy on Delegation and Review Requirements and Reporting Arrangements	Chief Off. Financial Services Deputy COFS Head of Finance - Technical Senior Finance Manager Finance Managers	Implementation of decisions taken at Treasury strategy review meetings and day to day management of treasury operations
CIPFA: Code of Practice Prudential Code MHCLG Investment Guidance Notes	Head of Finance - Technical Senior Finance Manager Finance Managers	Ensure compliance and that any changes are reflected in the operating framework.

Officer Oversight

The Chief Officer – Financial Services

39. Through him/her to his/her staff has delegated powers for all borrowing and lending decisions. This delegation is required in order that the authority can react immediately to market interest rate movements and therefore achieve the best possible terms. The Chief Officer Financial Services and staff will operate in accordance with the Code of Practice for Treasury Management in Local Authorities. The Chief Officer Financial Services is the person charged with professional responsibility for the treasury management function. This person will carry out the following duties: -

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- Submitting regular treasury management policy reports
- Submitting budgets and budget variations
- Receiving and reviewing management information reports
- Reviewing the performance of the treasury management function
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit, and liaising with external audit
- Recommending the appointment of external service providers.

40. The Chief Officer Financial services has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments. The Chief Officer Financial services may delegate their power to borrow and invest to members of their staff.

41. The Treasury Management Team must conduct all dealing transactions, or staff authorised by the Chief Officer Financial services to act as temporary cover for leave/sickness. All transactions must be initiated and authorised by named officers with division of duties checks carried out by the back-office staff.

42. The Chief Officer Financial services will ensure that Treasury Management Policy Statement (TMPS) is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.

43. Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Chief Officer Financial Services to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations

44. It is also the responsibility of the Chief Officer Financial Services to ensure that the Council complies with the requirements of UK Money Markets Code for principals and broking firms in the wholesale markets.

45. The treasury management governance framework and the delegations within the Resources Directorate and specifically to the Chief Officer Financial Services shall operate on the following basis

46. The practical organisation within the Resources Directorate is that all aspects of borrowing/lending strategy over the year are determined or reported to regular monthly meetings of the Finance Performance Group (FPG) attended by the Chief Officer Financial Services, Deputy Chief Officer Financial Services and Heads of Finance. Quarterly, treasury strategy review meetings take place with the Chief Officer Financial Services, Deputy Chief Officer Financial Services, the Head of Finance - Technical and the Senior Finance Manager.

47. Implementation of decisions at such meetings and the day-to-day management of the Treasury Operations are delegated without limit to the Chief Officer Financial Services or in his/her absence and through him/her to either the Deputy Chief Officer Financial Services, Head of Finance – Technical, the Senior Finance Manager and on occasions the Finance Managers.

48. Consultations will be made by the Chief Officer Financial Services on Treasury Management matters with:
   - The Chief Executive: so that he/she can ensure proper Treasury systems are in place and are properly resourced.
   - External Treasury Advisers: so that they can advise and monitor the process of fixing strategy and policy on Treasury Matters and advise on the economic outlook, prospects for interest rates and credit worthiness.

49. With regard to the Deputy Chief Officer Financial Services, the Head of Finance - Technical / Senior Finance Manager / Finance Managers the responsibilities of these posts will be: -
   - Execution of transactions
   - Adherence to agreed policies and practices on a day-to-day basis
   - Maintaining relationships with counterparties and external service providers
   - Supervising treasury management staff
   - Monitoring performance on a day-to-day basis
   - Identifying and recommending opportunities for improved practices.

Democratic Oversight
Full Council

50. Treasury Management strategy for the upcoming year is set in February before the start of the year in the Treasury Management Strategy Statement (TMSS). This is provided in the form of a report to Executive board and to full Council and within the CIPFA codes is a recommendation that only Full Council can set certain Prudential indicators such as:-
   - Authorised Limit (maximum amount of borrowing than can be outstanding) Full Council
   - Operational Boundary (a lower working limit of the above) Full Council
   - Upper and lower limits on fixed interest maturity structure (Set by Time band).
   - Treasury management Investments Strategy and Limits.

51. The TMSS can also have as an appendix called the Treasury Management Policy Statement (TMPS) which is a standing document that is only updated from time to time, but which covers many of the topics in this document in terms of:-
    - Objectives of Treasury management
    - Approved activities of the Treasury management operation.
    - Formulation of the treasury management Strategy
    - Approved methods and sources of raising capital finance
    - Approved Instruments and Organisations for investments
    - Investments on Behalf of Council managed Charities and trusts
    - Policy on Interest rate Exposure
    - Policy on External managers
    - Policy on Delegation and review requirements and reporting arrangements

Executive Board

52. In its role Executive Board has sight of the TMSS before approval by full Council in February every year. In addition, it receives a half year update in November every year on the activity and projections for the current year; it receives a report after the end of the year in June which reports on the outturn against strategy, and it receives a quarterly update on Prudential Indicators set by full Council highlighting any significant movements as part of the Quarterly financial health monitoring of the Council.

Corporate Governance and Audit Committee

53. Every year the CGA committee receives a report and the assurance and soundness of the Treasury management operation including an internal audit assurance report on the systems and compliance with the framework of the treasury management operation.

Clearly Communicate

FINANCIAL MANAGEMENT

Engagement

55. Extensive consultation was undertaken as part of the budget setting process, as outlined in the Revenue Budget and Council Tax 2022/23 report to Full Council on the 23rd February 2022. In addition, submitted budget savings proposals that involve the review of a service will also incorporate the requirement for consultation and engagement.

56. As described above the revised financial management service offer requires improved engagement to work more innovatively and collaboratively in the management of the current approved budget and in the determination of future years budgets.

57. Respective Scrutiny Boards are engaged not only in the scrutiny and challenge with regard to the management of the current year's approved budget but equally they will review budget proposals for the forthcoming financial year and these views are incorporated into the Annual Revenue Budget report that is received at Full Council in February each year.

58. The Council's leadership team (CLT) and the Council's Cabinet receive regular financial briefings on both the current and future financial years along with updates on issues e.g. new legislation or accounting development, that have implications for the Council's financial position.

Communication

59. The Financial Management section of the Council's Intranet site contains guidance and informative toolkits which support staff who have financial management responsibilities. Each of the regulations set out in the Council's Financial Regulations is supported by a series of toolkits to provide guidance for officers.

60. As well as taking account of the role of Cabinet, CLT and Scrutiny, which is described above, regular financial presentations on the latest and forecast financial positions are made to meeting of key senior officers such as Best Council Leadership Team

61. Communication and support is provided to both officers and elected Members on specific issues. For example new Councillors receive a briefing on a range of financial issues including how local government is financed as part of their induction and this training has now been extended to all members; a training package is currently being finalised which will inform both new officers as to how the Council is funded and how budget holder responsibilities contribute towards the financial governance arrangements in the Council and in the past training has been provided in respect of Financial Regulations and on how the Capital approval procedure rules operate.

62. The enhanced Business Partner role requires financial management staff to work closely with Directorates and requires then to ensure that key staff have appropriate support so that they can manage their current budgets and plan for future financial years.

TREASURY MANAGEMENT

General

64. In addition to the reporting arrangements covered above in respect of Officer and Democratic oversight quarterly strategy meetings are held with the Chief Officer Financial Services, Treasury Management staff and the Council's external advisors. The purpose of these meetings is to review the Treasury Strategy approved by Full Council and Executive board in February prior to the start of each Financial Year. This review is a necessary function of Treasury management to compare and contrast strategy and assumptions behind that strategy to the then current economic reality and to current updated economic projections and updates of the Councils needs and requirements. Any change of strategy will be reported to Executive Board for retrospective approval at the first available opportunity within the TM reporting cycle. Daily Conversations are held with Brokers operating in the London money markets to advise on Council borrowing and lending needs and to update/refresh on current market dynamics and offerings on both short and long-term borrowing and lending opportunities.

Training

65. The revised Codes of Practice 2021 recommend that more intensive and frequent training is provided to those tasked with governance and oversight of the TM function. This is currently being reviewed with proposals and actions to be brought forward in due course with the aim of ensuring full compliance with the codes for the 2023/24 financial year.

66. Officer training is conducted through a variety of methods which includes that delivered externally by our Treasury Advisors or attendance at suitable market seminars and events such as Local Authority Treasury Investment Forum (LATIF). Internal support is provided through mentoring and Use of Guidance notes.

Effectively Embed

FINANCIAL MANAGEMENT

Annual Financial Cycle

67. When effectively embedded the internal control framework ensures delivery of the annual financial cycle which covers:

| Financial planning and budget preparation and setting	In-year budget management and monitoring	Closure of accounts and year-end reporting

<u>Financial Planning and Budget Setting</u>

68. Within the context of MTFS, as well as being a financial expression of the Council's policies and priorities, the annual budget is also a means of controlling spending to the available resources and re-enforcing financial accountability and responsibility.

69. The annual budget process is led by the Chief Officer Financial Services and involves a wide range of officers and members across the council.

70. The process starts soon after the budget setting of the previous year with an update of the funding, key pressures and savings assumptions contained in the MTFS.   Undertaking such an assessment involves a range of assumptions including the level of core government support as reflected through the Settlement Funding Assessment (SFA), other specific funding, calculation of the council tax base, the determination of the level of business rates receivable, the level of pay and price inflation, demand and demography trends, the implications of any known changes in legislation, interest rates, levels of income and fees & charges as well as new or developing spending pressures. This part of the process is led by finance staff but will involve non-financial staff based in directorates and service areas. The process will, at such an early stage, invariably identify a budget shortfall. This high-level exercise will be subject to a number of iterations with assumptions being subject to regular review and reassessment.

71. At the same time Directorates start to prepare detailed estimates for the forthcoming year; although it is recognised that ultimately the totality of these estimates needs to be consistent with the overall resources envelope that is available to the Council.

72. The development of options to balance to available resources is a key aspect in any budget process and there is a requirement to balance both capital and revenue pressures. This clearly can be a difficult area of work and whilst needing to be pragmatic and sufficient, it is crucial that the process reflects the Council's ambitions, policies and priorities. This is ensured through close engagement of senior officers and Executive Board portfolio members at appropriate points in the process.

73. In response to the financial challenge the Council established a "Financial Challenge" programme of service reviews. This cross councillor" group approach provided high support, co-ordinated and consistent approach to the identification of robust, realistic and deliverable budget savings proposals. The same group will have oversight over the 2022/23 budget savings programme. Through this robust and accountable approach any variations to budgeted assumptions can be readily identified and addressed. Where appropriate, and in accordance with the Council's adopted budget principles, alternative proposals will be identified to ensure that a balanced budget position can be delivered in

2022/23. Progress against the delivery of these targeted savings will be incorporated into the monthly Financial Health reporting to Executive Board.

74. The Budget and Policy Framework Procedure Rules set out in the Council's constitution provide that the proposed budget for the forthcoming financial year must be submitted to Scrutiny prior to the Council's budget meeting. In practice this is after Executive Board approval and requires the proposals to be submitted to the December and January meetings of the respective Scrutiny Boards.

75. Budget preparation and setting is a demanding process and operates to strict timescales. This places an emphasis upon not just process planning but also engagement with elected members and senior management.

76. In many ways the budget is an exercise in managing risk. With limited resources, it is inevitable that elements of the budget will depend upon actions which have yet to happen, or upon assumptions that may in reality vary from those assumed at budget setting. As such an important element of the budget process is the development and maintenance of a list of key budget risks which attempts to identify and assess the risks built into the budget. It is important to appreciate that the time frame of the list of budget risks is a single budget year. The list of key budget risks not only assists in assessing the robustness of the budget but also acts as a means of assessing the adequacy of the general reserve in that it provides an assessment of what may go wrong in-year.

77. The Local Government Act (Part II) 2003 places a requirement upon the Council's statutory officer (the Chief Officer – Financial Services) in Leeds to report to members on the robustness of the budget estimates and the adequacy of the proposed financial reserves. Reaching a view of the robustness of the budget and the adequacy of the general reserve not only requires consideration of the processes and systems used in preparing the estimates, but also a consideration of the strength of the arrangement in place for internal financial management and control.

In year Budget Management and Monitoring

78. Budget management and monitoring is a continuous process which operates at a number of levels throughout the Council. The Council's budget accountability framework clearly articulates roles and responsibilities and aligns financial accountability within service decision-making.

Directors

Chief Officers

Budget Holder

Budget Monitoring Officers
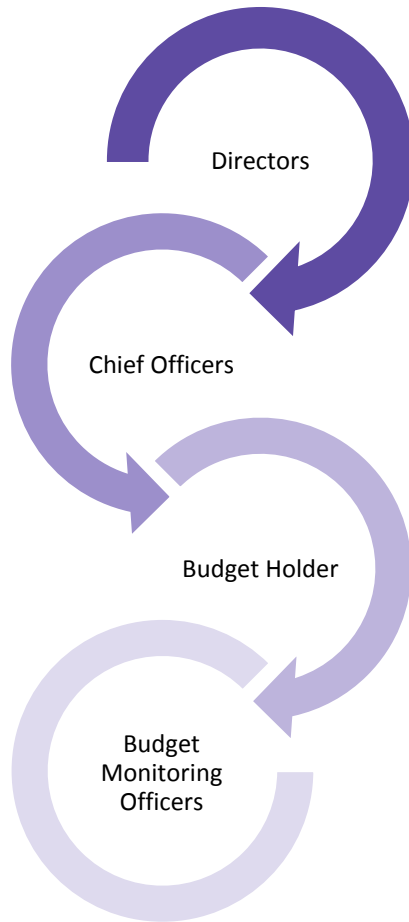
79.   Although Directors are ultimately responsible for the delivery of their Directorate budget, operationally these responsibilities are devolved down to budget holders within the Council. In line with the budget holder accountability framework, every budget has a named budget holder who is responsible for managing and monitoring income and expenditure against the approved budget. Director and Chief Officer sub delegations set out clearly what responsibilities have been delegated to them which allow them to undertake their duties and detailed requirements with regard to the budget are incorporated into the Council's Budget Management Accountability Framework which sets out clearly the responsibilities of Chief Officers, Budget Holders and Budget Monitoring Officers.

80.   In advance of the financial year, and after the revenue budget for the forthcoming year has been approved, Directorates are requested to produce budget action plans for their services which detail what action is required to deliver the approved budget (for example a staffing restructure or a delegated decision to implement price increases); when the action is required to be completed by and who is responsible for delivering the action required.

81.   In addition, through taking a risk-based approach to their respective budgets, Directorates are requested to identify contingency arrangements that could be implemented to address any variations from budgeted assumptions that will result in an overspend. The outcome of this exercise informs how much is required in the Council's general reserve to provide for risks.

82.   Budget roll-out meetings are also held with services within Directorates to ensure that accountable budget holders are both aware of the key aspects of their budgets and what key budget actions are required to be completed to deliver a balanced budget position.

83.   Financial and budget monitoring in the Council is facilitated by the Council's financial management system (FMS). The system holds information as to the approved budgets, actual spend and income, commitments and year-end projections. User friendly visual dashboards are now utilised allowing budget holders to regularly review spend to date against approved budgets and against profiled budgets. In addition, budget holders and finance staff project the end of year position and this clearly involves a degree of judgement. In practice some budgets are more difficult to manage and forecast than others. There are also instances where spending is controlled on systems other than the Council's main FMS, for example community care payments. In these instances, procedures are in place to ensure that information held in these systems are regularly reconciled to FMS.

84. In-year, any decision to amend budgets is undertaken within the virement rules agreed annually by Full Council as part of the budget-setting process. All such decisions are recorded as part of the delegated decision-making process.

Closure of Accounts

85. The first stage of the closedown process is a natural extension of the budget monitoring arrangements with Directorate finance officers compiling the final figures for the services they support to determine an outturn position to be reported to Executive Board in June each year. This report compares both the revenue and capital budget to the final outturn for each Directorate and provides an explanation as to the reason for any variation, including explanations of major variations on individual capital schemes. This comparison to the budget provides a clear indication as to the robustness of the original budget setting and the quality of the budget monitoring process. In addition, a full and complete reserves statement is provided to Executive Board.

86. Alongside the budget monitoring process, significant accounting decisions are referred to the Technical and Integrity accounting team within finance to ensure compliance with applicable accounting standards. The Council's external auditors, Grant Thornton, will also consulted on such decisions to ensure they are agreed by all parties before a major financial decision is made.

87. All changes to accounting practice are assessed and, where applicable, implemented by officers in financial management. All finance officers and relevant Directorate officers are informed of the implications of any changes. The application of appropriate accounting practice is assessed by the Council's external auditors and reported back to members of this Committee.

88. Staff within the Technical and Integrity Team and Strategic Finance oversee the closedown process and the Chief Officer Financial Services will review both the accounts themselves and the processes used to compile them, before certifying signing them as a true and fair view. The Council's external auditors provide members with independent assurance that, in their opinion, the accounts do reflect a true and fair view of the council's financial position and that they comply with proper accounting practice.

89. New accounting requirements and outturn projections are taken into account when the budgets are set for the following year.

Capital Programme

90. The Council's 10-year capital programme considers the need for capital investment against affordability within the Medium-Term Financial Strategy (MTFS). The programme identifies annual programmes across the Council that aim to provide investment in assets to ensure that the Council can continue to operate effectively. The Council also has a number of major programmes that provide investment in line with the Council's best plan objectives.

91. Capital investment needs are assessed on an annual basis under the direction of the Financial Challenge - Strategic Investment Board with final approval sought from the Executive Board and Full Council in February each year (at the same time that the revenue budget is set to ensure overall affordability). If necessary, a second injection at a mid-year point could be utilised. The process does however allow for fully funded schemes (funded either by external resources or departmental prudential borrowing) to be injected throughout the year.

92. In May 2022 Strategic Investment Board agreed an overarching Capital Strategy to support a review of the capital programme, whereby new borrowing would not exceed budgeted Minimum Revenue Provision (MRP), except where this would prevent the delivery of savings or robust prudential borrowing proposals. In addition, capital programme priorities were refreshed and summarised into the following questions to be used to assess the priority of new projects / pressures identified by Directorates:

- Which of the Council's Three Pillars does the proposal deliver against: health and wellbeing, inclusive growth and net zero carbon commitment?
- Is the proposal essential e.g.: Health and Safety, Statutory/Mandatory, Delivers Future Cost Savings, Delivers Service Transformation, Externally or Part Externally funded, Protects External Income?
- What impact will the proposal have on revenue resources, including internal budgeted income, e.g.: staff capitalisations, internal trading (LBS, Highways DLO, etc) and Joint Ventures (NPS, etc)?
- What impact will the proposal have on the review of the Council's estate?
- Does the proposal require additional IT requirements?

93. The Capital Programme review is undertaken by senior officers across the Council to consider whether all elements of the existing capital programme remain priorities in the current financial climate and to identify new projects / pressures that require funding. The process has involved peer review and challenge with each directorate discussing the proposals in their respective management teams. The results of the review are being considered by Strategic Investment Board to make recommendations and identify how new projects / pressures might be funded sustainably. Any capital and revenue impacts of this review will be reflected in reports to Executive Board in December 2022 where CLT, member engagement and wider consideration takes place.

94. Proposals for new capital schemes funded from borrowing must follow a rigorous business case process to demonstrate investment is aligned to capital objectives, meets the needs of the public and will deliver best value. Directorates submit their future scheme spending intentions which are challenged and prioritised by the Financial Challenge – Strategic Investment Board before CLT, member engagement and wider consideration takes place. Only those priority and deliverable schemes are put forward for inclusion within the capital programme.

95. One of the main risks in managing the capital programme is that insufficient resources are available to fund the programme. As the capital programme is fully funded this risk lays within the treasury management of the debt budget. Monthly monitoring procedures are in place for expenditure, resources, capital receipts and debt monitoring to ensure that this risk can be managed effectively. These include

- Ensuring written confirmation of external funding is received prior to contractual commitments being entered into.
- Regular monitoring of the council's VAT partial exemption position to ensure that full eligibility to VAT reclaimed can be maintained. This position is reported quarterly.
- Provision of a central contingency within the capital programme to deal with unforeseen circumstances. Individual programmes and schemes will also contain a risk provision for unexpected circumstances.
- The capital programme includes a central contingency to cater for any unforeseen circumstances. In addition, individual programmes and schemes contain a risk provision for unexpected circumstances.

- Compliance with both financial regulations and contract procedure rules to ensure the Council's position is protected; and
- Ensuring all major programmes are supported by programme boards.

96. The Chief Officer for Financial Services continues to ensure that he introduction / start of new schemes will only take place after completion and approval of a full business case and identification of the required resources; that there is promotion of best practice in capital planning and estimating so that scheme estimates and programmes are realistic; and the use of departmental unsupported borrowing for spend to save schemes is based on individual business cases and in the context of identifying the revenue resources to meet the borrowing costs.

TREASURY MANAGEMENT

Stakeholder engagement

The main stakeholders in the Treasury management functions are as follows:

97. The Treasury Management function reports directly to the Chief Officer – Financial Services on the projections of debt costs over the period of the life of the Medium-Term Financial Strategy. Further any long-term borrowing decisions are fully consulted on with the Chief Officer – Financial Services before being executed under the Treasury Management delegations.

98. Engagement with brokers, who are external organisations operating in the City of London and provide services in relation to both long and short-term borrowing and investments, these are undertaken on a daily basis by Treasury Management staff and provide a robust and detailed flow of information and market intelligence, bid/offers in the market and dissemination of the requirements of the Council. All trades are confirmed with Counterparties directly and on top of this, regular meetings and discussions are undertaken with for instance banks regarding services and potential funding from these sources.

99. There is regular reporting and returns to complete to DLUHC including Monthly Borrowing and lending (MBL);Capital Outturn Return (COR);Capital Estimates Return (CER);Capital Payments return (CPR4);PWLB Certainty Return.

100. Public Works Loans Board (PWLB), as the main source of funding to Local Government, has long standing links to the Council. The Council completes a return to PWLB every year to gain access to the PWLB certainty rates which are 20bp below PWLB standard rates (This is called the PWLB certainty return). The PWLB also publishes updates to its lending arrangements on a regular basis and these are detailed on its website along with other information such as current and historic interest rates.

Systems and processes

101. Treasury Management systems and processes are well established and changes to these are evolutionary rather than revolutionary. A new system has been purchased and is in the process of being implemented.

102. Treasury Management systems utilise a mixture of Access Databases;(being replaced by the new web-based system); spreadsheets; Adobe Acrobat documents (Including Digital Signatures to maintain division of duties evidence in a paperless environment); Market
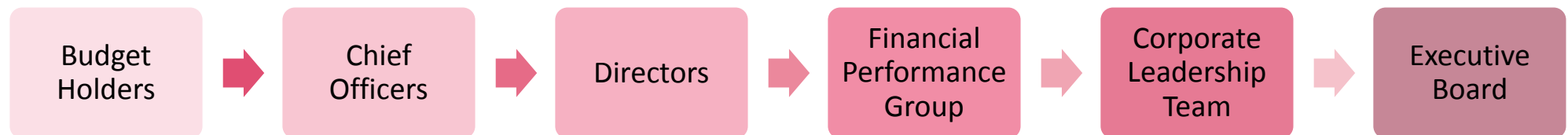
Information System (Proquote/IRESS); Banking System (Bankline – provided by Nat West as part of the banking contract); FMS LCC main finance system and OneNote user guides and manuals.

Meaningfully Monitor

FINANCIAL MANAGEMENT

103. Meaningful monitoring takes place throughout the financial cycle as described above.

Budget Monitoring

Budget Holders → Chief Officers → Directors → Financial Performance Group → Corporate Leadership Team → Executive Board

104. Financial monitoring is undertaken and operates on a hierarchical basis, whereby the monthly projections are aggregated upwards to be reviewed by budget holders, Chief Officers and Directors. The year-end projections for each Directorate are reviewed and challenged each month by the Council's Finance Performance Group (FPG). The year-end projections are then reported to the Council's Corporate Leadership Team and the Executive Board. As well as being accurate, monitoring also needs to be timely, and as such reporting is operated according to a strict timetable. In addition, at each monthly FPG meeting, monitoring statements in relation to the capital programme and debt are also reviewed.

105. As part of in-year budget management and monitoring, year-end projections for income and expenditure are submitted to the Chief Officer Financial Services, and the Corporate Leadership Team, and are also reviewed and challenged by the Corporate Finance Performance Group. In addition, budget monitoring s/Financial Health reports are presented monthly to Directorate leadership teams, individual executive members, Executive Board and respective Scrutiny Committees.

106. Financial monitoring is undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand, key income budgets, etc. To reinforce this risk-based approach, achievement of the key budget actions plans is highlighted specifically on the regular budget monitoring dashboards that form a part of the Financial Health monitoring reports that are received at Executive Board.

107. In line with the Council's financial procedure rules and the Council's value of 'Spending Money Wisely', it is critical that where projected overspends are identified that action is taken to bring spending back into line with the approved budgets or to identify other sources of funding such as areas of under spend. All Directorates are required to have contingency plans identified to the value of the key risks identified in the budgets. The Council's Revenue Budget principles, which provide a framework for managing the revenue and capital budgets, requires that savings options to balance identified overspends are reported through the regular Financial Health reports to Executive Boards in the form of action plans.

Capital Programme Monitoring

108. The capital programme continues to be closely monitored with Directorates and progress on schemes reported on a monthly basis to Financial Performance Group and Best Council Team – Strategic Investment Board. Quarterly updates are presented to the Executive Board.

109. The cost and affordability of the borrowing resulting from capital expenditure are budgeted for and managed within the revenue debt budget. In the year following capital expenditure, as well as budgeting for interest costs, the revenue budget must make provision for the minimum revenue provision on borrowings which is accounted for over the life of the asset. Forecasts for the debt budget are dependent upon interest rate assumptions, the likely level of capital spend and the Council's cash balances. The affordability of new and existing borrowing is reported on a monthly basis as part of the financial health reporting to the Executive Board, with specific treasury strategy reports presented to the Executive Board at least three times a year.

110. Monitoring performance reports on the capital receipts, council tax and business rate collection, and treasury/debt activities are considered during the year by the Executive Board.

Corporate Financial Integrity Forum

111. The Corporate Financial Integrity Forum, which meets each month and is chaired by the Deputy Chief Officer - Financial Services, has a key role within the financial control environment and its function is to help ensure that there are procedures and operations in place to provide the necessary quality, integrity and reliability of financial information and accounts. The overall purpose is to help ensure the financial stewardship of the Authority by monitoring;

- The regular review and reconciliation of financial systems to the financial ledger.
- The regular review and reconciliation of balance sheet accounts.
- The requirement to have effective systems and procedures in place to facilitate the posting of financial data to the ledger.
- That there are up to date bank mandates for all bank accounts to which LCC officers are signatories and that bank statements are regularly received and reconciled.
- Reviewing any other area of financial control or financial governance risk, including partnerships and other joint working arrangements.
- Areas of concern affecting financial integrity are investigated and reported on.

112. The integrity of all the financial data is of fundamental importance in ensuring financial information is both timely and accurate in order to correctly inform decision making. This is a key role of the Corporate Integrity Forum. The forum reviews all key financial control accounts such as cash and tax; the validity of all feeder systems into the financial ledger; along with such things as system access rights and coding structures.

Financial Resilience Index

113. In response to a number of high-profile authorities reporting financial difficulties, CIPFA (Chartered Institute of Public Finance and Accountancy) issued their financial resilience index for local government. This analytical tool is designed to provide councils with a clear understanding on their position in terms of risk. The selection of nine indicators, three of which relate to reserves, measure an individual Authority's resilience to continue to deliver annual savings and manage significant shocks whilst still pursuing ambitious goals for Local Communities. The indicators reflect the fact that the Council has a lower level of usable reserves when compared to nearest neighbours identified in CIPFA's model and other Core Cities. As detailed in the MTFS the Council is planning to increase the level of reserves that it retains.

Independent Assurance

Internal Audit

114. Internal Audit continues to provide assurance to members that the key core financial systems and processes are robust and are operating effectively. The financial management and control framework is subject to a number of independent assessments which include annual reviews of major financial systems undertaken by the Council's Internal Audit function. Internal Audit has provided a substantial assurance opinion or good assurance opinions for each of the major financial system audits completed in the year to date. Financial management assurances run throughout a substantial portion of the Internal Audit Plan, and work is ongoing looking at the application of financial controls and processes across key areas of activity. An audit of Budget Monitoring and Control is due to begin imminently. This will provide assurances on the effectiveness of the new processes introduced to support budget monitoring and management across the authority, and outcomes will be summarised within the updates provided by Internal Audit later in the year.

External Audit

115. External Audit provide independent assurance on the Council's accounts and accounting practice as well as the arrangements to ensure value for money and the controls around the key financial systems.

116. Grant Thornton will provide, in respect of the financial accounts, the independent assurance that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. From 2020/21 onwards auditors are no longer required to issue a single conclusion on the VFM arrangements within a Council. 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.

117. Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of their work they must consider whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Specifically, the auditors must consider the arrangements over the following headings:

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

Grant Thornton's 2020/21 Annual Audit report was received at this Committee on the 3rd October and whilst it did not identify any significant weaknesses and related key recommendations, in including the Council's response to Covid-19, it did identify a small number of improvement recommendations to further enhance the Council's arrangements. These recommendations included that:

118. 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.

119. 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.

120. 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.

121. It is important to appreciate that both External and Internal Audit also review our budget and budget monitoring arrangements in order to assess whether they are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

122. The Chief Financial Services Officer meets with Grant Thornton on a monthly basis to review progress on the delivery of a balanced budget position and the actions being taken to deliver a sustainable financial position for the years covered by the current approved Medium Term Financial Strategy.

TREASURY MANAGEMENT

Internal Audit

123. The Treasury Management systems of control and compliance with those controls are audited on a regular basis by Internal Audit and the results of this audit are reported to the Corporate Governance and Audit Committee.

Benchmarking

124. Structured benchmarking is not undertaken as the individual authorities can be widely divergent due to historic decisions taking place within each authority. In addition, it is important to note the Prudential Indicator system in place for all Local Authorities should not be used for benchmarking purposes and this is explicitly stated within the CIPFA code itself.

125. Core Cities benchmarking. Some benchmarking is undertaken on an ad-hoc basis and a recent exercise was undertaken on a Councillor request in relation to the level of external debt against the value of fixed assets. Also, from time to time the Core Cities Treasury Management group will provide and collate comparative debt and investment statistics.

126. The Council's Treasury Management advisors also provide core cities comparative statistics usually after the end of the year covering a range of appropriate indicators such as level of debt etc.

Performance indicators

127. Prudential indicators as set by Full Council are reported on in each of the Treasury Management reports that are received at Executive Board. These reports compare a 4-year forecast and limits in the February report and a comparison of the strategy to the latest projections at the half year and end of year reports.

128. The Council's budget monitoring officer group, FPG, receives a monthly report and update on the performance of treasury management including the revenue impact of the Capital programme, Debt and investment Portfolios. This includes full details of any changes to projections over the current and next financial years as well as comparison of the TM debt projections against the MTFS to allow early and robust action to be taken. The FPG report also compares for the current and future years the projections for debt costs and income against the strategic debt budget for the current year and monitors against this monthly. The aim is to identify and report any potential unanticipated savings or costs as they are recognised.

Risks identified and mitigated

129. The TMSS strategy report outlines in detail the current risks to Treasury Management strategy including any known external risks to the proposed strategy. This is informed by the Treasury Management Practices (TMP's) document. Any risks identified are also analysed and mitigated as far as practicable within the strategy setting process.

130. Treasury Management Practices document (TMP's) is an internal document which outlines the major classifications and risks relevant to the treasury management operation and TMP1 details these risks. This document is updated from time to time as necessary and is based on the general risks identified within the CIFPA Codes of Practice but annotated for a Leeds City Council perspective and attitude to risk e.g. Credit and Counterparty Risk, Market Risk Management.

131. The TMP document also covers and deals with all areas of Treasury Management from an operational perspective. This document therefore covers the requirements of this cycle of control document but is set out along the lines proscribed in the CIPFA Codes of Practice and has been in place since the introduction of the codes in the mid 1990's

132. The TMSS outlines not only the strategy and risks to that strategy but also any mitigations necessary and options available to mitigate those risks.

133. Further to this the monthly reporting process also details performance and any emerging risk to the strategy as set in the TMSS and this process is iterative with mitigations being identified and applied as risks emerge. Quarterly Strategy meeting with the Council's Treasury Advisors take place with a view to identifying risk and opportunities which are emerging in relation to the Councils strategy and to identify

any mitigations that could be applied to address risks identified. Markets and market intelligence is sourced on a daily basis through and these information flows are further used to inform and update the current risks facing the treasury management operation and strategy.

134. The risk of loss arising from the failure of a financial institution with which the council has placed an investment is recorded as a risk within the Resources directorate risk register.

Review and Refine

FINANCIAL MANAGEMENT

Adequacy and Resilience of Internal Controls

135. This statement of internal control details the arrangements and controls that are in place to deliver the key financial management functions that include the determination of the annual budget, budget monitoring, closure of the financial accounts and treasury management arrangements. Both Internal and External Audit provide the appropriate assurance to Members that that these arrangements are sufficient.

136. Looking ahead consideration needs to be given to the following which could have implications for the financial management arrangements that the Council has in place and which may need to revised to take account of these risks and developments.

Review of MTFS

137. An updated MTFS was received at September's Executive Board, and this highlighted a funding gap of £182.6m of which £63.6m relates to 2023/24. As reported to October's Executive Board this estimated budget gap for 2023/24 has subsequently increased to £65.7m. This position has been reported in advance of the Chancellor's autumn statement which is expected to be published on November 17th and this will inform the Provisional Local Government Finance settlement that is expected in mid-December 2022. Budget savings options to bridge the estimated budget gap for 2023/24 have been received at September's Executive Board and further proposals are timetabled to be received at December Executive Board.

138. The Government remains committed to progress the review of relative needs and resources the outcome of which will inform the methodology for the distribution of resources.

139. In addition there are a number of other pressures which will influence and impact upon the Council's financial position and these include any ongoing impact of COVID-19 upon the level of resources available to the Council.

National Funding Formula for Schools

140. 2022/23 is the fifth transitional year of the national funding formula for schools. During this transitional period local authorities will be allocated an amount based on the new national funding formula but they can decide on a local formula for allocating this to schools. The Government has indicated that the transitional arrangements will continue into 20223/24. The schools funding formula for 2022/23 has now

been approved following consultation with all schools and the Schools Forum. In line with the majority view, some funding will be transferred from schools to provide additional funding for pupils with high needs, in order to address ongoing pressures in this area. After taking account of this transfer and the views from the consultation, the 2022/23 funding formula has moved as close as possible to the national funding formula. In addition work continues to be carried out to assess the financial impact and risk to the Council should maintained schools become academies.

Financial Management Code

141. In October 2019 CIPFA published the Financial Management Code. The Financial Management Code, which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability, has been introduced following concerns about fundamental weaknesses in financial management particularly in relation to organisations that may be unable to maintain services in the future. The code itself contains a series of financial management standards with which compliance is required if a local authority is to meet the minimum standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders. Local authorities have been required to comply with the requirements of the Financial Management Code with effect from 1st April 2021.

142. Implementation of the code will complement the Council's Statutory Financial Officer's statement, which is required under the 2003 Local Government Act, on the adequacy of reserves as a part of the annual budget setting process. It is also good practice for the Authority to have a policy on the level of its general reserve and to ensure that it is monitored and maintained.

143. The VFM review undertaken by the Council's external auditors in respect of the final accounts will also cover compliance with the Financial Code and their findings in respect of the 2020/21 accounts were incorporated into their report to the Corporate Governance and Audit Committee in October.

Opportunities for improvement

Financial Management Systems (FMS)

144. FMS is the financial monitoring system in use across the Council. On a regular basis budget holder, taking a risk-based approach and with support from finance staff, review their spend and commitments against the approved budgets and project their year-end position.

145. There are also instances where spending is controlled on systems other than the Council's FMS, for example community care payments. In these instances, procedures are in place to ensure that information held in these systems is regularly reconciled to FMS.

146. FMS is an in-house developed and managed Oracle-based system. The system is a ledger system, the general feel of the system is not modern, user-friendly and there are specific gaps in the system's capabilities, for example procurement/purchasing. As a part of the Core Business Transformation (CBT) Programme, Executive Board in September 2020 agreed the procurement of a replacement of existing Finance, HR and Payroll IT systems. Implementation of new systems will contribute towards supporting the current process of service reviews, the transformation of service delivery and the securing of the long-term viability of the Council's business information technology (IT) systems. Implementation of new Finance system will also support the successful implementation of the new Financial Management

structure which supports the Council to deliver its key financial priorities. As a stepping stone to the replacement of FMS, user friendly, visual dashboards have been developed, allowing budget holders to work with financial information in an effective manner. A further Executive Board report, in October 2022, approved delivery of phase 1 of the CBT Programme, which is to replace the Finance System.

147. The integrity of the data within the Council's core FMS is very much dependent on the data and information from a multiple of source feeder systems, for example SAP for employee costs, Mosaic Framework- for foster carer payments and CIS for Adult Social Care payments, Qube for property rental income, etc. In 2022/23 the work programme for the Corporate Financial Integrity Forum continues to focus upon seeking specific assurances as to the integrity of the source data that feeds into the core FMS, and in particular the new Civica system which provides housing management functions.

IR 35

148. IR35 is tax legislation that's intended to ensure that people who offer their services in a self-employed capacity and typically through a personal services company pay the right level of tax. (IR35 is the name of the Inland Revenue press release that launched this requirement in 2017). It's designed to assess whether a contractor is a genuine contractor rather than a 'disguised' employee, for the purposes of paying tax.

149. Since April 2017 public authorities have been responsible for deciding if the rules applied where they contract workers who provide services through their own intermediary and the Council is responsible for using the Check Employment Status for Tax (CEST) tool to determine whether staff being hired for a specific engagement, should be classed as employed or self-employed for tax purposes.
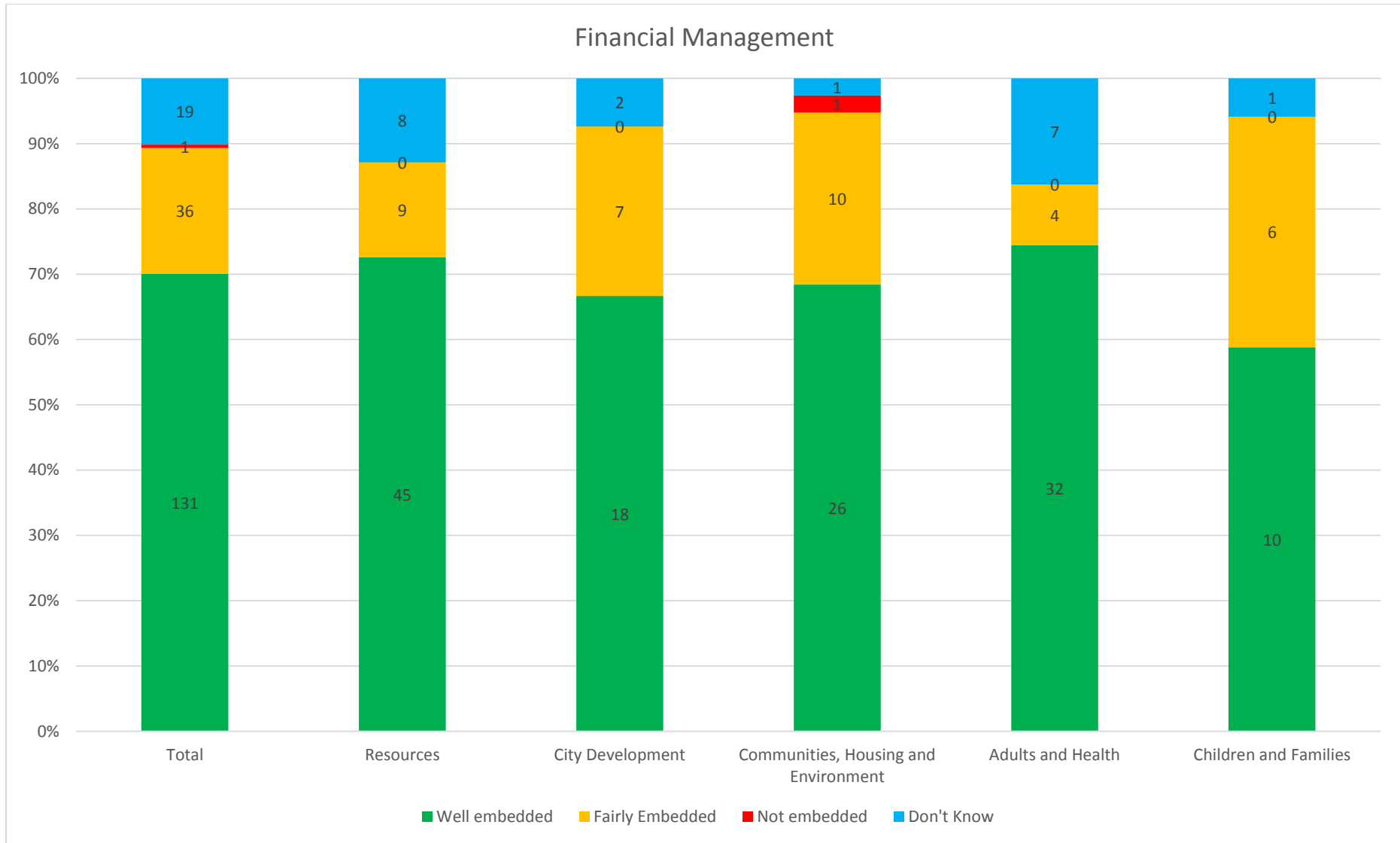
150. The Council has established specific controls to manage this process, and these have been subject to internal audit review, but it is recognised that further work is required to confirm that the CEST tool is being completed appropriately on all occasions.

151. The Survey of Internal Control which took place in May 2022 considered a number of aspects of the financial management arrangements. In particular respondents were asked to rate the extent to which staff were aware of and working in accordance with the following:
  - Financial Regulations including those in relation to security of physical assets and stocks and stores.
  - The revenue and capital principles agreed by Executive Board in July 2019.
  - Arrangements for budget setting and monitoring.
  - Arrangements for obtaining financial advice and guidance.

152. The results, which are set out in the charts below, show that managers' perception of overall awareness and compliance with key components of the financial control environment is good. However, there is opportunity for improvement and arrangements will be made to ensure that appropriate Council employees are sighted on the financial control framework.

Results of the survey of Internal Control

Financial Management

	Total	Resources	City Development	Communities, Housing and Environment	Adults and Health	Children and Families
Don't Know	19	8	2	1	7	1
Not embedded	1	0	0	1	0	0
Fairly Embedded	36	9	7	10	4	6
Well embedded	131	45	18	26	32	10

Legend: Well embedded, Fairly Embedded, Not embedded, Don't Know

Internal Audit Recommendations

153. Financial Services receive Internal Audit recommendations across a range of audits that take place throughout the year. In accordance with a procedure established over the last year, high and medium priority recommendations are placed on a tracker that enables the monitoring of implementation within the relevant areas. These recommendations are key to ensuring that financial controls remain up to date and fit for purpose. At the time of reporting, all recommendations that are due at this point have either been implemented or are in the process of being implemented. The continual monitoring of this information will drive the timely action required to support the ongoing refinement of the financial control environment

TREASURY MANAGEMENT

Ensuring our arrangements are up to date and fit for purpose

154. The following areas can be and are updated from time to time and well understood processes are followed in all cases:
    - Legislation including Statutory Instruments (e.g.: Local Government Act 2003 (Last major updated 2002/2003 to the previous 1989 Act)
    - CIPFA Codes of practice (the most recent update was published in December 2021 with the expectation this would be fully implemented for the 2023/24 financial year)
    - PWLB (Last update on lending arrangements was 2021)
    - Accounting rules (updated annually)

155. As any of the above legislation changes, Codes and best practice are updated and the process for this is as described below:
    Consultation
    The Council will submit a response in relation to any consultation on changes that impact Treasury Management.
    Issuance
    Any changes made will be analysed and the impact of changes detailed for adoption and to ensure compliance.
    Reporting
    Initially, reporting will be made to the CFO but will also be included where appropriate in the Strategy report provided to full council and executive board. If these changes are extensive then they may be the subject of a separate report.
    Adoption
    Systems and procedures will be updated as necessary to ensure compliance with any changes in any of the areas identified at 5.5.1. This will include changing any of the reports documents and process identified in this document.

Statement of Assurance

156. Having undertaken the review of the system of internal control for financial management outlined in this statement the Chief Officer Financial Services is satisfied that the arrangements are up to date and fit for purpose, that they are communicated and embedded and that they are routinely complied with.

157. The Chief Officer Financial Services has identified the following opportunities for enhancement of the system of internal control for financial management and will implement these over the course of the 2022/23 municipal year.

Opportunities for improvement

Define and Document	• There are no proposed amendments in respect of arrangements to define and document the system of internal control.
Clearly Communicate	• We will produce and make available a recorded training package that will heighten staff awareness and support compliance with the key control processes within our financial management arrangements. This is to be recorded in PALS. • To ensure compliance with the Codes of Practice on Capital and Treasury Management 2021 the enhanced needs in relation to Skills and Knowledge for all officers and members will be reviewed and proposals brought forward to enhance compliance in these areas.
Effectively Embed	• There are no proposed amendments in respect of arrangements to effectively embed the system of internal control.
Meaningfully Monitor	• We will ensure that arrangements to support compliance with IR35 are appropriately monitored. • New monitoring in relation to the requirements of the CIPFA codes practice in relation to treasury management will be established.
Review and Refine	• Internal Audit recommendations are continually received, tracked and implemented to review and refine the system of internal control.

Leeds
CITY COUNCIL

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Counter Fraud Update Report April – September 2022

Date: 28th November 2022

Report of: Head of Audit

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in?   ☐ Yes ☒ No

Does the report contain confidential or exempt information?   ☐ Yes ☒ No

Brief summary

This report provides a source of assurance that the internal control environment is operating as intended through a summary of the counter fraud activity for the period from April to September 2022.

The work of the counter fraud team within Internal Audit and from other services with counter fraud roles contributes to Leeds City Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on accomplishing Best Council Plan objectives.

Recommendations

The Corporate Governance and Audit Committee is asked to

a) receive the Counter Fraud Update Report covering the period from April to September 2022 (Appendix A) and note the work undertaken by Internal Audit and other service areas during the period covered by the report;
b) endorse the Anti Money Laundering Policy and the Anti Money Laundering Policy on a Page (Appendix B) and that any subsequent minor changes are approved by the Chief Officer Financial Services.

What is this report about?

1   This is a bi-annual update report providing assurance as to the control environment in respect of counter fraud and corruption activity.

2   The work of Internal Audit including the counter fraud function within it, contributes to Leeds City Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on accomplishing Best Council Plan objectives.

What impact will this proposal have?

3   The assurance set out in this report will inform the annual audit opinion given by the Head of Internal Audit, and provide evidence of the ongoing review of the Council's arrangements for internal control supporting the Council's Annual Governance Statement. This also provides assurances to the Corporate Governance and Audit Committee regarding the robustness of the system of internal control.

How does this proposal impact the three pillars of the Best City Ambition?

⊠ Health and Wellbeing   ⊠ Inclusive Growth   ⊠ Zero Carbon

4   Arrangements in respect of counter fraud and corruption support the ongoing delivery of the council's three pillars.

What consultation and engagement has taken place?

Wards affected:		
Have ward members been consulted?	☐ Yes	⊠ No

5   The Internal Audit Plan including the counter fraud plan is developed in consultation with Members and senior management across the authority. Consultation around key risks and priorities continues throughout the year, and continual engagement with directorates is driven through the ongoing completion of investigations and the agreement of the associated recommendations.

What are the resource implications?

6   The work undertaken to satisfy the counter fraud and corruption requirements of the internal audit plan do so from within existing resources.

7   The two update reports to be received by committee each year provides assurance that effective arrangements are in place to combat the risk of fraud and corruption within the council.

What are the key risks and how are they being managed?

8   The Counter Fraud update report contains details of the key fraud risks and how they are being managed. Internal Audit are working with risk colleagues to raise awareness of fraud risks at directorate management team meetings. Internal Audit work collaboratively with colleagues with counter fraud roles within the council.

What are the legal implications?

9   The Chief Officer (Financial Services), as the council's Section 151 Officer, is responsible under the Local Government Act 1972, for ensuring that there are arrangements in place for the proper administration of the authority's financial affairs. The work of Internal Audit is an important source of information for the Chief Officer (Financial Services) in exercising her responsibility for financial administration.

10   The Public Sector Internal Audit Standards (PSIAS) require the Head of Audit to deliver an annual audit opinion and report that can be used by the council to inform its Annual Governance Statement.

Options, timescales and measuring success

What other options were considered?

11 The work of Internal Audit including the counter fraud function provides a key source of assurance to the Committee. Additional assurances are obtained through a range of further reports presented to the Committee throughout the year.

How will success be measured?

12 A successful counter fraud and corruption environment will protect the Council's resources, underpin the successful delivery of the Council's strategic objectives, and contribute to the value for money conclusion of the Council's external auditor when reviewing the statutory statement of accounts.

What is the timetable and who will be responsible for implementation?

13 Work is ongoing as set out in the appendix attached.

Appendices

A – Counter Fraud Update Report – April - September 2022

B – Anti Money Laundering Policy and Policy on a Page

Background papers

14 None.

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Background

1. Local authorities have responsibilities for the effective stewardship of public money and for safeguarding against losses due to fraud and corruption. The CIPFA (Chartered Institute of Public Finance and Accountancy) 2018 Guidance on Audit Committees sets out the role of the audit Committee regarding 'countering fraud and corruption'. In summary, the Committee should understand the level of fraud risk to which the authority is exposed, and the implications for the wider control environment. This can be undertaken by having oversight of counter fraud plans, resources, and their effectiveness. Effective counter fraud arrangements also link to the ethical standards for members and officers that the public expects.

2. This report is designed to help meet this duty and is designed to give assurances to Committee members surrounding the counter fraud activities undertaken during the period April - September 2022 as part of the counter fraud and corruption assurance block within the Internal Audit Plan. This includes both the reactive and proactive approaches to the Council's zero tolerance to fraud and corruption.

3. Within the audit plan time is set aside to undertake investigations, or reactive work, to look in to identified instances of fraud or theft, and to investigate concerns raised by staff or members of the public. To help to ensure controls are in place to prevent fraud from occurring, we also undertake targeted proactive reviews. These are developed from our understanding of the control environment, in addition to our awareness of new and emerging fraud risks.

4. The Public Sector Internal Audit Standards (PSIAS) set out that the primary responsibility for the prevention and detection of fraud lies with management. Auditors should have sufficient knowledge to recognise the indicators of fraud. This is addressed by having experienced auditors with a variety of qualifications, continuing professional development and attendance at targeted counter fraud training. We can never be complacent, as fraud risks continually evolve. We therefore regularly enhance and develop our counter fraud capability by reviewing the tools and techniques that we use to detect and prevent fraud from occurring in the first place.

5. In this report in addition to the work undertaken by Internal Audit, information from other service areas who contribute to the Council's counter fraud assurances is included. This gives a more rounded overview of the work that is being undertaken across the Council on counter fraud activities.

Reactive Anti-Fraud Work

6. Internal Audit are the corporate owners of the Councils' counter fraud policies. The channels where concerns can be raised by both staff and members of the public, include the provision of a dedicated inbox, telephone line, post, and a 'do it online' form for members of staff. The table below illustrates the referrals received by directorate by the type of the concern raised between April and September 2022. The pie chart demonstrates the referral method. The referrals received through the 'other route' relate to those shared by external agencies, for example the National Anti- Fraud Network, or other Council services seeking advice or assistance.

Directorate						
Referral type	Adults & Health	Children & Families	City Development	Communities, Housing & Environment	Resources	Total
Payroll and recruitment fraud				1		1
Economic and voluntary sector support fraud (Covid and other grants)	1		1	1		3
Staff conduct	1	1		2		4
Corruption/maladministration				1		1
Bribery of an officer			1			1
Theft		1		3	1	5
Procurement fraud - Mandate and purchasing cards					3	3
Non-compliance with policies and procedures					1	1
Payment evasion				1		1
Insurance					1	1
Misuse of Council funds				1		1
Value for money					1	1
Housing tenancy – RTB, subletting, abandonment				1		1
Total	**2**	**2**	**2**	**11**	**7**	**24**

Referrals received April - September 2022

Pie chart legend: ■ Whistleblower ■ External ■ Anonymous ■ Other

- Whistleblower: 7
- External: 6
- Anonymous: 3
- Other: 8
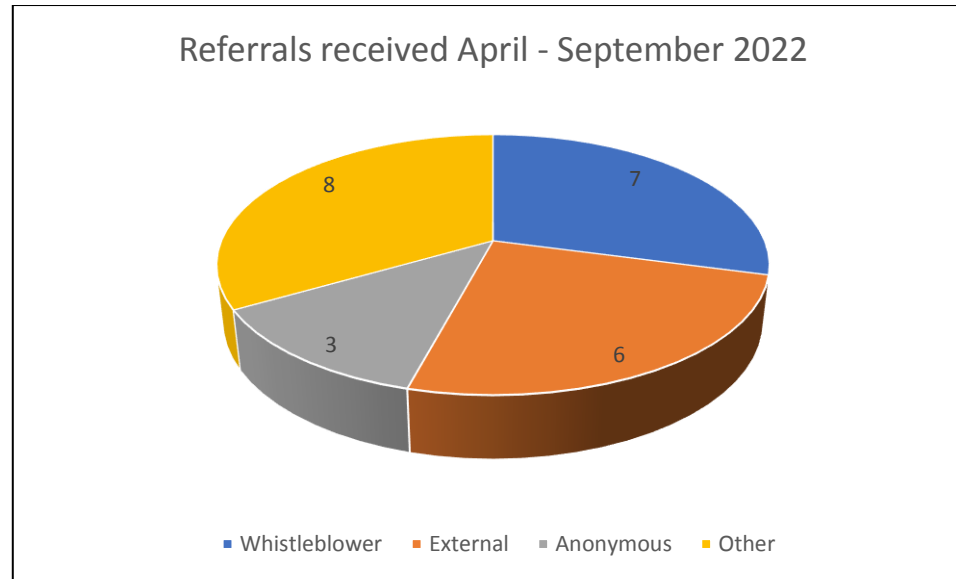
Open Investigations

7. As at the 1st October 2022, 21 referrals were being investigated. Investigations are undertaken by either Internal Audit, Human Resources, staff within directorates or a combination of these. In all cases Internal Audit undertake a risk assessment upon receipt of the referral and determine the most appropriate investigative route.

Closed Investigations

8. A total of 23 referrals were closed during the period. The outcomes are shown in the table below by directorate. Where appropriate, the investigation report included recommendations for improvement. These figures include some referrals that were received in the previous financial year.

Referral type	Adults & Health	Children & Families	City Development	Communities, Housing & Environment	Resources	Total
Economic and voluntary sector support fraud (Covid and other grants)	1 Not proven			1 proven & steps taken by service to strengthen controls 1 no fraud but steps taken by service to strengthen controls	2 Covid grants in recovery process	5
Payroll and recruitment fraud				1 Not proven	1 Proven employee resigned	2
Staff conduct	1 Unable to prove/disprove steps taken by service to strengthen controls			1 Addressed under another Council policy	1 Addressed under another Council policy	3
Corruption/maladministration				1 Not proven		1
Theft				2 Not proven 1 Proven & steps taken by service to strengthen controls & reported to the police		3
Cheque fraud		1 Proven bank refunded monies				1
Mandate fraud					2 frauds prevented 1 fraud proven and recovery action being taken	3
Non-compliance with policies and procedures			1			1

				Proven & steps taken by service to strengthen controls		
Misuse of Council funds				1 Unable to prove/disprove steps taken by service to review controls		1
Insurance					1 Claim discontinued	1
Health and Safety				1 Proven & steps taken by service to strengthen controls		1
Value for money					1 Addressed under another Council policy	1
Total	**2**	**1**	**1**	**10**	**9**	**23**

9. Due to the continued threat of bank mandate fraud, a comprehensive review of the controls in place was undertaken. The controls in place were deemed adequate, however when compared to the latest methods fraudsters were using to target organisations, this did identify some opportunities where controls could be strengthened. All recommendations raised in the report were agreed by the service and the highest priority recommendations were implemented immediately.

Housing Leeds

10. Housing Leeds provides a range of tenant and property related services for Council tenants and leaseholders, private rented sector tenants and homeowners. There are three Tenancy Fraud Officers whose role is to prevent and detect housing fraud to ensure that homes are fairly given to the people who need them. It is a criminal offence to commit tenancy fraud under the Prevention of Social Housing Fraud Act 2013.

Tenancy fraud includes: -

- Application fraud - not telling the truth when applying for a property, for example about how many people live there
- Subletting fraud - a property is sublet without permission (this is a criminal offence)
- Succession fraud - living in a property after someone has died without the right to do so
- Non occupation fraud - the named tenant permanently living somewhere else
- Right to Buy fraud – false information provided to acquire a property at a discounted price

11. The information below summarises the work undertaken between April and September by the Tenancy Fraud Officers.
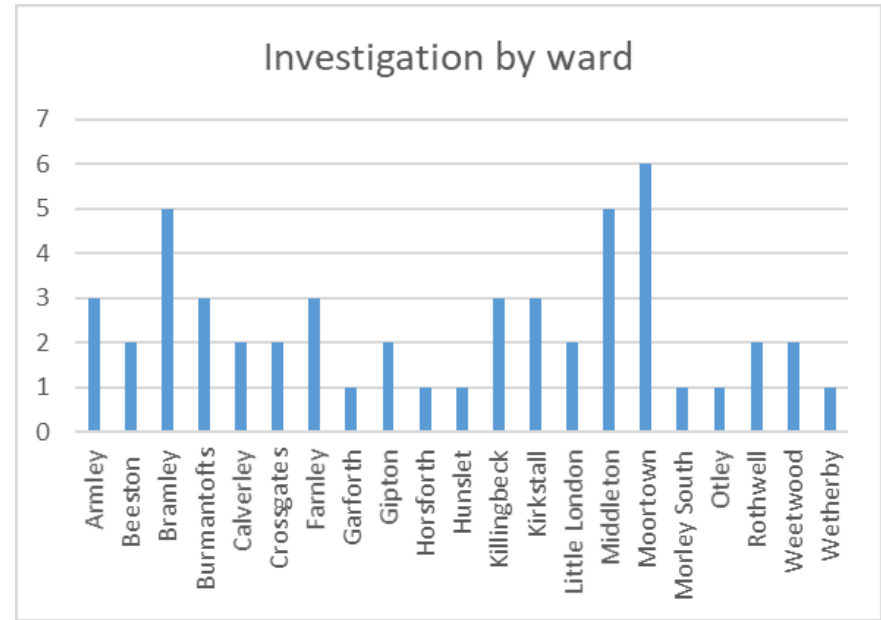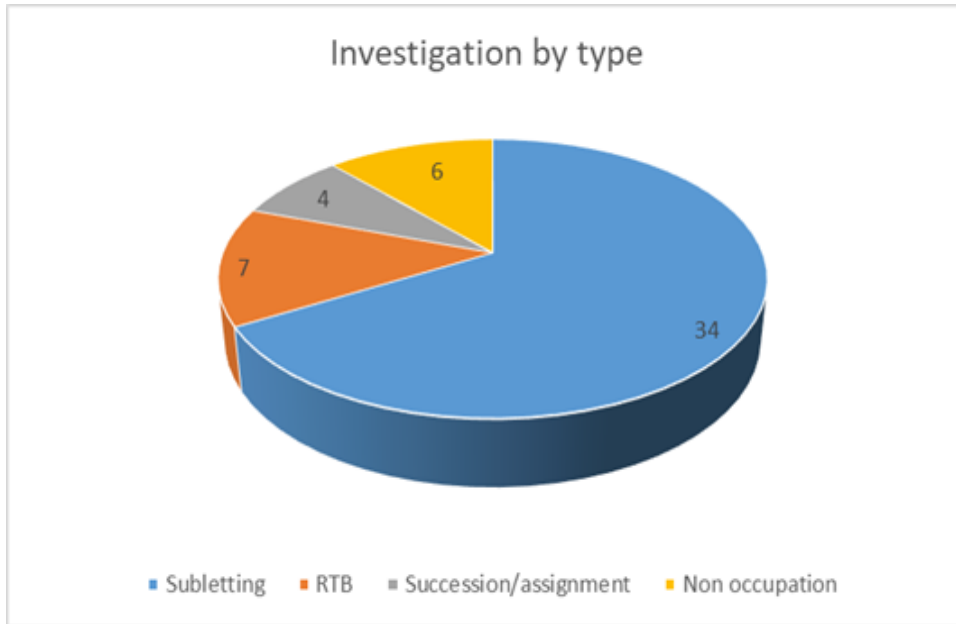
There were 51 new investigations opened in Qtrs. 1 & 2. There are currently 92 cases being investigated citywide.

The majority of referrals received in Qtrs 1 & 2 were made by the housing office (57%) or whistleblowers (31%).

There was also a referral from a contractor, demonstrating the importance of awareness raising across the service.

Investigation by area

Referral method
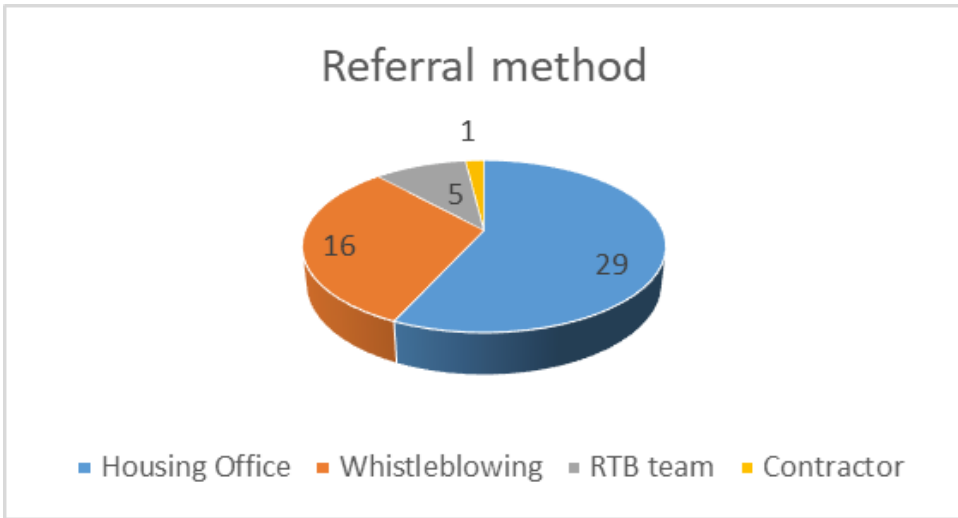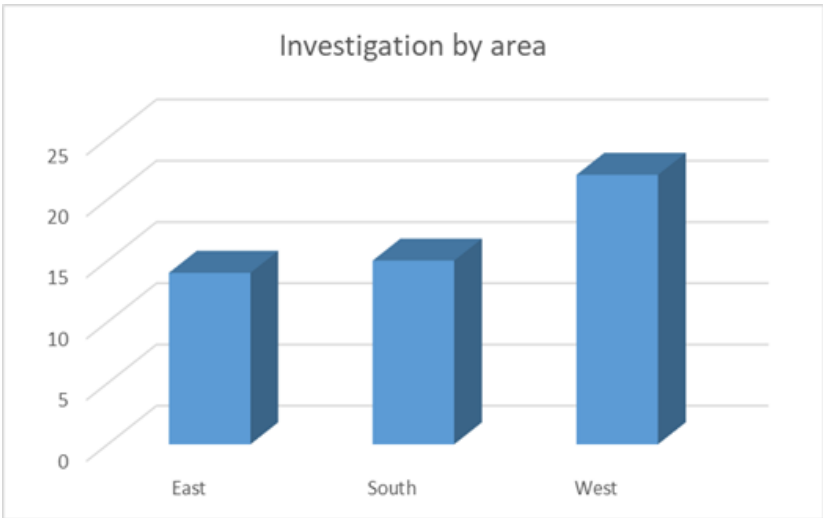
The Tenancy Fraud Officers have continued to prioritise subletting cases and Right to Buy fraud cases. Subletting has been the most frequent type of investigation in Qtrs 1 & 2 (66%).

The highest number of new cases were opened in the Moortown, Middleton and Bramley wards.

Investigation by type

Subletting	34
RTB	7
Succession/assignment	4
Non occupation	6

Investigation by ward

Ward	Cases
Armley	3
Beeston	2
Bramley	5
Burmantofts	3
Calverley	2
Crossgates	2
Farnley	3
Garforth	1
Gipton	2
Horsforth	1
Hunslet	1
Killingbeck	3
Kirkstall	3
Little London	2
Middleton	5
Moortown	6
Morley South	1
Otley	1
Rothwell	2
Weetwood	2
Wetherby	1

8 council properties were recovered as a result of fraud investigations in Qtrs 1 & 2.

Of the properties recovered 1 has been relet to an applicant with band A additional needs – children, and 1 with band A – medical needs. A RTB fraud recovery has meant that a property that would have been sold for £145k with a discount of 51% can now be relet.

At the end of Qtr 2 there were a total of 494 properties recovered since 2008.
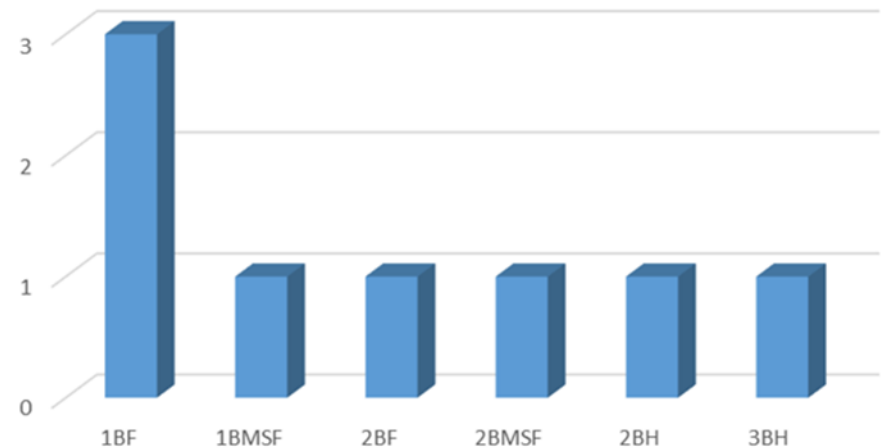
The following properties have been recovered in Qtrs 1 & 2:

3 x 1 bed flat

1 x 1 bed multi storey flat

1 x 2 bed flat

1 x 2 bed multi storey flat

1 x 2 bed house

1 x 3 bed house

Properties recovered by area
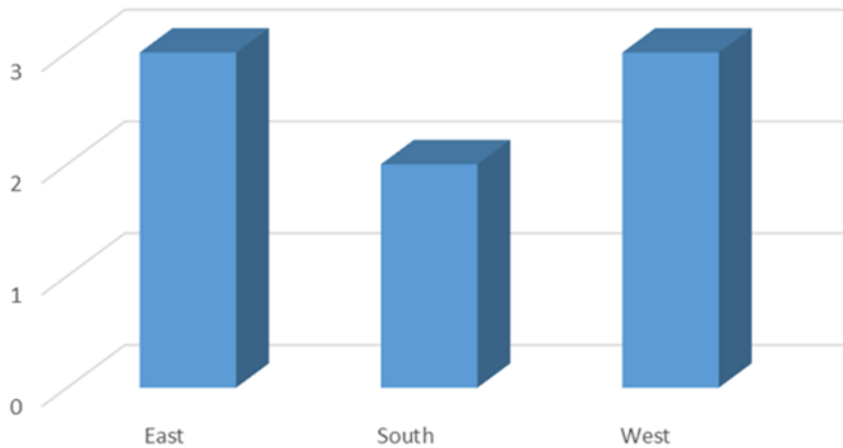
Properties recovered by type

Insurance Services

12. Insurance Services procures and manages all the Council's insurance contracts and provides advice and guidance to all Council services. Most claims are paid from the self-funded insurance provision. 1,188 claims were received over the last financial year. These claims are both public liability claims from members of the public, and employer liability claims, property, and motor claims.

13. The Council has a robust assessment and checking process in place which identifies claims warranting further investigation. The service work with the Legal Services litigation team and external solicitors where cases reach the point for court intervention. The table below illustrates the claims position to date, where the cases have reached the threshold for legal intervention.

	Public Liability Claims			Employer Liability Claims
	Fraud investigation ongoing	Claims withdrawn	In recovery	In recovery
2017	1	0		
2018	4	1		
2019	2	0	1	1
2020	0	2		
2021	1	2		

14. In the cases where the claims are withdrawn, these have ongoing court involvement as we wish to recover any costs incurred on defending the claim. For the two cases that are in recovery, these relate to claims totalling approximately £12,000 which both have findings of fundamental dishonesty. The concept of fundamental dishonesty means that a personal injury claim can be dismissed due to concerns surrounding the conduct of claimants (for example submitting false documents to support a claim).

15. The work that is undertaken by the service, identifies cases where further investigation is required. Where claims have been found to be fundamentally dishonest, this results in funds being paid back to the Council which can then be spent elsewhere.

Social Care Fraud

16. The Council gives money to both adults and children with care needs to manage their support in a way which best meets their requirements. Direct payment fraud can include falsely claiming or misusing direct payments / personal budgets, either by the service user, carer, relatives, or friends. This is a misuse of Council funds and the direct payment audit team work in partnership with West Yorkshire Joint Services where payments made reach the threshold for criminal investigation.

17. There is currently one direct payment fraud case which is being prepared for prosecution.

Proactive Anti-Fraud Work

18. To help ensure that there is an effective counter fraud culture in place within the Council, we have included time in the counter fraud block of the Internal Audit Plan to undertake proactive fraud reviews. These reviews consider areas identified through various methods, including the use of best practice publications and our internal risk assessments.

National Fraud Initiative (NFI)

19. The NFI is an exercise conducted by the Cabinet Office every two years that matches electronic data within and between public and private sector bodies to prevent and detect fraud and error. Relevant teams within the Council (such as Internal Audit, Benefits and Housing and Tenancy Fraud) have been working through the matches on a risk basis.

20. Internal Audit has overall responsibility for monitoring the progress of this exercise and ensuring that the NFI system is updated. 17,248 matches have been received and 16,883 have been closed. Twenty errors have been identified resulting in the recovery of £40,607[1]. We are currently submitting the data for the 2022/23 exercise and expect the results to be available from January onwards.

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[1] This relates to Council Tax Reduction Scheme and Housing Benefit claims

Covid 19 Business Grants

21. The Business Rates Section has been progressing the fraudulent cases through the recovery process in accordance with the Government's Debt Recovery Guidance. Once these cases have gone through the three-step process, these debts will be referred to the Department for Business Energy and Industrial Strategy for appropriate action. We have one case that is scheduled to go to court in summer 2023.

Employee outside interests

22. The Fighting Fraud and Corruption Locally 2020 Strategy sets out the importance of having robust arrangements in place for the register of interests to reduce the risk of employee fraud or bribery taking place within a process. This also helps to address the risk of an undue/outside influence over a decision. A significant piece of work was therefore undertaken on employee outside interests. This has looked at the processes in place to manage the risks posed by outside interests, reviewing both the exercises co-ordinated centrally that covers all employees in 'high risk' posts, and the various supplementary activities that are in place within areas of significant risk across the Council. A number of recommendations were made, some of which lend themselves to consideration within the Council's ongoing Core Business Transformation Programme. We have also agreed a number of more immediate actions including within those directorates and service areas that are exposed to an increased level of risk due to the day-to-day activities they are involved in. This work was reported in the Internal Audit Report shared with the Committee at the October meeting.

Welfare and Benefits Service - Council Tax Support review

23. The Welfare and Benefits Service have commenced a proactive data matching exercise. This work is ongoing, and the initial results are included in the table below for information. This work has identified Council Tax Support claims with potential undeclared earnings. So far this has resulted in £660k being added back to the Council tax bills. This in effect means that additional income will be available to the Council which previously was not identified.

Number of proactive CTS reviews undertaken	794
Number where an unreported change was identified	744
Value CTS debits (added back to the Council Tax bill)	£660,199.51
Average CTS debit per unreported change	£877.36
Number where the customer is still working	657
Number where earned income is high enough to reduce CTS entitlement to NIL	516

Awareness Raising

24. Included in our counter fraud arrangements are the regular communications to staff of current fraud risks, and the signposting of where to report any concerns. During the period we have promoted the Fraud Awareness Training package which is available to staff on the Performance and Learning System, including encouraging managers of staff with no digital access to present this at team meetings. We also reminded staff of our counter fraud policies and how to raise concerns. The June promotion was timed to coincide with World Whistleblower's Day with a further communication in September that included a reminder to staff to be vigilant of bank mandate fraud. Staff were also made aware of the requirement of the Council to submit data to the Cabinet Office for the National Fraud Initiative (NFI) data matching exercise.

25. We have regular meetings with the Freedom to Speak Up Guardian (FTSU). Any concerns that are brought to her attention that are considered to require Internal Audit investigation are discussed and actions agreed.

26. As members of the National Anti-Fraud Network (NAFN) we receive regular intelligence alerts on active or reported frauds experienced by other member bodies. Details of the fraud risks are shared with the relevant service. We are exploring further ways which we can work with services to raise awareness around the type of fraud risks that may occur within their processes and to ensure adequate controls can be implemented by those responsible. As a first step this has included working with risk

colleagues to highlight to senior management that fraud and corruption risks should be reviewed on a regular basis to ensure that they remain in focus, and to gain assurance that any new fraud risks have been considered and addressed. A reminder to this effect has been included in the latest directorate management team risk reports. We also work collaboratively with counter fraud colleagues within the Council to share ideas and promote best practice and the fraud awareness training. Developing these relationships will enhance our ability to identify and respond to emerging fraud risks.

27. We have developed a Fraud Awareness Training package specifically tailored for schools. This aims to provide staff with an understanding of the importance of tackling fraud, bribery and corruption and includes information on the key fraud risks affecting schools, indicators of fraud, and how staff should raise any concerns. The training includes scenarios that are relevant to staff within their roles in the school environment. This will be tested by some school's staff prior to being launched and made available on the Leeds for Learning platform.

Counter fraud policy framework

28. As part of our refresh programme of the suite of counter fraud policies, we have undertaken a review of the Anti-Money Laundering Policy against legislation and best practice, in conjunction with the Money Laundering Awareness Officer in Legal Services. Alongside the policy review we have examined controls within higher risk areas to assess their adequacy. The outcomes of these reviews were included in the Internal Audit Report shared with the Committee at the October meeting. The findings from the reviews were that there were appropriate and proportionate anti money laundering arrangements in place. This includes an awareness of the risks, customer due diligence, record keeping, monitoring, reporting lines, and general awareness and training.

29. Minor amendments have been made to the policy itself. They have been made in accordance with the updated legislation, and the CIPFA publication "Combatting Financial Crime, Practical Advice for the Public Sector". The changes are very minor and don't change any of the underlying responsibilities or requirements of staff. Other amendments have been made such as updating for contact details and the availability of training on PAL. The updated policy has been discussed at the JCC Trade Union meeting and is attached at Appendix B. Members are asked to endorse the policy and policy on a page. Members are also asked that any future minor changes to the policy are agreed by the Chief Officer Financial Services. A delegated decision to approve the policy will then be taken by the Chief Officer Financial Services.

30. A review of the Anti-Bribery and Corruption Policy has commenced. This will be reviewed alongside a self-assessment against best practices including the Bribery and Corruption assessment template produced by government. Once this review has completed, relevant consultation will take place and the updated policy presented to members at this Committee.

Regulation of Investigatory Powers Act 2000

31. In the most recent inspection report issued by the Office of Surveillance Commissioners, it was recommended that Members should receive regular reports about the use of the Council's surveillance powers under RIPA.

32. The Head of Service (Legal) has confirmed that there have been no applications for directed surveillance or covert human intelligence source (CHIS) authorisations since the previous update was provided (which covered the period to March 2022). In addition, there has been no use of the powers to obtain communications data over the same period.

Anti-Money Laundering Policy, Procedure and Reporting Arrangements

Leeds
CITY COUNCIL

ANTI-MONEY LAUNDERING POLICY

Contents

2

	ANTI-MONEY LAUNDERING POLICY

1.0 INTRODUCTION

1.1 Leeds City Council is committed to the highest standards of openness, probity and accountability. In line with this commitment, the Council has put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

2.0 SCOPE OF THE POLICY

2.1 This policy applies to Leeds City Council and as a consequence it applies to all its Members and officers of the Council. It contains specific sections to advise officers and Members of the process to be followed to enable the Council to comply with its legal obligations.

2.2 Our policy is to ensure all appropriate action is taken to prevent, wherever possible, the Council and its Members and officers, including agency workers, from being exposed to money laundering and to comply with all legal and regulatory obligations. This includes the reporting of suspected or actual cases in line with disclosure requirements.

3.0 WHAT IS MONEY LAUNDERING?

3.1 Money laundering is the process by which criminals disguise the origins of property derived from illegal activity, by making the property seem to have come from a legitimate source. Typically, it is done by repeated movements and conversions of the criminal property through a variety of transactions to make it more difficult to trace back to its criminal origins.

3.2 The principal money laundering offences are found in the Proceeds of Crime Act (POCA) 2002 and apply to all persons. The principal offences are:

- Concealing, disguising, converting, removing or transferring property which you know, or suspect represents the proceeds of crime.
- Entering into an arrangement or transaction which you know, or suspect facilitates the use or control of criminal property on behalf of another person.
- Acquiring, using or possessing criminal property.
- Prejudicing an investigation into money laundering, either by making a disclosure to any person which is likely to prejudice the investigation ("tipping off"), or by falsifying, concealing or destroying documents likely to be relevant to the investigation.

3.3 Money Laundering covers a range of activities, which are not always easy to identify. As such it is not practical to give a definitive list of all the potential ways to spot money laundering. However, the following are generally accepted as some of the key elements which **could** indicate the existence of money laundering and which could have relevance to activities of the Council: -

3

- The existence of a secretive customer who, for example, fails or refuses to provide information which has been requested without an appropriate explanation
- Movement of funds to / from overseas, particularly if involving a country which is known to be high risk
- Payment of a substantial sum in cash
- Regular/high value refunds
- Overpayments by a customer
- A transaction without obvious legitimate purpose or which appears uneconomic, inefficient or illogical
- Involvement of 3rd parties which are illogical or unsubstantiated

3.4   The above does not purport to be a definitive list and all officers and Members should be able to identify suspicious money laundering activity in their own work area. As always common sense applies if there are doubts about the integrity and honesty of individuals who are dealing with the Authority.

3.5   Anyone who becomes involved in money laundering activities, either knowingly or unwittingly can be guilty of the principal offences referred to at 3.2. Potentially any officer or Member could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and /or do nothing about it.

3.6   All officers and Members must be familiar with their responsibilities in respect of reporting any suspicions around money laundering activity, as failures to report can result in criminal convictions and custodial sentences of up to 14 years. This Policy sets out how any concerns should be raised.

4.0   REQUIREMENTS OF THE MONEY LAUNDERING LEGISLATION

4.1   The Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and its updates, including the Money Laundering and Terrorist Financing (Amendment) Regulations 2019 impose specific obligations on those organisations in the regulated sector and those carrying out what is defined as 'relevant business.'

4.2   This term does not apply to most areas of work carried out by the Council. However, there may be discrete areas of work, particularly when carrying out work on behalf of external organisations, when these regulations may apply. As such, it is considered safest to comply with the spirit of the regulations in all work carried out by the Council to avoid inadvertent infringement and prevent substantial reputational risk. Whilst the majority of money laundering activity in the UK falls outside of the public sector, vigilance by us, can help identify those who are or may be perpetrating crimes relating to the financing of terrorism and money laundering.

4

4.3   This includes:

- Appointing a Money Laundering Reporting Officer
- Implementing a procedure for reporting suspicions about money laundering
- Conducting a risk assessment on money laundering and terrorist financing.
- Implementing policies, procedures, systems and controls to counter money laundering and terrorist financing risks, particularly the application of customer due diligence measures to establish the true identity of customers in certain circumstances. Enhanced due diligence will be applied in circumstances which pose greater potential risk for money laundering to the Council
- Providing training to relevant staff
- Maintaining record keeping procedures
- The customer may also include suppliers of services to a public sector organisation. Public sector procurement is potentially at risk of infiltration from serious and organised crime groups that could be benefitting from public sector contracts.

4.4   Exposure to the risk of money laundering should be considered on an ongoing basis. Heads of Service should notify the Internal Audit section when business operations change which may impact upon the Council's exposure to money laundering risks. This information will then feed into the money laundering risk assessments undertaken by Internal Audit.

4.5   The following sections of this Policy provide further detail about the Council's arrangements in respect of these requirements.

5.0   THE MONEY LAUNDERING REPORTING OFFICER

5.1   If an individual becomes aware of suspicious activity or that their involvement in a matter may amount to a money laundering offence then they must report it to the Money Laundering Reporting Officer (MLRO) and not take any further action until they have received consent from the MLRO.

5.2   The MLRO nominated to receive disclosures about money laundering activity within the Council is the Head of Audit, who can be contacted on:

> Telephone: 0113 37 80503
> e-mail: louise.booth@leeds.gov.uk

5.3   In the absence of the MLRO, the Principal Audit Managers are authorised to deputise and can be contacted on either:

> Telephone: 0113 37 88690
> e-mail: louise.ivens@leeds.gov.uk.

5

or

Telephone: 0113 37 88692
e-mail: angela.laycock@leeds.gov.uk

6.0   DISCLOSURE PROCEDURE

6.1   All persons within the regulated sector and nominated officers have legal obligations under the Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, to make disclosures of suspicions of money laundering, terrorist financing and terrorist property offences. However even if not carrying out work which is within the regulated sector, all officers should remain vigilant and report any suspicions of money laundering to avoid inadvertently committing an offence under the Proceeds of Crime Act 2002.

Reporting to the Money Laundering Reporting Officer

6.2   Where you know or suspect that money laundering activity is taking place or has taken place, or you have become concerned that your involvement in a matter may amount to a prohibited act, you **must** disclose this **as soon as practicable** to the MLRO.

6.3   When disclosure is to be made to the MLRO the proforma report attached at Appendix 1 should be used. The report must include as much detail as possible, for example:

- Full details of the people involved (including yourself, if relevant), e.g.: name, date of birth, address, company names, directorships, beneficial owners, phone numbers, etc
- Full details of the nature of their/your involvement
- The types of money laundering activity involved
- The dates of such activities, including whether the transactions have happened, are ongoing or are imminent
- Where they took place
- How they were undertaken
- The (likely) amount of money/assets involved
- Why, exactly, you are suspicious

6.4   The report should include any other available information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering. This will help to enable the MLRO to prepare a report to the National Crime Agency (NCA), where appropriate. You should also enclose copies of any relevant supporting documentation.

6.5   Once you have reported the matter to the MLRO you must follow any directions that the MLRO may give you. You must NOT make any further enquiries into the matter yourself: any necessary investigation will be undertaken by the NCA. Simply report your suspicions to the MLRO who will refer the matter on to the NCA if appropriate.

6

All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.

6.6   Similarly, at no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering, or any other third party, even after consent may have been given to a transaction proceeding. Alerting the individual to the fact that a referral has been made may result in you committing the criminal offence of "tipping off."

6.7   Do not, therefore, make any reference on a client file to a report having been made to the MLRO – should the client exercise their right to see the file, then such a note will obviously tip them off to the report having been made and may render you liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

Consideration of the disclosure by the Money Laundering Reporting Officer

6.8   Upon receipt of a disclosure report, the MLRO must note the date of receipt on their section of the report and acknowledge receipt of it. The MLRO should also advise you of the timescale within which they expect to respond to you. This should be within three working days.

6.9   The MLRO will consider the report and any other available internal information that they think is relevant, for example:

- reviewing other transaction patterns and volumes
- the length of any business relationship involved
- the number of transactions and linked one-off transactions
- any identification evidence held

6.10   The MLRO will undertake any other reasonable enquiries that they think are appropriate in order to ensure that all available information is taken into account in deciding whether a report to the NCA is required. These enquiries will be made in such a way as to avoid any appearance of tipping off those involved. The MLRO may also need to discuss the report with you.

6.11   Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:

- there is actual or suspected money laundering taking place; or
- there are reasonable grounds to know or suspect that is the case; and
- whether they need to seek consent from the NCA for a particular transaction to proceed.

7

6.12   Where the MLRO does so conclude, then they must disclose the matter as soon as practicable to the NCA on their standard report form and in the prescribed manner, unless they have a reasonable rationale for non-disclosure to the NCA.

6.13   Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.

6.14   Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then they shall mark the report accordingly and give their consent for any ongoing or imminent transaction(s) to proceed.

6.15   All disclosure reports referred to the MLRO and reports made by them to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

6.16   The MLRO commits a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering, and they do not disclose this as soon as practicable to the NCA.

RISK ASSESSMENTS

Appropriate steps should be taken to identify, assess and understand the money laundering and terrorist financing risks faced by the 'business'. This will help enable you to determine the level of anti-money laundering measures required by your section.

The assessment should focus on the risks of the section, in particular, potential risks relating to: -

- Clients
- Geographic areas where the business operates
- Sector
- Services
- Transactions
- Delivery channels

7.0   CUSTOMER DUE DILIGENCE

7.1   Where the Council is carrying out activities which may be covered by Part 3 of the Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and its updates, extra care needs to be taken to check the identity of the customer. The following activities may fall within the scope of the regulations when carried out in the course of business:

8

- Provision of credit services to external clients/customers, provision of financial services to external clients/customers.
- Provision of audit, insolvency, accountancy or tax advice services to external clients/customers, or provision of legal services to external clients/customers relating to property, financial or company matters.
- Provision of trust or company services to external clients/customers, provision of estate agency and letting agent services to external clients/customers, trading in goods by way of business where cash payments of at least €10,000 are made or received in one transaction.
- Business in connection with the holding of a casino operating license, art market participants, crypto asset exchange providers and custodian wallet providers.

7.2 Where any of the potentially regulated activities described in paragraph 7.1 are being carried out, the Client Identification Procedure must be followed before the Council:

- Forms an ongoing business relationship with a client.
- Undertakes an occasional transaction that amounts to a transfer of funds exceeding €1,000.
- Undertakes an occasional transaction that amounts to €15000 or more by any payment method.
- Suspects money laundering or terrorist financing; or
- Doubts the veracity or adequacy of documents or information previously obtained for the purposes of identification or verification.

7.3 The Client Identification Procedure means that in the above circumstances, staff in the relevant unit of the Council must obtain satisfactory evidence of the identity of the prospective client and must assess the purpose and intended nature of the business relationship or transaction, as soon as practicable after instructions are received (unless evidence of the client has already been obtained). This applies to existing clients, as well as new ones. Where this is a corporate customer, trust or similar legal arrangement there is a requirement that the ownership and control structure, including beneficial ownership, is understood, and that a record is kept of any difficulties identifying this.

7.4 Enhanced customer due diligence will be required where the Council is conducting potentially regulated activities as described in paragraph 7.1 and:

- The case is identified as being at high risk of money laundering or terrorist financing.
- Business is to be conducted with a person established in a foreign country identified as being at high risk of money laundering.
- False documentation has been supplied.
- The transaction is complex or unusually large, or there is an unusual pattern of transactions; or there is no apparent economic or legal purpose.

9

- The customer is a Politically Exposed Person (PEP) or a family member or close associate of a PEP. A PEP is defined as a person entrusted with prominent public functions.
- There are non-face-to-face business relationships or transactions without certain safeguards

Enhanced customer due diligence must include examining the background and purpose of the transaction and increasing the degree and nature of monitoring of the business relationship and increasing the degree of vigilance for suspicious circumstances.

Internal Clients

7.5   Client identification procedures are not required for internal clients.

External Clients

7.6   For external, clients of the Council, appropriate evidence of identity, particularly from new clients or in relation to further instructions from clients not well known to you will be obtained. This should be done in line with your section's specific procedures, and for individuals may include taking copies of current passports and valid photo ID driving licences. In the case of companies, this may include obtaining Articles of Association, reviewing Company's House verifying the business is currently trading, and confirming the beneficial owner(s) of the company. Such correspondence should then be placed on the council's client file along with a prominent note explaining which correspondence constitutes the evidence and where it is located. Where, in establishing a business relationship with the customer, investigations lead to the discovery of discrepancies between what we hold and the Companies House Register, regarding a client's company information, then Companies House need to be informed.

7.7   In all cases, the evidence should be retained for at least five years from the end of the business relationship or one-off transaction(s).

7.8   ***If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot proceed any further.***

8.0   ONGOING MONITORING AND RECORD KEEPING PROCEDURES

8.1   Once you have verified the identity of the person (or company), activity should be monitored throughout the relationship with the Council and updated documents should be obtained when necessary. Records must be kept of identification and business transactions for a least five years after the transaction or end of the business relationship. All records must be kept in accordance with data protection legislation.

10

8.2 The records held must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, the business units of the Council will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.

9.0 TRAINING

9.1 Staff are the most effective defence against money launderers and terrorist financiers and regulations require that relevant officers:

- Are made aware of the law relating to money laundering, terrorist financing and the requirements of data protection which are relevant to the implementation of the Regulations
- Are provided with training in how to recognise and deal with transactions and other activities which may be related to money laundering or terrorist financing

9.2 Anti-Money Laundering and Terrorist Financing training is available on the Council's Performance and Learning (PAL) system.

9.3 All officers and Members have a duty to report suspicious transactions, regardless of whether training has been received or not.

10.0 OWNERSHIP, REVIEW AND MONITORING

10.1 This policy is owned by the Money Laundering Reporting Officer, who will ensure the accuracy and appropriateness of content and efficient operation by means of a periodic review.

11.0 HELP AND ADVICE

11.1 This Policy has been written to enable the Council to meet the legal requirements concerning anti-money laundering procedures in a way that is proportionate to the level of risk of contravening the legislation.

11.2 Should you have any concerns whatsoever regarding any transactions then you should contact the MLRO, the Principal Audit Managers in the Internal Audit section or the Money Laundering Awareness Officer in Legal Services.

11

CONFIDENTIAL

REPORT TO MONEY LAUNDERING REPORTING OFFICER

RE: SUSPECTED MONEY LAUNDERING ACTIVITY

To: Head of Audit, Money Laundering Reporting Officer

From: ……………………………………… *[Name of employee]*

Department: ……………………………………… *[Post title and Service Area]*

Ext / Tel No: ………………………………………

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address(es) of person(s) involved:
[If a company / public body please include details of nature of business]

Nature, value and timing of activity involved:
[Please include full details e.g.: what, where, how. Continue on a separate sheet if necessary]

12

<div style="border:1px solid black; min-height:150px;"></div>

Nature of suspicions regarding such activity:
[Please continue on a separate sheet if necessary]

Has any investigation been undertaken (as far as you are aware)? *[Please tick relevant box]*   Yes ☐   No ☐

If yes, please include details below:

13

Have you discussed your suspicions with anyone else? Yes ☐ No ☐
[Please tick relevant box]

If yes, please provide details of who the discussions took place with and explain why such discussion was necessary:

Have you consulted any supervisory body guidance re: Yes ☐ No ☐
money laundering (e.g. the Law Society) *[Please tick relevant box]*

If yes, please specify below:

14

Do you feel you have a reasonable justification for not disclosing the matter to the NCA? (e.g.: are you a lawyer and wish to claim legal privilege?) *[Please tick relevant box]*   Yes ☐   No ☐

If yes, please set out full details below:

Are you involved in a transaction which might be a prohibited act under sections 327-329 of the act and which requires appropriate consent from the NCA
[Please tick relevant box]   Yes ☐   No ☐

If yes, please include details below:

15

Please set out below any other information you feel is relevant:

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years imprisonment.

Signed: …………………………………………

Dated: …………………………………………

16

ANTI MONEY LAUNDERING (AML)

The Anti-Money Laundering (AML) Policy

Is to help prevent officers and members, (including agency workers) from being exposed to the risk of committing an offence relating to money laundering or terrorist financing.

What is Money Laundering

Money laundering is the process by which criminals disguise the origins of property derived from illegal activity, by making it seem to have come from a legitimate source. Typically, this involves repeated movements of the criminal property through a variety of transactions to make it more difficult to trace back to its criminal origins.

Possible Areas of High Risk

Money Laundering can occur over a range of activities, which may not be easy to identify. Here are a few potential examples:

- The existence of a secretive customer who may fail or refuse to provide information when requested without appropriate explanation.
- Payment of a substantial sum in cash, overpayments, or regular/high value refunds.
- The involvement of a 3rd party, without obvious purpose, which appears uneconomic or illogical.
- The supply of a service, where the infiltration of a serious/organised crime group, takes advantage of a public sector contract.
- Movement of funds to/from high-risk countries.

TRAINING
All staff need to be aware of how they may come across money laundering activity in their roles, and what they should do if this happens. For those staff most likely to encounter suspicious activity they also need to be aware of relevant procedures, personal responsibilities and of potential individual liabilities. A free on-line training module is available on PAL.

THE MONEY LAUNDERING REPORTING OFFICER (MLRO)
Where you know or suspect that money laundering activity is taking place or has taken place, then you must report your concerns to the MLRO. The MRLO for the Council is the Head of Audit.

RECORD KEEPING
Once key information has been obtained and verified, activity should be monitored, and documents updated as necessary. Records of identification and business transactions must be kept for at least five years after the transaction or end of the business relationship. All records must be kept in accordance with data protection legislation.

In line with regulations, the council's arrangements to mitigate against the risk of money laundering are as follows. See full policy for further details.

DISCLOSURE PROCEDURE
Complete and submit the AML proforma which is attached to the policy. This will enable the MLRO to make a judgment regarding the potential money laundering activity and the next steps. Do not make any further enquiries yourself or voice any suspicions to the person(s) suspected, or to any other third party. Do not make any reference on the client file. You can only proceed with any relevant transaction(s) once you have received consent from the MLRO.

CUSTOMER DUE DILIGENCE
This applies to the regulated sector only, although certain discrete areas of the Council may need to take extra care when obtaining information from the client. Key to this is obtaining appropriate evidence to confirm the identity of the client, and the purpose and intended nature of the business relationship or transaction. Where this is a corporate client, the ownership and control structure, need to be understood. These requirements do not apply to internal clients.

RISK ASSESSMENTS
Appropriate steps should be taken to identify, assess and understand the money laundering and terrorist financing risks faced by your 'business'. This will help enable you to review the AML measures required to mitigate your risks. Key risks that you should consider include the client, service being delivered, and transaction considerations.

Key Legislation

THE TERRORISM ACT 2000 (TACT) makes it an offence to raise or send funds for suspected terrorists, or to enter into or become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism or resulting from acts of terrorism.

PROCEEDS OF CRIME ACT 2002 (POCA): the principal money laundering offences apply to all public authorities and their staff, and include becoming involved in money laundering, acquiring criminal proceeds, and tipping off a suspect about an investigation

THE MONEY LAUNDERING, TERRORIST FINANCING AND TRANSFER OF FUNDS (INFORMATION FOR PAYER) REGULATIONS 2017 AND UPDATES requires regulated firms and those carrying out 'regulated business' only to adopt a risk-based approach to prevent criminals from using their services. Whilst the public sector is not bound by these regulations, there may be some discrete areas of work within the Council to which they may apply. It is best practise for the Council to adhere to them.

Leeds
CITY COUNCIL

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Agenda Item 10

Report authors: Tim Rollett

Tel: 0113 378 9235

Date: 28th November 2022

Report of: Director of Resources

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in?   ☐ Yes ☒ No

Does the report contain confidential or exempt information?   ☐ Yes ☒ No

Brief summary

This annual report presents assurances to the Corporate Governance & Audit Committee on the effectiveness of the council's corporate performance management arrangements.

The report provides Members with the opportunity to review the council's corporate performance management arrangements, using the cycle of internal control framework, to enable them to determine whether these arrangements are up to date; fit for purpose; effectively communicated and routinely complied with.

The report provides a key source of assurance for the Committee to consider when approving the council's Annual Governance Statement.

2022/23 is a transitional year for our performance arrangements. At the start of the year the strategic ambitions of the council were set out in the Best Council Plan which provided the framework for the council's performance management arrangements. The Plan was superseded by the Best City Ambition, adopted by Full Council in February 2022, which set out the outcomes we want to see for the city. As well as including an updated performance framework, the Ambition incorporates a set of Key Performance Indicators (KPIs) that help measure progress over time against the outcomes and priorities.

Recommendations

a) Corporate Governance and Audit Committee is requested to receive this report and the attached Appendix 1 as together providing key forms of assurance on the robustness of the authority's corporate performance management arrangements.

What is this report about?

1 This annual report presents assurances to the Corporate Governance & Audit Committee on the effectiveness of the council's corporate performance management arrangements; that they are up to date; fit for purpose; effectively communicated and routinely complied with. The report provides a key source of assurance for the Committee to consider when approving the council's Annual Governance Statement.

2 The information in Appendix 1 is based around a 'cycle of internal control' framework which consists of five aspects; Define and Document, Clearly Communicate, Effectively Embed, Meaningfully Monitor and Review and Refine.

3 2022/23 is a transitional year for our performance arrangements. At the start of the year the strategic ambitions of the council were set out in the Best Council Plan which provided the framework for the council's performance management arrangements. The Plan was superseded by the Best City Ambition, adopted by Full Council in February 2022, which set out the outcomes we want to see for the city. As well as including an updated performance framework, the Ambition incorporates a set of Key Performance Indicators (KPIs) that help measure progress over time against the outcomes and priorities.

What impact will this proposal have?

4 The report provides a key source of assurance for the Committee to take into account when approving the council's Annual Governance Statement. Our performance arrangements help us analyse and act on benchmarking and performance information as a means of improving services and delivering better outcomes for the citizens of Leeds.

How does this proposal impact the three pillars of the Best City Ambition?

    ☒ Health and Wellbeing   ☒ Inclusive Growth   ☒ Zero Carbon

5 This report supports the three pillars of the Best City Ambition by providing assurance on the arrangements for administering and reporting performance information underpinning each one.

What consultation and engagement has taken place?

Wards affected:			
Have ward members been consulted?	☐ Yes	☒ No	

6 A range of stakeholders are engaged with to help maintain and improve the council's corporate performance arrangements, including: Executive Board, Scrutiny Boards, the Corporate Leadership Team, Directorate Management Teams and colleagues from across the council involved with the production and reporting of performance information.

7 Regular engagement with Elected Members takes place through performance reporting to Executive Board and Scrutiny Boards.

What are the resource implications?

8 The Best City Ambition provides the strategic context for the council's budget and financial strategies with resources allocated in support of its outcomes and priorities. Effectively monitoring and managing performance helps ensure that resources continue to be appropriately targeted, prioritised and deployed to help achieve value for money.

What are the key risks and how are they being managed?

9   There are no significant risks identified in the council's performance management arrangements.

10 The council's risk management framework recognises the links between performance and risk, with many of the Key Performance Indicators also acting as "key risk indicators", i.e., sources of information that indicate whether a risk is increasing in significance or not.

What are the legal implications?

11 No legal implications from this report other than the publication of performance information on the council's website including key performance indicator results, and performance reports on specific service areas as requested by Scrutiny Boards.

Options, timescales and measuring success

What other options were considered?

12 Not applicable

How will success be measured?

13 Not applicable

What is the timetable and who will be responsible for implementation?

14 Not applicable

Appendices

- Appendix 1: Annual assurance report on corporate performance management arrangements

Background papers

- None

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Introduction

1. This report provides the Corporate Governance & Audit Committee with assurances relating to the adequacy and effectiveness of the council's corporate performance management arrangements; that they are up to date, fit for purpose, embedded and routinely applied.

2. The information in this appendix is based around a 'cycle of internal control' framework which consists of five aspects, seen in the diagram opposite.

3. Up to and including 2021/22, the strategic ambitions, of the council were set out in the Best Council Plan which provided the framework for the council's performance management arrangements. The BCP was superseded by the Best City Ambition, adopted by Full Council in February 2022, which set out the outcomes we want to see for the city. As well as including an updated performance framework, the Ambition incorporates a set of Key Performance Indicators (KPIs) that help measure progress over time against the outcomes and priorities.

4. In this context, 2022/23 is a transitional year for our performance framework and KPIs as we switch over from the arrangements and indicators that supported the Best Council Plan to those in relation to the Best City Ambition.

5. The report provides a key source of assurance for the Committee to consider when approving the council's Annual Governance Statement.

6. This statement includes opportunities identified to improve these arrangements as seen in the Review and Refine section.
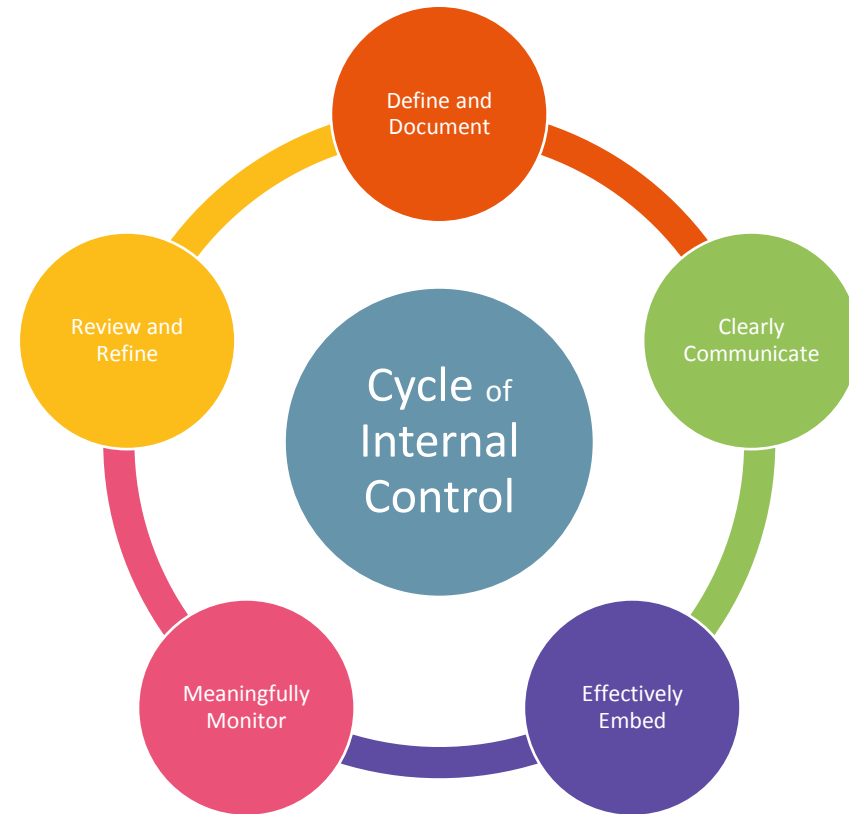
Define and Document

7. Policy and Strategy

8. During the initial period covered by this statement, the strategic ambitions, outcomes and priorities of the council were set out in the Best Council Plan which provided the framework for the council's performance management arrangements. In February 2022, the Best City Ambition (the Ambition) was adopted by Full Council and replaced the Best Council Plan in Article 4 of the council's constitution – the budget and policy framework. The Ambition sets out the outcomes we want to see for the city and is centred on our mission to tackle poverty and inequality and improve quality of life for everyone, driven by a focus on our three pillars of health and wellbeing, inclusive growth and zero carbon. The Ambition seeks to better reflect the importance of partnership working and a renewed relationship with the citizen – our Team Leeds approach – in achieving the city's shared goals.

9. The Best City Ambition draws on local and national priorities and policy developments, the latest socio-economic analysis, local and regional partnership plans, and the history of strong partnership working in the city. The Ambition also links with a range of supporting council and partnership plans including the Leeds Inclusive Growth Strategy, the Leeds Health & Wellbeing Strategy, the Safer Leeds Plan, the Children & Young People's Plan, the Digital Strategy and the Leeds Housing Strategy.

10. Supporting the Ambition is an Organisational Plan[1] which sets out how we will mobilise our internal resources – our people, money, digital capabilities, land and buildings, communications and engagement, and evidence, insights and intelligence, and relationships with our communities – driven by the council values and behaviours, to make the strongest contribution to the Best City Ambition, continuing the journey to be a more Efficient, Enterprising, Healthy and Inclusive Organisation. This means thinking not just about how we work and what we do now, but what our council will look like and need to be in the future, as we further improve equality, diversity and inclusion.

11. Effective evidence and progress monitoring are key to achieving our ambitions and plans. A refreshed performance framework aligned to the Best City Ambition and the Organisational Plan was developed and is the subject of this report.

12. Key performance indicators

13. A set of Key Performance Indicators (KPIs) were developed to help measure progress over time against the outcomes and priorities set out in the Best City Ambition. Some of the KPIs are completely new, whilst others were previously reported as part of the Best Council Plan performance monitoring arrangements. More details on the KPIs and their purpose can be seen in the Meaningfully Monitor section of this report.

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[1] The Organisational Plan is considered as being "interim" pending the outcome of the Peer Review

Page 94

14. The KPIs are categorised as follows:

Best City Ambition performance indicators	Performance indicators that directly underpin each of the Best City Ambition's three pillars: Health and Wellbeing, Inclusive Growth and Zero Carbon. Each of the three pillars has a 'lead indicator' (the highest profile KPI within that pillar) and a 'basket' of five additional KPIs. The majority of these indicators look towards the long term, in line with the goals set out in the Ambition, with results generally available annually. The Leeds Social Progress Index, while not a formal part of the performance framework this report describes, will also be used in the future as another way of monitoring progress in the city in line with the Best City Ambition.
Organisational Plan performance indicators	The internal facing organisational KPIs are largely operationally focused in support of our ambition to be an efficient, enterprising, healthy and inclusive organisation. These KPIs mainly relate to performance within service areas such as HR, Finance, Procurement and Integrated Digital Service (IDS). Many of these KPIs cross-over from previous Best Council Plan indicators but updated and refined with some new additions. The Organisational KPIs are categorised into the following sub areas: • Maximising the potential of our people – HR and workforce aspects • Delivering our Financial Challenge – financial and budget aspects • High Quality Public Services – the efficiency and effectiveness of our services • Serving the Citizen – especially the vulnerable – citizen focused indicators
Directorate and Scrutiny Board performance indicators	Further sets of more specialist KPIs reported to Directorates Management Teams and Scrutiny Boards quarterly and twice-yearly respectively. These KPIs sit at a directorate rather than corporate level, and enable Directors, Chief Officers and Elected Members to monitor matters of interest within their remit more closely.

15. Each KPI is supported by a checklist containing background and explanatory information about the indicator. Details of the checklists can be seen in the Clearly Communicate section of this report.

16. Roles and responsibilities

17. The main roles and responsibilities for performance management within the council are:

Entity	Roles and responsibilities
Corporate Leadership Team (CLT)	The Chief Executive and Directors have high level responsibility for corporate performance management and receive updates on performance against the Best City Ambition and Organisational KPIs. Directors also routinely discuss relevant performance issues with Executive Board members.
Directorate Management Teams	Directors and their management teams have responsibility for overseeing performance against the Best Council Ambition priorities relevant to their service areas. Directorate Management Teams review performance results for the KPIs they have responsibility for prior to being reported within the council e.g. to CLT, Scrutiny Boards and the Executive Board. Directorate Management Teams have the ability to escalate concerns about aspects of performance to CLT for further discussion.
Service Managers	Have day-to-day responsibility for monitoring operational performance. They provide routine updates and escalate concerns about performance to Directorate Management Teams and to the Intelligence and Policy Service.
Corporate Intelligence and Policy Service[2]	Staff within this central team have responsibility for maintaining the systems and procedures that support the performance management framework and for co-ordinating performance reporting to relevant stakeholders. The Intelligence and Policy Service has the ability to escalate concerns about aspects of performance to the relevant Directorate Management Team and to CLT.
Directorate Intelligence and Policy Teams[3]	Maintain performance frameworks tailored to the operational requirements of their service areas and coordinate the submission of performance information relating to their directorates required by the central Intelligence and Policy Service.
All council Staff	All staff have a role in using the Best City Ambition priorities to inform their own appraisal objectives.

Page 96

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[2] The Corporate Intelligence and Policy Service takes the lead on the council's corporate performance management arrangements
[3] The Directorates of Adults and Health, Children and Families and Communities, Housing and Environment also contain a dedicated Intelligence function

18. Democratic Oversight

19. Elected Members, including those from Scrutiny Boards, were involved in the transition from the Best Council Plan earlier in 2022 and participated in the development of the Best City Ambition, which is at the heart of our performance management arrangements. Scrutiny Board Chairs were also involved in the agreement of the KPIs and depth of supporting performance information such as historic results and benchmarking, to be reported to their respective Boards.

20. On a routine basis, democratic oversight of performance is facilitated through a range of reports submitted to Members, as detailed below:

Entity	Roles and responsibilities
Executive Board	Executive Board Members oversee performance relevant to their portfolio areas. Members receive a range of reports throughout the year including the council's Annual Corporate Performance Report, next due Summer 2023, which will be the first time that we reflect on our progress against the Best City Ambition.
Corporate Governance and Audit Committee	Members have responsibility for reviewing performance management arrangements and gaining assurance that they are fit for purpose, up to date and routinely complied with. The Committee receives an annual report on the adequacy of the council's performance management arrangements.
Scrutiny Boards	Members oversee performance for the areas within their remit and receive reports twice yearly containing performance data and an update on progress towards delivering the relevant priorities within the Best City Ambition. Scrutiny Boards have the ability to request additional, service specific performance information if considered necessary.

Clearly Communicate

21. <u>General</u>

22. The Best City Ambition was published on the webpages on the authority's Internet (leeds.gov.uk) and internal Intranet ('Insite') sites and widely promoted to staff through a banner on the front page of Insite and to the public via social media platforms. This is supplemented throughout the year by 'Best City' key messages from the council Leader and Chief Executive to staff and partners. The detailed KPIs are not included in the current published version of the Best City Ambition given they had not been developed at the time of publication. However, a schedule of updates to the Ambition has been agreed and the KPIs will be added in the update next year. Communication on performance is also demonstrated in the Effectively Embed and Review and Refine sections below.

23. <u>Guidance</u>

24. Each financial year, the Corporate Intelligence and Policy Service produces a timetable for the routine reporting of performance information to officers and elected members i.e. Directorate Management Teams, CLT and Scrutiny Boards. The timetable is shared with key contacts to ensure that they can provide the required information at the correct time. Intelligence and Policy staff remind key contacts that the data is needed ahead of the submission deadline and are on hand to support them should they have any difficulties or queries relating to their results.

25. Each KPI is supported by a checklist containing explanatory information and guidance, including the source of the data, any known weaknesses or limitations to the data, the frequency and timetable of when results would be available, plus any baselines or targets. These checklists are maintained by the central Intelligence and Policy Service and updated in collaboration with relevant service leads.

26. <u>Leadership</u>

27. CLT and Elected Members were involved in the development of the new Best City Ambition and are briefed on performance during the year via a range of reports submitted to, amongst others, CLT, Executive Board and all Scrutiny Boards. Directors also meet with the respective Executive Board portfolio holders to discuss performance.

28. In line with council Values, the review of performance at CLT and Directorate Management Team levels encourages a culture of openness and honesty, and continuous improvement rather than one of blame. KPI results that are seen to be heading in the wrong direction are indicated in the performance reports and raised for discussion at the relevant meeting. Services and directorates are able to raise matters about areas where improvement is required and report the actions being taken so that a collective discussion can take place to identify any further solutions.

29. <u>Training</u>

30. The council's performance management network is well established and made up of experienced staff. Performance management training delivered by the Intelligence and Policy Service is usually on a one to one basis for staff taking on new performance management responsibilities as part of their role. Training includes advice on how to complete Key Performance Indicator checklists (see point 15 above) and how to submit results for inclusion in the reports to Directorate Management Teams and CLT. Training on performance management can be tailored to the needs of individual services and can also be included within wider training sessions covering the relationship between the Best City Ambition, performance and risk management. The Performance Management Insite page includes details of who to contact to arrange training.

Effectively Embed

31. <u>Stakeholder engagement</u>

32. The performance stakeholder network is summarised in the Roles and Responsibilities section of this report. The central Intelligence and Policy Service maintain a list of key contacts across the council involved in the production and reporting of business intelligence, including performance information. The KPI checklists (see point 15 above) include details of the staff with high level responsibility for the indicator e.g. Chief Officer or Head of Service and also those involved in the day to day production and analysis of the results. The performance stakeholder network and key contact list is regularly reviewed by the Intelligence and Policy Service to ensure they are up to date and reflect staffing changes.

33. A wide range of stakeholder engagement took place on the new Best City Ambition, the Organisational Plan and the supporting performance arrangements, as detailed in the Define and Document section of this report. The Corporate Governance and Audit committee received a report - Governance arrangements for implementation of the Best City Ambition, at their meeting on 24 June 2022.

34. The Best City Ambition, the Organisational Plan, and the KPIs that support them were developed through engagement with partners, officers, and elected members, including members of Scrutiny Boards. The updated set of KPIs and the details of how they will be reported during 2022/23 and beyond were discussed with Directorate Management Teams and CLT.

35. The council's Insite includes a page on Performance Reporting, containing details of how performance is reported within the council and links to the most recent KPI results and the Annual Performance Report to Executive Board.

36. The arrangements for reporting performance and KPI details to the key stakeholders is summarised in the table below:

Best City Ambition KPIs	Organisational KPIs	Directorate / Scrutiny KPIs
Annual Performance Report to Executive Board, Full Council and CLT Annual Performance discussion at Scrutiny if members wish to receive that as an item Twice yearly to each Scrutiny Board (relevant KPIs only)	Quarterly reporting to CLT and Resources Directorate Management Team Twice-yearly to Strategy and Resources Scrutiny Board Annually to Executive Board and Full Council as part of the Annual Performance Report	Twice-yearly reporting to the relevant Directorate Management Team Additional discussion about Ambition and / or Organisational KPIs if requested

37. <u>Clear systems and processes in place</u>

38. Systems for managing performance are well established across the council, supported by reporting timetables, and are very much "business as usual" within services.

39. KPI updates are administered via a Share Point site containing the checklists for each indicator. Key contacts can update the checklists with the most recent performance results for reporting, along with supporting commentary, in particular the reasons for any adverse performance results and the actions being taken to address this. Access to the checklists allows Intelligence and Policy staff and key contacts the ability to view past results and supplementary information for each KPI. Following the adoption of an updated set of Best City Ambition and Organisational Plan KPIs earlier in 2022, the checklists were reviewed updated with additional ones developed for all new KPIs to be reported.

40. Gathering and reporting performance information is a key function of the Intelligence and Policy Service, and this is reflected in the service workplan and those of individual members of staff. Although the Intelligence and Policy Service considers these systems and procedures to be fit for purpose, they are not static and can be adapted as needed according to changing circumstances.

41. The guidance and template for Committee and Executive Board reports for decision making was reviewed and updated earlier in 2022. The new template maintained the requirement for report authors to comment on how the report contributes to corporate strategy (the Best City Ambition) and also how the proposal supports the council's three Key Pillars (Inclusive Growth, Health and Wellbeing and Zero Carbon). A mandatory requirement of the report is for the author to include details of 'How success will be measured'.

Meaningfully Monitor

42. Benchmarking

43. Benchmarking is used to compare Leeds' performance against those of other local authorities (including Core Cities[4]), the region and England nationally. National datasets such as those published by the Office for National Statistics, Adults Social Care Outcomes Framework (ASCOF), Public Health England (Public Health Outcomes Framework) and the Department for Education are used for benchmarking. Directorates are encouraged to provide benchmarking results for their KPIs where possible, with notable results and analysis included in the KPI results reported to CLT and Scrutiny Boards.

44. Other examples of organisations engaged with on benchmarking, sector-led improvement and shared best practice include Directors of Adult Social Services (ADASS) and Association of Directors of Children's Services (ADCS). Additionally, the Children and Families directorate is represented at Regional and National Performance and data groups.

45. Covid-19 has continued to affect benchmarking activities during 2022, most notably where no new results have been published since the start of the pandemic. Attainment information for the 2021/22 academic year will be published over the coming months and will include city and school level information as well as pupil characteristics data. A full and detailed analysis of performance will be published in the Annual Standards Report for 2021/22, which will be released in 2023.

46. The Leeds Joint Strategic Assessment (Leeds JSA), produced every three years, provides wide-ranging analysis to promote a shared understanding of health and wellbeing needs and inequalities in Leeds, informing commissioners and policy makers about future needs to enable effective strategic planning, priority setting and commissioning decisions. In Leeds we put the wider determinants of health and wellbeing at the core of our JSA, recognising the way factors including the economy, education, environment and housing impact on health outcomes and wider wellbeing. This approach also means the JSA provides insights into how the city is progressing against shared ambitions and goals in the broadest sense. The most recent Leeds JSA report (2021) provides an outline of key issues identified in the latest data and analysis available and provides a regular opportunity to take stock and review. The Leeds JSA is supported by specialised needs assessments and by the themed reports and geographic profiles on the Leeds Observatory.

47. The Leeds Social Progress Index will provide a broader context and will be vital to assess longer-term progress as an important part of our overall understanding of progress towards the Best City Ambition.

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[4] Core Cities UK is a partnership of eleven city councils (Belfast, Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield) with a wide range of shared interests encompassing transport and connectivity, innovation and business support, skills and employment, sustainable communities, culture and creative industries, climate change, finance and industry, and governance.

48. <u>Performance Indicators robust and challenging</u>

49. As explained in the Introduction section of this report, 2022 saw the replacement of the Best Council Plan with the Best City Ambition, and the production of an updated performance framework and set of KPIs.

50. There are 18 KPIs that support the Best City Ambition's three pillars (with a lead indicator and a 'basket' of five supporting indicators for each pillar). The Organisational Plan is supported by 24 KPIs which are largely operationally focused in support of our ambition to be an efficient, enterprising, healthy and inclusive organisation. Finally, each Scrutiny Board has an additional set of performance indicators specific to their areas of responsibility. Some of the current KPIs are ones previously reported against the Best Council Plan and carried forward (e.g. Gender Pay Gap), whilst others are completely new (e.g. Percentage of Planning Applications determined on time).

51. The performance results reported and published take many forms to reflect the specific requirements of each indicator. Some are a single number or percentage, whereas others require supplementary information to be included. For example, due to our concerns about health inequalities, with indicators relating to Public Health, we contrast the average position for Leeds with the situation in deprived areas of Leeds.

52. For each indicator included in the framework, where appropriate we will aim to:

- produce sub-city analysis where data is available
- provide comparison against core cities and/or neighbouring authorities and/or national figures
- set data in the context of a time series analysis – covering pre and post Covid and for some, a longer time period where required

53. Some of the key datasets that contributed to the Organisational KPIs, primarily relating to financial data, are subject to independent rigorous checks, carried out by external audit, to ensure they are complete, timely, secure and accurate. Others are the result of external inspections carried out by Ofsted and the Care Quality Commission. A further group of indicators are gathered nationally and published by the government through agencies including the Office for National Statistics and the Department for Education.

54. Performance against the Best City Ambition is reported to CLT to ensure cross-council ownership of the process, to facilitate discussion on specific areas, and prompt follow up action as needed. Directors also discuss relevant issues with Executive members.

55. The latest updated results for the KPIs are documented in an appendix to the quarterly update on performance to CLT, known as 'the Scorecard', that helps them to measure progress on the Best City Ambition in delivering better outcomes for both the city and the organisation in-year and in the longer term. This appendix included a colour-coded indication of whether performance had improved or declined against an appropriate comparator, allowing directors to see at a glance those areas where overall performance was going well or badly. A version of this appendix, containing the latest available results for every KPI, is published on the council's website in line with our commitment towards open data and greater transparency. We are currently exploring options to further improve the format of this reporting, considering the inclusion of or move towards a dashboard-based model.

56. From early 2023, the council's Scrutiny Board will receive the first set of Best City Ambition KPI results within their remit, alongside the relevant Organisational and Directorate indicators.

57. The Executive Board and Scrutiny Boards, Community Committees and partnership boards (such as the Health and Wellbeing Board) receive a range of reports outlining relevant performance information pertaining to their function, including annual safeguarding reports, updates on the Equality Improvement Priorities and the Local Account on Adult Social Care performance.

58. Until March 2022, we continued with Covid-related performance reporting, which included a 'gold dashboard', a multi-page report that showed the latest data for Leeds in relation to the Coronavirus pandemic. The report provided an overview of Covid-19 Cases, vaccinations, deaths and other health indicators, with accompanying data on transport, footfall, crime, education, waste and many others. When the UK Government lifted most of the Coronavirus restrictions in March 2022, the production of the regular Covid-19 dashboard was paused until such a time when it may be needed again. With changes to how Covid-19 is now affecting the population and less cases and hospital admissions being recorded over the last 6 months, a final edition of the dashboard was produced in September 2022 containing a more retrospective analysis of the pandemic and how it affected Leeds and its population.

59. A year-end performance report highlighting the progress made throughout the year in delivering the strategic objectives set out in the Best Council Plan is considered annually by Executive Board, with the most recent report (link here) being considered in July 2022. The report highlighted KPI results, and the key achievements made during the year, but at the same time, not shying away from highlighting things that have not gone so well, and where we need to redouble our efforts in the future. A similar report on performance against the Best City Ambition and Organisational Plan will be produced for Executive Board in 2023.

60. As detailed in the Effectively Embed section of this report (point 41), reports to Committee and Executive Board for decision making include a mandatory requirement for the author to include details of 'How success will be measured'. A member of the Intelligence and Policy Service reviews this section of the reports whilst they are at draft stage and has the ability to comment whether the information provided appears adequate, or whether any changes are required. Retrospective quality checks are undertaken on the 'how is success measured' section for a sample of key and officer decision reports.

61. <u>Risks identified and mitigated</u>

62. The council's risk management framework recognises the links between performance and risk, with many of the KPIs also acting as 'key risk indicators', i.e., sources of information that indicate whether a risk is increasing in significance or not. The scope of risk management training provided by the Intelligence and Policy Service includes the relationship between the council's strategic plans, performance indicators and risks.

63. For several years, risk and performance information have been included in a single quarterly report to CLT, together with any other issues relating to the strategic priorities that require further discussion. The risk and performance management information contained in these, and other reports to Boards and Committees, is seen as a driver for change and a prompt for discussion, not simply a reaction to events.

64. At directorate level, reporting varies, with some management teams receiving a joint risk and performance report, whilst others keep the two functions separate. During 2022/23 consideration is being given to performance being a standalone report for all Directorate Management Teams, whilst remaining on the same meeting agenda as risk where possible. The driver for this change is partly due to the scope of the risk element of the reports expanding to include Emergency Planning and Business Continuity Management, but also to facilitate a change in the format of the performance reports towards a more dashboard approach, which would lend itself to a separate report. De-coupling the two reports should allow appropriate focus to be placed on the performance results whilst still maintaining appropriate links with the risks.

65. Arrangements are in place for the Contact Centre to act as a barometer for the problems the public is experiencing with council services, and feedback and escalation mechanisms have been established to ensure that relevant remedial action is taken to address the root cause of the issues. Where appropriate, issues identified through the Contact Centre will be captured in the performance reports to Directorate Management Teams and CLT.

66. <u>Escalation process in place and used appropriately</u>

67. The performance reports to Directorate Management Teams and CLT act as both a prompt and a vehicle for escalating concerns. During the preparation of these reports, contributing staff are encouraged to raise any concerns with performance results so they can be discussed at their Directorate Management Team, and potentially at CLT, to allow action to be taken as necessary.

Review and Refine

68. <u>Up to date and fit for purpose</u>

69. The performance management arrangements are not static and are updated by the Intelligence and Policy Service whenever necessary to ensure they are kept up to date and remain fit for purpose. As 2022/23 progresses, the performance arrangements will be subject to review to ensure they remain deliverable and stakeholder expectations are managed. This will be done through regular reporting updates and communications with stakeholders.

70. By replacing the Best Council Plan as the council's main statement of intent, the Best City Ambition necessitated a review of our corporate performance management arrangements and KPIs. As detailed in earlier sections of this document, the review involved analysis and consultation to determine a suitable set of KPIs aligned to the Best City Ambition and for reporting to stakeholders in the future.

71. During the development phase of the Best City Ambition KPIs, a pre-requisite was that they should be meaningful, easy to understand and be used to drive performance. The data points chosen are also comparable, consistently available and scalable. The proposed KPIs were subject to review and challenge by key stakeholders including Directorate Management Teams, CLT and Scrutiny Board Chairs.

72. KPI results will continue to be reported to Directorate Management Teams, the Corporate Leadership Team and Scrutiny Boards. The scope of these stakeholder reviews will include whether the KPIs remain up to date and fit for purpose. The performance framework has the flexibility to accommodate new or amended KPIs and to remove any that are no longer suitable.

73. The scope of any given KPI can be revised in-year to ensure it remains up to date, with any changes reported to the relevant directorate management team, CLT and Scrutiny Board. There were no such changes during 2021/22 as there was an awareness that a full review was pending as part of the introduction of the Best City Ambition.

74. The Intelligence and Policy Service intends to produce an Annual Performance Report for Executive Board in summer 2023 (date TBC) which will look back at performance over the 2022/23 municipal year. The report will include KPI results and performance information as well as the main highlights and achievements over the year. To provide a balanced picture, the report will also cover the challenges the city and the council continue to face as we strive to achieve the Ambition.

75. The Best City Ambition was designed as a rolling multi-year plan and, as such, will be reviewed and updated in some way almost every year, in particular when key strategies such as those for Health and Wellbeing and Inclusive Growth are updated in 2023. These reviews will take account of performance related developments including changes in national standards and statistical information requirements. The 2023 refresh will also consider any updates required to the performance framework since the inception of the Best City Ambition, and the Organisational Plan, taking into account more recent challenges arising from the increasing cost of living situation, additional financial pressures facing the council and any feedback from the Peer Review that took place in early November.

76. The dashboard format used successfully in the past for pandemic related performance reporting is to be adapted to suit Best City Ambition KPIs.

77. The Intelligence and Policy Service is aiming to explore more accessible and efficient means of producing and presenting the performance information – e.g., through dashboards, drawing on our learning through Covid. Work on this commenced in autumn 2022 and is in progress.

78. <u>Survey of Internal Control</u>

79. In May 2022, the council undertook its annual Survey of Internal Control[5] to provide first line assurance in relation to all key systems of internal control by seeking an assessment from operational managers as to whether the arrangements underpinning the Corporate Governance Code and Framework are working as intended.

80. The Survey included questions relating to arrangements for the Strategic Framework (the Best Council Plan) and Performance Management. Respondents were asked to rate the extent to which they thought the arrangement were embedded.

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[5] A smart survey conducted amongst senior officers to support the review of internal control underpinning the Council's Annual Governance Statement

81. The results, which are set out in the charts below, were generally positive:

- 96% of respondents thought the Strategic Framework was 'Well embedded' (68%) or 'Fairly embedded' (28%)

- 95% of respondents thought that Performance Management was 'Well embedded' (65%) or 'Fairly embedded' (30%)

82. The adoption of the new Best City Ambition and the updated performance framework that supports it provide the opportunity to build on these results, addressing the areas where the 'not embedded' or 'don't know' results occurred and moving the 'fairly embedded' ones into 'well embedded category'. This is being done through work with directorate leadership teams, CLT and Scrutiny Boards to improve performance reporting, using the resources we have to best effect by focusing more selectively on the indicators and performance information which can drive improvement and evidence based policy-making.

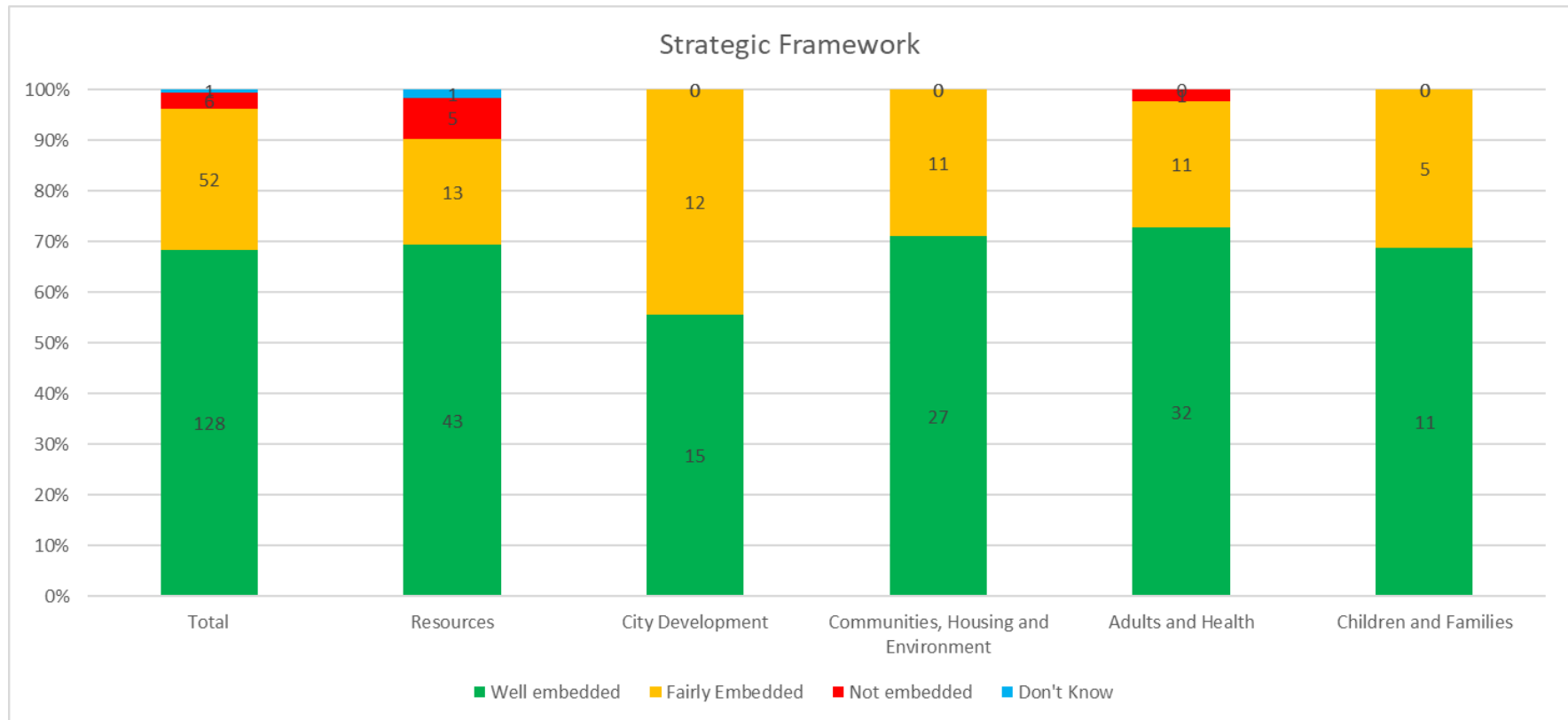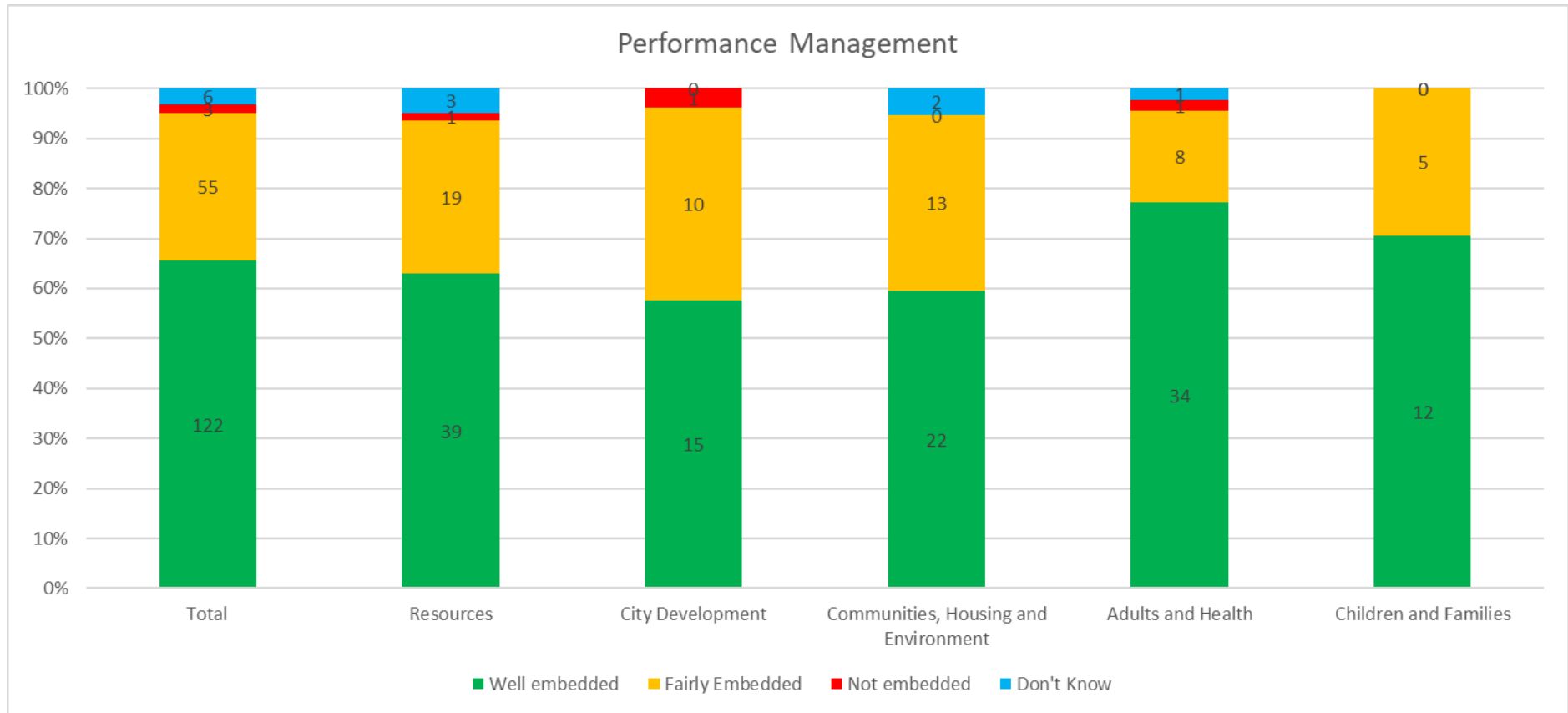Table 1: Strategic Framework survey results 2022

Table 2: Performance Management survey results 2022

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Report authors: Tim Rollett and Leanne Cummings

Tel: 0113 378 9235 / 0113 378 8673

Date: 28th November 2022

Report of: Director of Resources

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in?　　　　　　　☐ Yes　☒ No

Does the report contain confidential or exempt information?　☐ Yes　☒ No

Brief summary

This report provides the Corporate Governance & Audit Committee with assurances relating to the adequacy of the risk and resilience controls currently in place in the council; that they are up to date, fit for purpose, embedded and routinely applied.

The term 'Risk and Resilience' covers the three inter-related areas of Risk Management, Emergency Planning and Business Continuity Management:

- Risk Management involves identifying the risks and threats that could impact on the ability to meet our objectives, assessing those risks to determine their significance and then putting in place arrangements to manage or mitigate them.
- Emergency Planning relates to how the council prepares and responds to risks and emergencies of a resilience nature.
- Business Continuity Management is a process that helps manage risks to the smooth running of an organisation or delivery of a service, ensuring continuity of critical functions in the event of a disruption, and effective recovery afterwards.

Recommendations

a) Corporate Governance & Audit Committee is asked to receive the annual report on the council's risk and resilience arrangements and note the assurances in support of their next Annual Governance Statement.

What is this report about?

1 This report provides the Corporate Governance & Audit Committee with assurances relating to the adequacy of the risk and resilience controls currently in place in the council; that they are up to date, fit for purpose, embedded and routinely applied.

2 The term 'Risk and Resilience' covers the three inter-related areas of Risk Management, Emergency Planning and Business Continuity Management.

3 The need for the council to have strong risk and resilience arrangements remains essential. The past two years has seen a significant amount of change amongst council staff with risk and resilience responsibilities due to the impact of the reductions in staffing (in part due to the early leavers initiative) and natural turnover. This change has prompted the development of a more joined up approach linking risk management, emergency planning and business continuity management.

4 Through the arrangements outlined in this report, the council seeks to embed an effective risk and resilience culture across its values, and in the behaviour of all its staff and elected members. This responsibility extends to managing risks and how we respond to them with our key partner organisations to ensure they are aware of and are compliant with our risk and resilience policies and strategies.

5 The information in Appendix 1 is based around a 'cycle of internal control' framework which consists of five aspects; Define and Document, Clearly Communicate, Effectively Embed, Meaningfully Monitor and Review and Refine.

What impact will this proposal have?

6 Many of the council's risks are 'external facing' i.e., their occurrence would have an adverse impact on citizens and communities in Leeds. Examples of our external facing risks include Major flooding, Major incident in the city and Flooding. Effective risk and resilience arrangements should help prevent these risks from arising or mitigate their impact should they occur.

How does this proposal impact the three pillars of the Best City Ambition?

⊠ Health and Wellbeing   ⊠ Inclusive Growth   ⊠ Zero Carbon

7 The risk and resilience arrangements support each of the council's three pillars. Each pillar has risks that could impact on their achievement and the arrangements aim to ensure that these risks are identified and managed to prevent their occurrence or to mitigate their impact should they arise.

What consultation and engagement has taken place?

Wards affected:		
Have ward members been consulted?	☐ Yes	⊠ No

8 Key stakeholders continue to be engaged in maintaining the council's corporate risk and resilience arrangements. As well as this Committee, these include the Executive Board, Strategy and Resources Scrutiny Board and the Corporate Leadership Team. Full details of stakeholder engagement can be seen in Appendix 1.

9 Risk and resilience matters are regularly reported to Directorate Management Teams and the Corporate Leadership Team. The corporate risks are regularly reviewed and discussed at Corporate Leadership Team and annually by Executive Board.

10 The corporate risk map is published on the council's leeds.gov website and a copy is included in the Annual Corporate Risk Report to Executive Board which is also publicly available.

11 The council is fully engaged with the Local Resilience Forum and the collaborative working between its partner organisations helps meet the requirements of the Civil Contingencies Act 2004.

What are the resource implications?

12 The corporate risk management arrangements set within this report help the council to target and prioritise resources to help reduce costs, deliver savings and achieve value for money. Should any of the corporate risks arise, including those of a resilience nature, there would be financial and staffing resource implications to deal with the risk.

What are the key risks and how are they being managed?

13 Without up to date, fit for purpose and embedded corporate risk management arrangements, preventable risks could arise which may have a subsequent adverse impact on resources and reputation.

14 Risk and resilience arrangements are captured within the council's corporate risks on 'City Resilience' and 'Council Resilience' (also known as 'Major incident in the city' and 'Major incident in the council') with regular reporting to the Corporate Leadership Team and annually to the Executive Board.

15 Staff with risk and resilience responsibilities have a duty to assess the risks and determine the threats to the council and its operations.

16 The West Yorkshire Community Risk Register, compiled and maintained by the Local Resilience Forum, informs the development of the council's risk and resilience arrangements specifically the Incident Response Plans and Business Continuity Plans.

What are the legal implications?

17 The council's corporate risk management arrangements support the authority's compliance with the statutory requirement under the Accounts & Audit Regulations 2015 to have 'a sound system of internal control which facilitates the effective exercise of that body's functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and which includes arrangements for the management of risk.'.

18 The Civil Contingencies Act (2004) imposes a clear set of roles and responsibilities on those organisations with a role to play in preparing for and responding to emergencies. The Act requires all Category 1 responders (which includes local authorities) to maintain plans to ensure they can continue to exercise their functions in the event of an emergency so far as is reasonably practicable (Business Continuity Management). Category 1 responder duties under that Act also include maintenance of plans to prevent emergencies and reduce, control and mitigate the effects of an emergency, should it occur (Emergency Preparedness).

19 Many council services have a duty of care or a regulatory requirement to provide their service. This extends to maintaining services during an emergency or disruptive incident.

Options, timescales and measuring success

What other options were considered?

20 Not applicable

How will success be measured?

21 Not applicable

What is the timetable and who will be responsible for implementation?

22 Not applicable

Appendices

- Appendix 1: Corporate Risk and Resilience Arrangements
- Appendix 2: Corporate Risk Accountabilities

Background papers

- None

Introduction

1. This report provides the Corporate Governance & Audit Committee with assurances relating to the adequacy of the risk and resilience controls currently in place in the council; that they are up to date, fit for purpose, embedded and routinely applied.

2. The information in this appendix is based around a 'cycle of internal control framework' which consists of five aspects, seen in the diagram opposite.

3. The term 'Risk and Resilience' covers the three inter-related areas of Risk Management, **Emergency Planning (including Health)** and **Business Continuity Management.**

4. The council's risks arise from a variety of sources, some of which are out of our direct control, whilst others stem from changes in government policy and the shifting needs and make-up of our communities. Such changes bring uncertainties that can pose threats that need addressing but also bring opportunities to exploit. In recent times, local authorities and communities have experienced a wide range of significant risks including cyber-attacks, the coronavirus pandemic and last summer's heatwave conditions. Currently, inflation, winter pressures and workforce resources are presenting challenges, especially in the context of ongoing budgetary pressures.

5. Risk Management involves identifying the risks and threats that could impact on the ability to meet our objectives, assessing those risks to determine their significance and then putting in place arrangements to manage or mitigate them.

6. Emergency Planning relates to how the council prepares and responds to risks and emergencies of a resilience nature.

7. Business Continuity Management is a process that helps manage risks to the smooth running of an organisation or delivery of a service, ensuring continuity of critical functions in the event of a disruption, and effective recovery afterwards.

Cycle of Internal Control

- Define and Document
- Clearly Communicate
- Effectively Embed
- Meaningfully Monitor
- Review and Refine

8. The need for the council to have strong risk and resilience arrangements remains essential. The past two years has seen a significant amount of change amongst council staff with risk and resilience responsibilities due to the impact of the early leavers initiative and natural turnover. This change has prompted the development of a more joined up approach linking risk management, emergency planning and business continuity management.

9. Through the arrangements outlined in this report, the council seeks to embed an effective risk and resilience culture across its values, and in the behaviour of all its staff and elected members. This responsibility extends to managing risks and how we respond to them with our key partner organisations to ensure they are aware of and are compliant with our risk and resilience policies and strategies.

Define and Document

10. Policies and Strategies

11. The council's **Risk Management Policy** is a formal acknowledgement of the council's commitment to managing risk. The Policy is accompanied by a Risk Management Strategy, which contains details of the arrangements and guidance for managing risk within the council and acts as a reference point for staff and members. Together, these aim to ensure there is an effective, robust, consistent and communicated way of managing risk across the council.

12. The Risk Management Strategy and Policy considered the latest guidance, such as that from ALARM[1], and relevant standards including ISO 31000[2] and the HM Treasury 'Orange book'. The main outcome from this consideration was that there is no 'one size fits all' approach for developing risk management arrangements and strategies, as organisations differ in their size and complexity.

13. Within the Policy, risk is defined as:

- The effect of uncertainty on objectives[3]

- [Risk is] a situation involving exposure to danger[4]

- [Risk is] An uncertain event or set of events which, should it occur, will have an effect on the achievement of objectives; a risk is measured by a combination of the probability of a perceived threat or opportunity occurring and the magnitude of its impact on objectives[5]

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[1] ALARM is a risk management organisation that develops industry leading best practice for those managing risk and insurance
[2] In 2018, the International Organization for Standardization issued updated risk management guidelines (ISO 31000).
[3] ISO 31000 Risk Management – Guidelines (2018)
[4] Oxford Dictionaries
[5] Managing Successful Programmes (OGC)

14. Risk management is a term used to describe the series of co-ordinated activities designed and operated to manage risk within an organisation and is a central part of that organisation's strategic management. Risk management activities include the identification, evaluation, prioritisation and treatment of risks which are summarised as the Risk Management Process.

15. Under the Civil Contingencies Act 2004, an **'emergency'** is defined as:

- an event or situation which threatens serious damage to human welfare in a place in the United Kingdom

- an event or situation which threatens serious damage to the environment of a place in the United Kingdom, or

- war, or terrorism, which threatens serious damage to the security of the United Kingdom

16. **Business Continuity Management** is a process that helps an organisation to continue to provide its critical or prioritised services or functions in the event of an incident or disruption. The council recognises the benefits of having efficient and effective business continuity management arrangements in place. Not only is Business Continuity Management good practice, but it is also a requirement of the Civil Contingencies Act 2004, which made it a statutory duty of all Category 1 responders (which includes local authorities) to have in place business continuity plans.

17. To help comply with the Civil Contingencies Act, the council uses guidance contained within BS ISO 22301:2012 'Business Continuity Management Systems', which specifies the requirements to implement, maintain and improve a management system to protect against, reduce the likelihood of the occurrence of, prepare for, respond to and recover from disruptions when they arise.

18. Currently, the council has separate policies and strategies for Emergency Planning and Business Continuity Management. These are being merged together to provide a comprehensive, joined up Policy and Strategy which together will set out the council's commitment and approach to Emergency Planning and Business Continuity Management and the framework for directorates and services to develop, implement and maintain resilience arrangements for their services and functions. The Risk Management Policy and Strategy remain separate as not all risks are of a resilience nature.

19. Key plans and documents

20. Underpinning the risk and resilience policies and strategies are the following key plans and documents:

- Corporate and directorate risk records are maintained on the council's Risk Management SharePoint site. These records are an essential information tool for documenting the risks, their ownership, assessment and how they are being managed. The details of each risk held on the site include: risk title and description, ownership responsibilities, current risk rating (based on probability and impact scores), the sources of the risk, the consequences (impact) should the risk arise, existing controls in place to manage the risk and any further action required to treat the risk. The format of the risk information on the site helps ensure that a consistent level of information is provided to explain what the risk is and how it is being managed.

- A Partnership Governance and Risk checklist is available for use by council services to help ensure that potential risks are covered during discussions about working with partner organisations. The checklist helps highlight any significant gaps in the control framework for the partnership, so that these can be addressed, and action taken to mitigate future problems. The guidance on how to use the checklist is also available on InSite.

- The Specific Emergency Plans and Incident Response Plan are maintained on the council's Resilience and Emergencies Microsoft Teams site. These specific emergency plans outline the authority's response to an identified risk occurring and the measures put in place to mitigate the impact on those people affected. The Incident Response Plan details internal and external key contacts and supporting documents for strategic and operational officers. The Resilience and Emergencies site includes functionality for the notification of any changes in the key contacts.

- Over 80 Business Continuity Plans covering the council's critical services. The Business Continuity Plans are documented procedures that guide services to respond, recover, resume and restore continuity of the services and functions in the event of an emergency or disruptive incident. The key areas included within the plans cover loss or disruption to: staff resources; buildings and work environment; information communications technology; data; and suppliers and contractors.

- The risk and resilience arrangements take into consideration the National Security Risk Assessment, published by the Cabinet Office. The National Security Risk Assessment identifies and assesses the most serious risks facing the UK and is used to determine the common consequences of these risks occurring. The Assessment is produced using a rigorous and tested methodology that incorporates best practice to provide a common framework for understanding risk. The National Security Risk Assessment supports operational risk management, planning and responses in all tiers of the UK resilience system and also serves as a framework for strategic risk management decision making. The most recent edition, published in October 2022, contains risks covering aspects such as terrorism, cyber-attack, major social care provider failure and various types of adverse weather. The Assessment is also used to inform the more local West Yorkshire Community Risk Register, and together these inform the review and update of the council's corporate risks on City and Council Resilience and emergency planning arrangements.

21. Financial risks are included within both the corporate and directorate risk registers with updates also provided to Executive Board and Full Council through the budget reports and to Executive Board through Medium-Term Financial Strategy reports.

22. The Incident Response Plans and Business Continuity Plans are held in electronic form on the Resilience and Emergencies Microsoft Teams site which provides a central location for the documents so they can be quickly accessed in the event of a disruptive incident. An additional copy of each plan is held on the externally hosted Resilience Direct site, which can be accessed if the council network becomes unavailable. Where considered necessary, copies of the plans can be held on encrypted memory sticks and in hard copy format.

23. Roles and responsibilities

24. The Civil Contingencies Act 2004 imposes a clear set of roles and responsibilities on those organisations with a role to play in preparing for and responding to emergencies. The Act requires all Category 1 responders to maintain plans to ensure they can continue to exercise

their functions in the event of an emergency so far as is reasonably practicable (Business Continuity Management). The maintenance of plans to prevent emergencies and reduce, control and mitigate the effects of an emergency, should it occur, are also Category 1 responder duties under The Act (Emergency Preparedness).

25. The council's Strategy and Improvement Service leads on the authority's central risk management, emergency planning and business continuity functions. Responsibility is further split between two functions within the service: Intelligence and Policy (risk management and business continuity management) and the Resilience and Emergencies Team (emergency planning). As seen in the Effectively Embed section of this report, there are close working arrangements between the two teams. Both teams report to the Director of Resources and the Chief Officer (Strategy and Improvement), who together have strategic responsibility for the risk and resilience functions.

26. Central **risk management** responsibilities include: maintaining the council's Risk Management Policy and Strategy, maintaining the Corporate Risk Register, co-ordinating the quarterly updates and reporting of corporate and directorate risk registers and facilitating risk management training and workshops.

27. **Emergency Planning** responsibilities include: maintaining the council's Emergency Planning Policy, maintaining emergency plans, warning and informing businesses and residents of Leeds of ongoing or expected incidents, development and delivery training and exercises to ensure emergency arrangements are validated. The Resilience and Emergencies Team provide emergency planning capacity "24/7" so that emergencies can be responded to at all times including 'out of hours'.

28. **Business Continuity** Plans are owned and maintained by the respective critical services within the five council. The Intelligence and Policy Service's Business Continuity Management responsibilities are: providing guidance and support to service managers across the council on matters such as the development of new business continuity plans and their annual review and update and facilitating exercises with services to test their plans. Business Continuity Management guidance and advice can also be provided to external organisations if requested.

29. The roles and responsibilities across all three areas include the delivery of training and the production of a range of risk and resilience reports for internal stakeholders, as detailed in the Clearly Communicate and Meaningfully Monitor sections of this report.

30. The main roles and responsibilities for risk and resilience within the council are:

Entity	Roles and responsibilities
Elected Members	
Executive Board, Council Leader and Deputy Leader	Ultimate responsibility for ensuring that the council has effective risk management arrangements lies with the Executive Board. Executive Board approve the risk management policy, strategy and framework and receives an annual update on this work from the Director of Resources which includes a summary of how

Entity	Roles and responsibilities
	the corporate risks are being managed. Executive members also have a key role in identifying the risks associated with the delivery of the council's priorities and to discuss these with the relevant director(s).
	The Board provides appropriate challenge to strategic decision-making and ensures that satisfactory consideration is given to the risk management implications of strategic priorities and all major business change proposals.
	Executive Board has high-level decision-making responsibility for business continuity management with this authority delegated to the Director of Resources.
	The Council Leader has responsibility for setting, supporting and monitoring the council's policies and procedures for risk and business continuity. The Deputy Leader has responsibility for the council's city-wide resilience and emergency planning functions. As with all executive delegations to officers, the portfolio holder may require, or the director may choose, to refer a risk and resilience matter to the Executive Board.
Corporate Governance and Audit Committee	The Corporate Governance and Audit Committee is responsible for reviewing the adequacy of the council's governance arrangements, including risk management. The Committee receives an annual assurance report on our risk management arrangements from the Director of Resources and uses this to monitor, review and scrutinise these arrangements and their implementation. Furthermore, the Committee can provide challenge on the arrangements to manage specific risks and reviews the Risk Management Policy and Strategy.
	The Committee approves the Annual Governance Statement which incorporates arrangements in relation to risk and resilience.
Scrutiny Boards	Scrutiny Boards ensure that risk management is given appropriate consideration within their areas of responsibility and can also bring potential risks to the attention of the appropriate Director.
Elected Members	All Elected Members have a responsibility to understand the council's risk management arrangements and the strategic risks facing the authority. Elected Members are responsible for properly considering the risk implications during decision-making and policy approval, particularly where the decision may have resource implications, an impact on the authority's strategic priorities or propose a service change.
	Elected Members' awareness of civil protection and emergency preparedness arrangements contributes to the successful outcomes of an emergency incident and ultimately, the return to normality. A Council Yearbook is provided to all Elected Members which outlines contact information, communication flows and what to expect in an emergency.

Entity	Roles and responsibilities
Council staff	
Corporate Leadership Team[6]	The Corporate Leadership Team (CLT) has responsibility for ensuring that there are appropriate arrangements in place to manage risks, emergencies or disruptions, both those within their respective directorates and with a cross-cutting or wider impact.
	Members of CLT are collectively responsible for ensuring that all strategic risks are effectively managed by reviewing the corporate risk register each quarter, whilst individual directors take ownership of specific risks.
	CLT is ultimately responsible for ensuring that the council has effective and appropriate arrangements in place at a corporate level to manage emergencies or disruptions which affect multiple services. They are responsible for the strategic management of incidents with a cross-cutting or wider impact. This may necessitate managing an incident which affects both the community and the council's ability to deliver its own services simultaneously and may require the activation of the Incident Response Plan.
	CLT members make up the Strategic level of the council's response structure (see in the table at point 31) and offer direction to staff at Operational level.
The Director of Resources	The Director of Resources has specific responsibility for providing assurances to the Executive Board and the Corporate Governance and Audit Committee on the adequacy of our risk management arrangements. In addition, the Director of Resources holds delegated authority to approve changes to the Risk Management Policy on behalf of the Executive Board and acts as the 'officer risk management champion.'
Directorate Management Teams (including Senior Managers)	Directorate Management Teams[7] includes ensuring that the risk and resilience arrangements are in place within their services. This includes arrangements for identifying and managing risks in relation to projects, programmes and partnerships within the service in accordance with the council's Risk Management Policy and contributing to the regular updating and review of risk registers at corporate, directorate and service levels. They also ensure risks are escalated to the appropriate level of risk register where they can be properly managed and that proportionate risk assessments are contained within reports requiring a decision. Senior managers are also responsible for identifying the risk management training needs of their staff.

[6] Corporate Leadership Team consists of the council's Chief Executive and Directors, supported by Chief Officers with statutory roles including the Director of Public Health, Chief Financial Officer (Section 151) and City Solicitor.
[7] Directorate Management Teams consist of the relevant Director and Chief Officers and meet regularly to discuss issues affecting the directorate and its services. Other staff e.g., Heads of Service may be required to attend DMTs for specific items.

Entity	Roles and responsibilities
	Responsible for ensuring that critical services or functions within the directorate are identified and that suitable arrangements are developed, implemented and maintained to plan for and respond to emergencies and disruptions. Develop Business Continuity Plans and ensure they are fully implemented including staff awareness of their business continuity roles and responsibilities. Ensure annual reviews are completed and that Business Continuity Plans are maintained to reflect current practice. Ensure that testing and exercising of Business Continuity Plans and Incident Response Plans is carried out robustly and that any findings are acted upon in the spirit of continual improvement. Where necessary, some directorates have service teams that meet to discuss and review business continuity management and emergency planning matters at a more operational level. Any significant matters arising from the service teams meetings are escalated to the Directorate Management Team for further discussion and action.
Strategy and Improvement Service	Central responsibility for Risk Management, Emergency Planning and Business Continuity Management falls under the Strategy and Improvement (Intelligence and Policy, and Resilience and Emergencies Team), as seen at point 25 above.
All staff	All staff have a duty to consider the risks to the achievement of their day-to-day objectives and the council's outcomes and priorities. They should also ensure that any risks which they cannot manage or that have a wider impact are escalated to their managers. Staff have a responsibility to obtain a basic level of business continuity and emergency planning/response awareness through briefings and training. This extend to understanding their roles and responsibilities during an emergency or incident. Staff may be required to participate in exercising and testing resilience plans relevant to their service area.

31. The general roles required for risk, emergency planning and business continuity are seen in the table below:

Role	Responsibilities
Risk Management	
Risk owner	The person who is responsible and accountable for the risk. This should be someone with knowledge of the risk area and sufficient seniority to enable them to allocate resources to manage the risk and to ensure that actions required to treat it are completed.
Delegated risk owner	The risk owner may allocate someone else, of appropriate seniority and who is perhaps closer to the service to which the risk relates, to oversee the risk on their behalf. The delegated risk owner reports progress in managing the risk to the owner.
Key contact	A person responsible for the day-today management of the risk and who reports to the delegated owner.
Emergency Planning	
The council operates a command structure which is in line with JESIP: the joint doctrine of interoperability framework. Historically the council used a "Gold, Silver and Bronze" structure for the different response levels, which has recently been replaced with "Strategic, Tactical and Operational" as seen below	
Strategic level co-ordinating group	Sets the strategic direction, co-ordinates responders and prioritises resources
Tactical level co-ordinating group	Interprets the strategic direction, develops the tactical plan and activities and assets
Operational level – responder organisations	Implements the tactical plan, commands the single organisation response and co-ordinates actions
Single points of contact	Governance Managers within each directorate act as single points of contact for key officers listed within Business Continuity Plans and the Incident Response Plan. The single points of contacts ensure that • data protection requirements are obtained for all contacts listed

Role	Responsibilities
	• amendments are made in the Resilience and Emergencies Microsoft Teams site to ensure that key contact details remain up to date
Key stakeholders	All contacts listed within the Incident Response Plans are identified as being key stakeholders. These operational level officers would activate the tactical level response that their service or team can offer to support the incident management.
Business Continuity Management	
Business Continuity Plan Owner	The person responsible for the Business Continuity Plan and who will activate it should a disruptive event occur. The Plan Owner is usually Chief Officer or Head of Service.
Business Continuity Plan Key Contact	The Key Contact has responsibility for the day-to-day administration of the Business Continuity Plan including its annual review and update. There may be more than one Key Contact for each plan.

32. Democratic Oversight

33. The corporate risk register continues to house those risks of significant, cross-cutting importance that require the attention of the council's most senior managers and elected members. Each of the corporate risks has named risk owners - a lead portfolio member and a member of the Corporate Leadership Team, who are jointly accountable for their management. The Executive Board as a whole retains ultimate responsibility. Full details of the CLT and Democratic accountability for the corporate risks can be seen in Appendix 2 of this report.

34. In addition to the democratic accountability, further oversight is provided via this annual report on the Risk and Resilience[8] arrangements to the Corporate Governance & Audit Committee. From this report, the Committee gains assurance that the arrangements are fit for purpose, up to date and routinely complied with.

35. The Annual Corporate Risk Report (agenda item 13) to Executive Board includes assurances for two corporate risks that relate to business continuity management and emergency planning, City Resilience and Council Resilience. The assurances include details of what the risks are, the main controls in place to manage them, any further work required and signposting to additional relevant information and reports. The Annual Corporate Risk Report is also provided to the Strategy & Resources Scrutiny Board.

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[8] In previous years, the Committee received separate annual assurance reports on Risk Management and Business Continuity Management

Clearly Communicate

36. Guidance and information

37. The main source of **risk management** information and guidance within the council is the Risk Management toolkit InSite page, As well as containing a copy of the Policy and Strategy, the toolkit contains links to related documents (including the Annual Risk Report to Executive Board), guidance notes (e.g., 'What are risks?'), Frequently Asked Questions, key contacts and relevant external risk websites. As seen in point 20 above, details of all corporate and directorate level risks are maintained on the Risk Management SharePoint site.

38. The latest corporate risk map continues to be published internally on InSite and externally through the leeds.gov website with annual reports to Executive Board on the council's most significant risks also publicly available.

39. The main source of **Emergency Planning** information and guidance within the council is the Resilience and Emergencies Teams site. Membership of this site is determined by stakeholder role, if a person or job role has a role and/or responsibility in any Incident Response Plan activation. The Incident Response Plan and Specific Emergency Plans, training documents, supporting documents and link to incident management page are all contained within this site.

40. The Resilience and emergency planning INSITE and Leeds.gov Emergencies page contain more generic information on Emergency Planning, the latter including information on risks, how to prepare for an emergency and flooding.

41. The main source of **Business Continuity** guidance and information within the council is the Business Continuity Management toolkit, seen on InSite. The toolkit comprises the Business Continuity Policy and Strategy, guidance and templates for completing Business Continuity Plans, and links to sources of relevant information such as the Community Risk Register. Information on Business Continuity Management is also available externally on Leeds.gov as part of information on 'how to prepare your business for an emergency'.

42. Earlier in 2022, the Intelligence and Policy Manager was part of a team that collaboratively reviewed and updated ALARM's Business Continuity Back to Basics guidance document. The guide aims to support users by firstly raising awareness and understanding of the concepts around business continuity management, and secondly providing guidance on how to approach the implementation of a business continuity management programme within their organisation. A copy of the Back to Basics guidance is available via the council's Business Continuity Insite page and aspects of it are incorporated into staff training and development.

43. The internal Resilience and Emergencies Teams site is used to house and administer the Incident Response Plans and Business Continuity Plans and the Risk and Resilience Reports for Directorate Management Teams. The Business Continuity Management section of the site includes guidance on how to complete a Business Continuity Plan for a service and a blank template ready to be populated.

44. The email addresses businesscontinuity@leeds.gov.uk and Emergency.planning@leeds.gov.uk are available for staff, Elected Members and the public to get in touch with the council regarding emergency planning and business continuity matters. Leeds Alert is a text alert network managed by the Resilience and Emergencies Team that targets the businesses of Leeds. Leeds Alert is a free of charge service in which recipients will receive a text message outlining hazards and threats facing the city e.g. severe weather, road closures, industrial action, demonstrations etc. The Resilience and Emergencies Team also maintain the [@leedsemergency](#) twitter account which currently has 8,399 followers, which warns and informs in the same way as Leeds Alert. The email addresses, Leeds Alert and the twitter account are publicised on the [Prepare your business for an emergency](#) page on the council's Leeds.gov website.

45. The Resilience and Emergencies Team have a "24/7/365" on call rota so that they can receive phone calls (via the LCC Contact Centre) about emergencies at any time.

46. Training: Risk Management

47. Risk Management training, tailored to suit the needs of the service requesting it. The scope of the training usually includes what risk is, the benefits of risk management, how to identify and assess risks, options for treating risks, how to develop and maintain a risk register and risk reporting arrangements. One to one training sessions are also available on how to use the Risk Management System to administer corporate and directorate risks.

48. During the past year, risk management training has notably been provided to the Internal Audit Service and to the Corporate Governance and Audit Committee.

49. Risk management workshops continue to be offered to council services. The objectives of the workshops generally involve the identification, assessment and treatment options for risks facing a service, project or business initiative. Workshops usually incorporate an element of refresher risk management training.

50. The Risk Management Strategy recognises the importance for elected members and staff develop a knowledge and general understanding of risk management. Risk management training can also be combined with Emergency Planning, Business Continuity Management and the Best City Ambition.

51. Training: Emergency Planning and Business Continuity Management

52. Following the Resilience and Emergencies Microsoft Teams site going live in December 2021, training was offered to the site users by way of 17 virtually delivered sessions. In January 2022 a further 8 sessions were delivered to advise how members access the Resilience Direct back-up site. The Resilience and Emergencies Team are currently carrying out call-out testing and offering refresher training on how to use the Resilience and Emergencies Teams site. This refresher training is scheduled to be delivered via a series of five sessions scheduled for the week commencing 12th December 2022.

53. **Emergency Planning** training focuses on how to use the Resilience and Emergencies Microsoft Teams site to effectively manage an emergency incident.

54. **Business Continuity Management** training includes the reasons for undertaking business continuity management, the purpose of business continuity plans and how to produce one. During 2022, this type of training has been provided to the council's Contact Centre, Environmental Services and Adult Social Care Integrated Commissioning. Training is also available on how to use the Resilience and Emergencies Microsoft Teams site to upload and update Business Continuity Plans.

55. Business continuity training can take the form of one-to-one assistance or workshop style events to support the completion of business continuity plans. During 2022, assistance and training continued to focus on completing the updated Business Continuity Plan template, introduced at the end of 2021

56. Training is available to facilitate short desk top based exercises to test both the business continuity plans and staff in a range of disruptive scenarios. Such exercises help with staff familiarisation of the plan's content. The outcomes from exercises informs the future update and development of the business continuity plans. During 2022, desk top exercises have been conducted with the council's Housing Service and the Contact Centre.

57. Plan exercises

58. The Local Resilience Forum (see point 65 below) leads on, and facilitates, a comprehensive exercise programme to test the various plans and arrangements to deal with disruptive incidents and emergencies. Following the lifting of Covid restrictions earlier in 2022, these "in person" exercises recommenced, with representatives from Leeds City Council taking part in the following:

- Exercise LEMUR (19 May): The impacts of a national power outage
- Exercise Bloodbeat (7 June): A Counter Terrorism Policing North East Strategic event, focussing on consequence management post terrorist attack
- Exercise Aestus Rose (29 June): Service actions following a heatwave warning and prolonged periods of extreme heat
- Exercise LARGO (30 June): The impacts of a terrorist event at a railway station
- Gold Symposium (13 July): A strategic level event offering professional development with the focus on operational response and recovery
- Strategic Exercise (29 September): The impacts of a Marauding Terrorist Attack

59. Learning from these exercises is documented and reflected in the work of the Local Resilience Forum and feeds into the council's risk and resilience arrangements and plans.

60. Leadership

61. The Risk Management Policy is endorsed by both the Leader of the Council and the Chief Executive, demonstrating the 'tone from the top' about the important role that risk management plays within the council. The joint Emergency Planning and Business Continuity Management Policy currently in development (see Review and Refine section below) intends to have the same endorsement.

62. As detailed in the roles and responsibilities section of this report, members of Executive Board and the Corporate Leadership Team receive risk management reports during the year, and they can request updates on specific risk and resilience matters from the Strategy and Improvement Service or relevant directorate leads. In Spring 2023, all Executive Board Members were offered the opportunity to have a one to one briefing with the Intelligence and Policy Manager on the corporate risks, prior to the finalisation of the Annual Corporate Risk Report.

Effectively Embed

63. Stakeholder engagement

64. Key internal risk and resilience stakeholders have been identified (see roles and responsibilities table at point 30 above) and are recorded across in a series of documents and reports:

Risk Management	Risk Management Policy and Strategy Corporate and directorate risk records maintained on the Risk Management SharePoint site Risk registers reported to Directorate Leadership Teams and CLT The Annual Corporate Risk Report to Executive Board
Emergency Planning and Business Continuity Management	Emergency Planning and Business Continuity Management Policy and Strategy Incident Response Plans Business Continuity Plans

65. Stakeholder engagement is via a range of methods that demonstrate both a 'top-down' and 'bottom-up' approach:

66. External stakeholders are mainly those who attend the Local Resilience Forum, West Yorkshire Prepared, which has responsibility for co-ordinating the actions and arrangements between responding services to prepare for and respond to civil emergencies when they occur. Stakeholders include representatives from West Yorkshire local authorities, West Yorkshire Police, Fire and Rescue Service, Yorkshire Ambulance Service, the British Transport Police, the military, Utilities and Health partners. At strategic level, Leeds City Council is represented by the Chief Officer for Strategy and Improvement (whose remit includes risk and resilience) and at operational level by

members of the Resilience and Emergencies Team and the Intelligence and Policy Manager. The Local Resilience Forum meetings take place quarterly supplemented by regular exercises to test the plans.

67. Other external stakeholders include members of the public and businesses, with which the council has a duty to warn and inform of ongoing or expected incidents (see point in 44 Clearly Communicate above).

68. At the start of the quarterly internal risk and resilience report cycle, meetings take place between the staff with responsibility for administering the risk updates across all council directorates. The agenda for these meetings covers any issues arising from the risk management process, horizon scanning of risk topics in the news, and sharing best practice on how risks are administered and reported. The scope of the meetings is to be expanded to include a representative of the Resilience and Emergencies Team so that items relating to emergency planning and preparedness can be discussed and reflected in the reports.

69. The stakeholders are regularly reviewed and updated to keep track of changes due to staff turnover. Additionally, the Resilience and Emergencies Teams site includes functionality to inform the site owners of any changes to the owners and key contacts for the plans i.e. new starters and leavers.

70. Regular meetings take place between the Intelligence and Policy Manager and the Head of Internal Audit to share information on:

- Emerging themes from Internal Audit reviews and reports regarding control weaknesses / failures and risks arising
- Feedback to Internal Audit on any new risks/risk areas identified and any changes to existing risks
- Specific risk and resilience work carried out, including risk workshops, plan exercises and training delivered

71. Meetings take place (usually weekly) between the Resilience and Emergencies Team Manager and the Intelligence and Policy Manager to review and discuss work including:

- Organisational resilience preparedness
- Items to include in the routine risk and resilience reports to directorates, committees and boards
- Exercising and testing the organisations plans
- Consideration of information cascaded to the council e.g. updates to the National Risk Register

72. Directorate Management and service team meetings provide the main opportunities to discuss risk and resilience aspects relevant to their areas such as new and emerging threats, feedback from the Local Resilience Forum, consideration of lessons learned from exercises and the external and internal testing of incident response and business continuity plans. Recent examples of this engagement include reflecting on the National Heatwave Emergency and Operation London Bridge[9].

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[9] Operation London Bridge was the funeral plan for Queen Elizabeth II. The plan included the announcement of her death, the period of official mourning, and the details of her state funeral.

73. The Intelligence and Policy Manager is a member of professional bodies: the <u>Institute of Risk Management</u> and <u>ALARM</u>[10], both of which include risk and resilience within their remit. Through actively participating in Continuing Professional Development, such as attending seminars and conferences hosted by ALARM, the Intelligence and Policy Manager can keep informed of developments in risk and resilience matters.

74. <u>Clear systems and processes in place</u>

75. Systems for risk and resilience are well established across the council, supported by reporting timetables, and are very much "business as usual" within services. Details of the timetables are made available to staff via the Resilience and Emergencies Teams site.

76. Risk updates are administered via the Risk Management System SharePoint site (see point 20 in Define and Document), with each individual corporate and directorate risk having its own document on the site. Key contacts are required to update the risks with progress comments and any changes to the risk details e.g. ownership, rating, controls and actions. Following the adoption of the Best City Ambition earlier in 2022, the risks were reviewed to ensure they remain properly aligned to corporate objectives.

77. The Incident Response Plan and specific Emergency Plans on the council's Resilience and Emergencies Microsoft Teams site is maintained by the Resilience and Emergencies Team with assistance from Directorate Governance Managers. The teams site has a 'notification alert' button, that members can use to advise of contact number or personnel changes that need to be reflected in the plans. Changes are required to be reflected in the system within 48 business hours of notification.

78. Gathering and reporting risk and resilience information is a key function of the Resilience and Emergencies Team and the Intelligence and Policy Service, and this is reflected in the workplans for the services and those of individual members of staff. Although these systems and procedures are considered to be fit for purpose, they are not static and can be adapted as needed according to changing circumstances.

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[10] ALARM is a risk management organisation that develops industry leading best practice for those managing risk and insurance

Meaningfully Monitor

79. General

80. The need to monitor and update risks and plans is a key part of the Risk and Resilience Process, illustrated in the following two diagrams for Risk Management and Emergency Management:
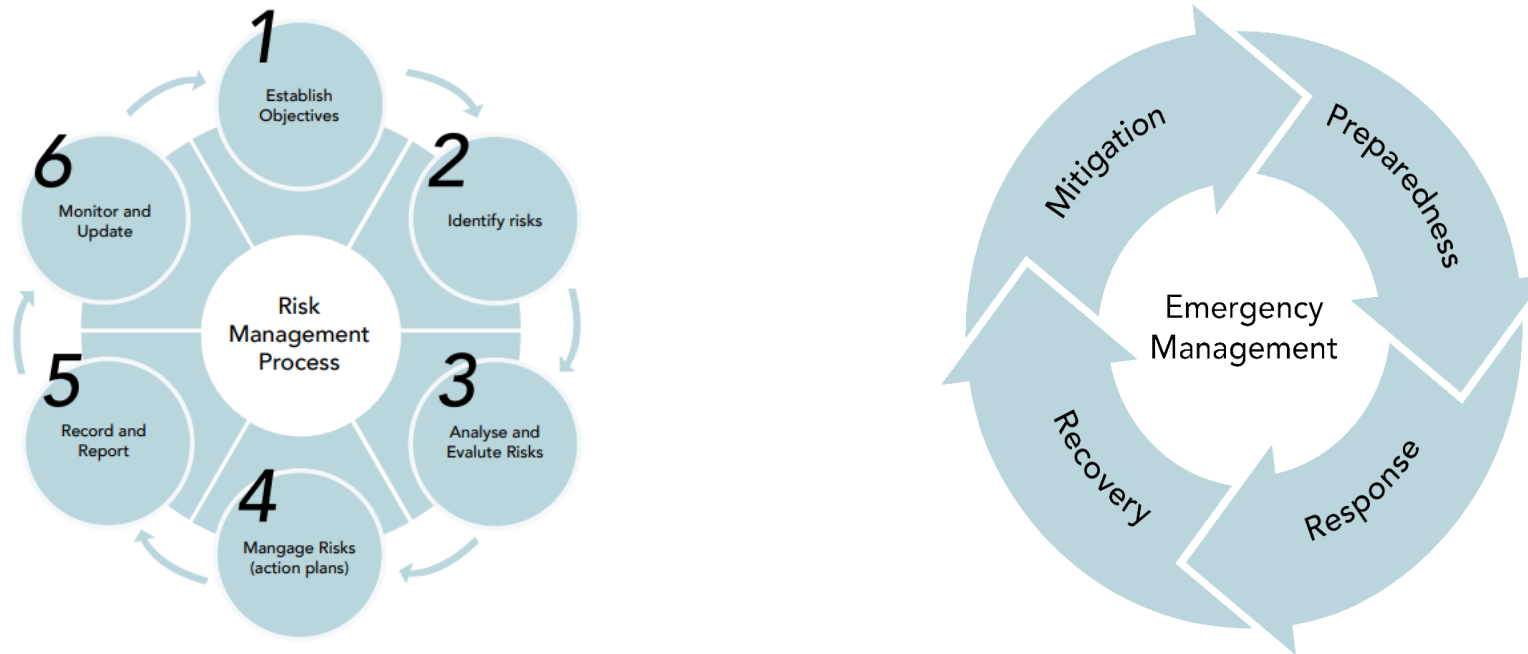
81. Emergency planning and Business Continuity Management are aligned and linked into the Risk Management process seen above, specifically how risks and threats of a resilience nature are identified, assessed, managed and reported.

82. Routine reporting takes place on risk and resilience matters as follows:

- Corporate and directorate risks are reported to Directorate Management Teams and CLT

- Joint Emergency Planning and Business Continuity Reports are reported to each Directorate Management Team at the same meeting as the risks are reviewed.

- During 2022, a 'Risk and Resilience' report covering the three areas of risk, emergency planning and business continuity management was piloted with the Children and Families Directorate. The format for this joined up report is being rolled out across

the other council directorates to replace the risk reports as it presents a comprehensive picture of risk and resilience matters and avoids duplication

83. Corporate and directorate risks are reviewed quarterly by the key contacts and risk owners to ensure the risks are kept 'live' and they promptly reflect the controls and actions taken to mitigate or manage them. Intelligence and Policy staff check the details for each risk on the Risk Management SharePoint site to confirm whether they have been reviewed and updated that quarter and follow up any that have no evidence of being updated. The risks are reported in the first instance to the relevant directorate management teams. Corporate risks are reported to Corporate Leadership Team for collective review and discussion.

84. Members of Intelligence and Policy Manager and Resilience and Emergencies Teams attend meetings to present the reports and answer questions on their content.

85. Representatives from the Resilience and Emergencies Team and Intelligence and Policy attend Service Management Teams to discuss operational risk and resilience matters e.g., training requirements, business continuity plan updates, incident feedback and the testing and exercising of plans.

86. 'Being open, honest and trusted' is one of the Council Values and this includes the reporting and constructive discussion of risk and resilience at all levels. Decisions are required to be made with proper consideration of risks, including:

- potential new risks and threats identified are raised and reported to the relevant level for consideration

- when risks are increasing in significance, or showing other early warning indicators, they are escalated to the correct level to enable decisions about how to manage/mitigate them to be made

- lessons learned from significant control failures and 'near misses' are identified and discussed

- services and directorates are able to raise matters about areas where improvement is required and report the actions being taken so that a collective discussion can take place to identify any further solutions

87. The standard to which the council aligns development of business continuity is BS EN ISO 22301: 2019 'Business Continuity Management Systems Requirements'. The standard specifies the structure and requirements for implementing and maintaining a business continuity management system. The standard (paragraph 9.1) 'Monitoring, Measurement, Analysis and Evaluation' sets out guidelines to assist organisations.

88. An annual review process of the critical service business continuity plans is coordinated by Intelligence and Policy Service and supported by the Directorate Management Teams. Key contacts are reminded to review and update their plans at least annually, with details of any changes e.g. to the roles and responsibilities, contact details and amendments to how the service would deal with the different types of disruptive incidents.

89. <u>Risks identified and mitigated</u>

90. The council's Corporate Risk Register contains a range of strategic, cross-cutting risks including a number linked to emergency planning and business continuity management: 'City Resilience', 'Council Resilience', 'Major cyber-incident' and 'Major Flooding'. The details in the Risk Management System include existing controls in place to mitigate against the risks and any further actions required. It is noted that the corporate risks include those of a non-resilience nature.

91. New risks are identified from a variety of internal and external sources including Directorate Management Team meetings, Corporate Leadership Team, from conversations with services, through horizon scanning, and via the Local Resilience Forum. Arrangements are in place for the Contact Centre to act as a barometer for the problems the public is experiencing with council services, and feedback and escalation processes have been established so risks that are identified through this channel are appropriately captured and mitigated.

92. The work of Local Resilience Forum informs the review and update of the council's corporate risks on City Resilience and Council Resilience, derived from the National Security Risk Assessment and the Community Risk Register (point 20 in Define and Document). The Community Risk Register forms the basis of multi-agency emergency planning, with each risk in the register having its own risk assessment. The risks contained within the register used to inform development of directorate response and recovery capabilities and development of business continuity plans.

93. The guidance and template for council Committee and Executive Board reports for decision making was reviewed and updated earlier in 2022. The new template maintained the requirement for report authors to detail the key risks relevant to their report and how they are proposed to be managed. The Intelligence and Policy Service has the opportunity to review these reports at draft stage, providing feedback to the authors on the risk information.

94. Through membership of the Institute of Risk Management and ALARM, the Intelligence and Policy Manager is able to attend seminars and networking events at which new and emerging risks are discussed.

95. Development of the business continuity plans considers risk, identifying the threats and hazards that might impact a critical service or function and the arrangements to avoid, mitigate and recover should such risks occur.

96. Additionally, every quarter the Local Resilience Forum requests all partner organisations submit their top three resilience risks, with the results of the submissions fed back for information, circulation and action.

97. <u>Escalation process in place and used appropriately</u>

98. The internal reporting process outlined in the Risk Policy and Strategy facilitates the raising and discussion of new and emerging risks and threats at service and directorate management teams and encourages the escalation of risks to a higher-level risk register where necessary. All Directors have the opportunity to raise prospective risks to Corporate Leadership Team at any time and through routine

quarterly risk reporting. The quarterly risk reports include a prompt asking whether there are any new risks to add and whether any existing risks need to be changed.

99. CLT has the final approval for any new risks proposed for escalation onto the Corporate Risk Register. Should a risk or threat of an urgent nature arise, this can be escalated immediately to the relevant Directorate Management Team and the Corporate Leadership Team for discussion and action as required.

100. The Local Resilience Forum provides an opportunity to escalate, communicate and discuss resilience risks and threats of a regional nature. An example of a risk currently being reviewed by the Local Resilience Forum is the threat of a national power outage.

101. Benchmarking

102. In 2021, a review was undertaken comparing the risks on the council's corporate risk register to those of the other UK Core Cities. The review was useful in that it confirmed the similar nature of the corporate risks on the registers, but also identified differences in the way similar risks are described. A similar benchmarking review is planned for 2023.

103. The opportunity to identify and share incidents of note, lessons learned and good practice between the other West Yorkshire Local Authorities and other partner organisations is facilitated via the Local Resilience Forum.

Review and Refine

104. Legislation and Guidance

105. The council's risk management arrangements support the authority's compliance with the statutory requirement under the Accounts & Audit Regulations 2015 to have 'a sound system of internal control which facilitates the effective exercise of that body's functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and which includes arrangements for the management of risk.'.

106. The Civil Contingencies Act 2004 recently underwent a post implementation review (2022). The findings found that whilst the principles in The Act remain broadly effective, two main recommendations were made; to enhance accountability for multi-agency preparedness activities and to update the statutory and non-statutory UK guidance that accompanies The Act. The Resilience and Emergencies Team await further guidance and will make changes, where required, once published.

107. <u>Survey of Internal Control</u>

108. In May 2022, the council undertook its annual Survey of Internal Control[11] to provide first line assurance in relation to all key systems of internal control by seeking an assessment from operational managers as to whether the arrangements underpinning the Corporate Governance Code and Framework are working as intended.

109. The Survey included questions relating to the council's Risk Management Policy and approach and Business Continuity Management, including arrangements:

- to identify and record new and emerging risks,

- to develop and review the control assessment for each risk, and

- to report, manage, and where necessary escalate, significant risks

- to develop Business Continuity Plans for the service

- for monitoring, testing and review of business continuity plans.

110. The results, which are set out in the tables below, are summarised as:

- Risk Management results were generally positive; 71% of respondents considered the arrangements to be 'well embedded' and 27% 'fairly embedded'.

- Business Continuity Management results: overall 57% of respondents considered the arrangements to be 'well embedded'; 34% 'fairly embedded'; 2% 'not embedded' and 7% 'don't know'.

111. For both Risk Management and Business Continuity, the results for the Children and Families and City Development Directorates were less favourable than other directorates with higher percentages of 'fairly embedded' than 'well embedded'. In the case of City Development's business continuity management, the result was 22% (6 respondents) for 'don't know'.

112. Comments received from respondents in relation to the Business Continuity results raised issues including the need to test business continuity plans and the impact of reduced staffing resources [on the ability to embed business continuity management]. One respondent commented that not everyone has an involvement in Business Continuity Management (it is noted that there was no 'n/a' option for answers to the survey questions) and this may account for the 'don't know'' result of 7%.

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[11] A smart survey conducted amongst senior officers to support the review of internal control underpinning the Council's Annual Governance Statement

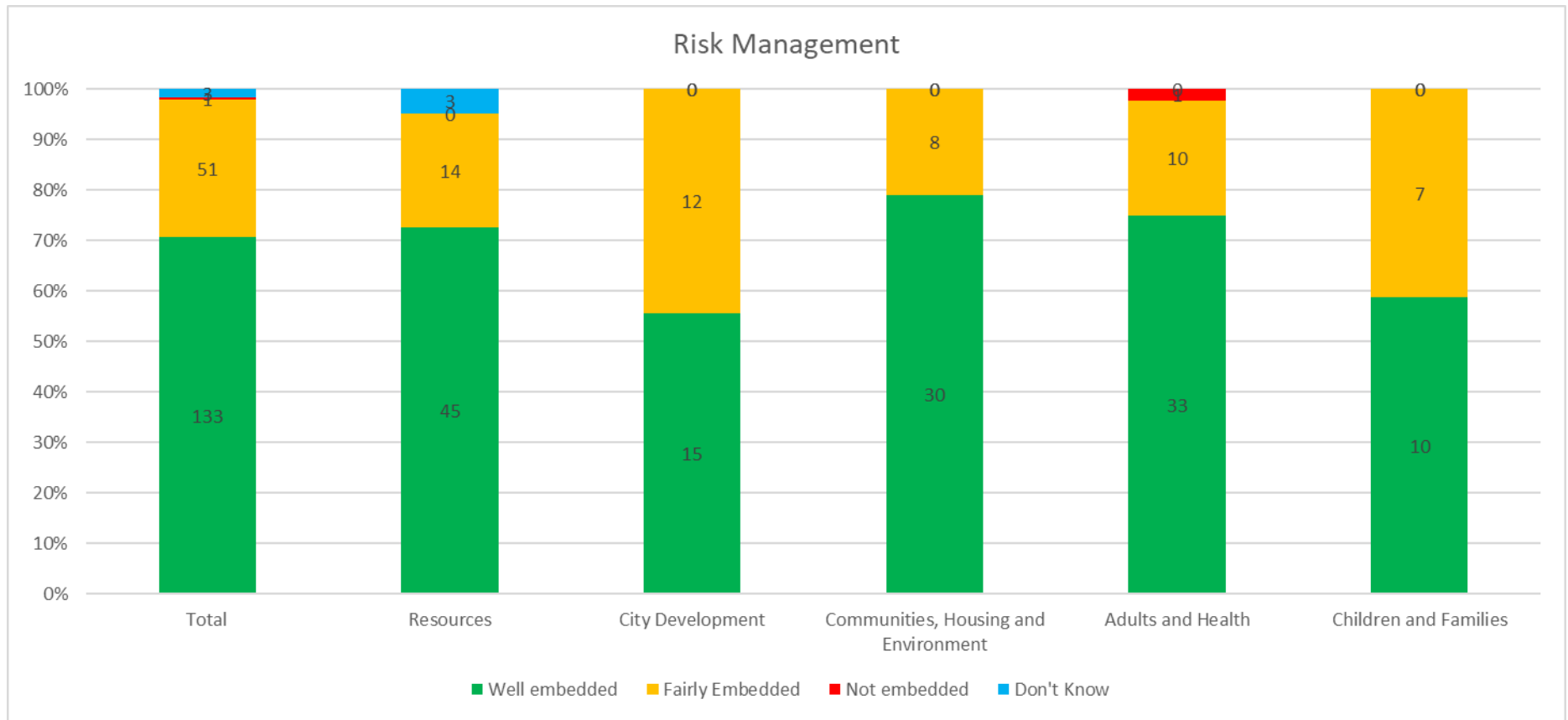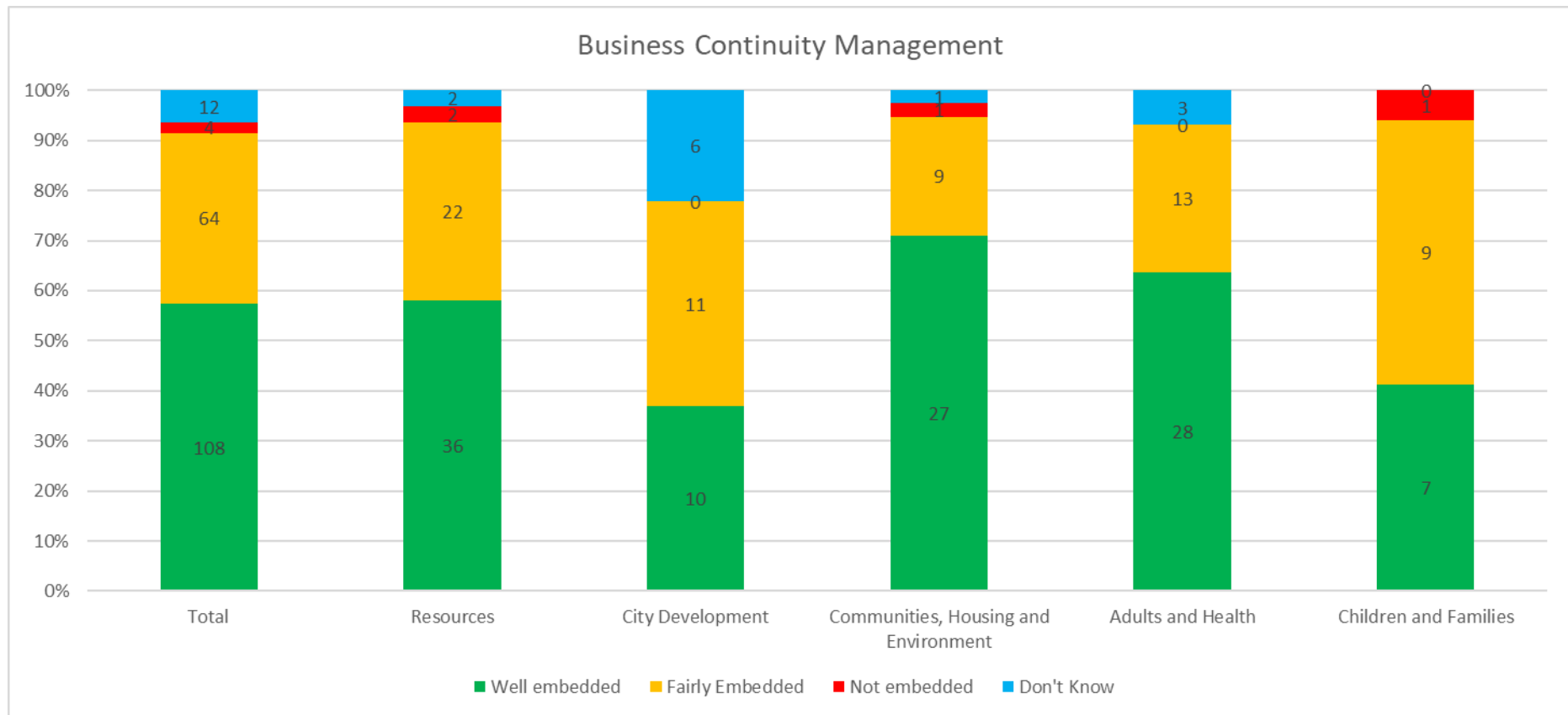Table 1: Risk Management survey results 2022

Table 2: Business Continuity Management survey results 2022

Business Continuity Management

Legend: Well embedded | Fairly Embedded | Not embedded | Don't Know

113. Across all areas. the percentage of 'fairly embedded' and small number of 'not embedded' responses indicate that more needs to be done to promote risk management and business continuity, especially in Children and Families and City Development directorates. The following actions will aim to improve these results:

- the development and promotion of the joint Emergency Planning and Business Continuity Policy and Strategy

- plans to undertake more business continuity plan testing, which will include an element of refresher training

- the completion of a review of Children and Families Directorate Business Continuity Plans, instigated following updates to the scope of many of the plans and changes in the plan owners and key contacts.

114. <u>Up to date and fit for purpose</u>

115. A key work in progress item is the development of a joint Policy and Strategy for **Emergency Planning and Business Continuity Management**, combining and updating the existing documents for the two areas together. As well as refreshing and setting out the council's commitment and approach to Emergency Planning and Business Continuity Management, the Policy and Strategy will provide up to date and proportionate information along with the roles and responsibilities for dealing with, and responding to, emergencies and disruptive incidents. The update will draw on the latest good practice and legislative and regulatory requirements. Work on the combined Policy and Strategy is scheduled for completion in early 2023 and a cross-council publicity campaign will be developed to promote them.

116. Following a change in management, the Local Resilience Forum is currently re-assessing itself against [The National Resilience Standards.](#) These are a set of individual standards intended to establish a consistent and progressive means for Local Resilience Forums and their constituent local responder organisations to self-assure their capabilities and overall level of readiness, and to guide continuous improvement against mandatory requirements, good and leading practice.

117. A public consultation led by Central Government on the [Protect Duty](#)[12] was undertaken in 2021. The [consultation outcome](#) includes an indication of changes to Protect Duty responsibilities including those of local authorities. To manage the changes in Protect Duty arising from the consultation, the council has established a Protect and Prepare Operational group (chaired by the Chief Officer, Safer Stronger Communities), and a Protect and Prepare Tactical group (chaired by the Community Safety Manager). Both these forums are tasked with ensuring that the council has measures in place to mitigate against terrorist incidents in Leeds.

118. There is a need to undertake more testing exercises on the business continuity plans to see how effective they would be in the event of a disruptive incident. The training of additional Strategy and Improvement staff in business continuity management will include how to arrange and facilitate testing the plans.

119. Work is in progress to include questions on the council "movers and leavers" forms to include details of changes to key contacts for the emergency and business continuity plans. This is an important control in case movers and leavers forget to notify the Resilience and use the notification alert.

120. Resurrect the Business Continuity training offer with external organisations and republicise this via Leeds.gov and other networks such as the Local Resilience Forum.

121. The council's Internal Audit Service are currently finalising a review of the Business Continuity Management arrangements. Any recommendations from the review will be actioned at the earliest opportunity.

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[12] Protect Duty comes in the wake of a number of terrorist attacks in public spaces across the UK – most notably, the Manchester Arena bombing. The purpose of Protect Duty is to improve security in public spaces, protecting and enhancing the safety of both visitors and staff.

122. Since the implementation of the Health and Social Care Act (2013) the Resilience and Emergencies Team has worked together with Public Health Teams to ensure that any public health aspects of an incident are included within relevant plans so that they can be responded to effectively. Following disruption caused by the pandemic, work is underway to build back resilience, re-engage with teams and re-embed Emergency Planning in all Public Health aspects of the council's business. The Resilience and Emergencies Team Manager has taken on officer responsibility to attend the Health Protection Board and other health forums. An exercise is underway to recruit a Project Support Officer with Public Health emergency planning responsibilities to replace a member of staff who left during the pandemic.

123. <u>Lessons Learnt</u>

124. A key aspect of risk and resilience is learning lessons from disruptive incidents, both those that impacted on Leeds and also other councils and organisations. The aims of lessons learned exercises are to improve our best practice by looking at aspects of response and recovery that that went well and those where improvements can be made. In recent times, lessons learned have bene undertaken on:

- The National Heatwave - summer 2022

- Operation London Bridge – the response to the death of HM Queen Elizabeth II (autumn 2022)

- Flooding

125. In the case of lessons learned from severe weather incidents and climate change, a council wide risk and resilience workshop has been scheduled for early December 2022. The workshop will provide the opportunity to:

- Reflect on how these risks and impacts on critical services will differ as Leeds' climate changes, based on 2C and 4C warming scenarios.

- To make critical services aware of existing severe weather plans and their role within them.

- To provide a controlled environment for a review of critical service's planned responses to disruptive severe weather events.

- To consider any medium-long term actions to reduce the vulnerability and exposure of critical services to disruptive severe flooding and heatwave events.

- To provide assurance to corporate leadership that the present (and future) impacts of severe weather events on service delivery is being mitigated, following the recommendations of the councils Climate Adaptation Plan.

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Appendix 2: Accountability and democratic oversight of the corporate risks

The corporate risk register continues to house those risks of significant, cross-cutting importance that require the attention of the council's most senior managers and elected members. Each of the corporate risks has named risk owners - a lead portfolio member and a member of the Corporate Leadership Team - who are jointly accountable for their management. The Executive Board as a whole retains ultimate responsibility.

The nature of risks is that they come and go as the environment changes. However, there are a set of 'standing' corporate risks that will most likely always face the council, as seen in the following table along with details of their risk ownership:

Risk	Accountability - Director	Accountability – Executive Member
Safeguarding children	Julie Longworth, Director of Children and Families	Cllr F Venner: Executive Member for Children, Families and Adult Social Care
Safeguarding adults	Cath Roff, Director of Adults and Health	Cllr F Venner: Executive Member for Children, Families and Adult Social Care
Health & Safety	Neil Evans, Director of Resources	Cllr J Lewis: Leader of Council and Executive Member for Resources
City resilience	Neil Evans, Director of Resources	Cllr J Lewis: Leader of Council and Executive Member for Resources
Council resilience	Neil Evans, Director of Resources	Cllr J Lewis: Leader of Council and Executive Member for Resources
In-year budget	Neil Evans, Director of Resources	Cllr J Lewis: Leader of Council and Executive Member for Resources
Medium-term financial position	Neil Evans, Director of Resources	Cllr J Lewis: Leader of Council and Executive Member for Resources
Information management	Neil Evans, Director of Resources	Cllr J Lewis: Leader of Council and Executive Member for Resources
Climate change	Neil Evans, Director of Resources	Cllr H Hayden: Executive Member for Climate Change, Transport and Sustainable Development

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Corporate Governance and Audit Committee Work Programme 2022-23

Date: 28th November 2022

Report of: Chief Officer Financial Services

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in?   ☐ Yes ☒ No

Does the report contain confidential or exempt information?   ☐ Yes ☒ No

Brief summary

This report presents the work programme for the Corporate Governance and Audit Committee, setting out future business for the Committee's agenda, together with details of when items will be presented

Development and regular review of the work programme enables the Committee to manage the business appropriately in line with the risks currently facing the Council.

Recommendations

a) Members are requested to consider and approve the work programme and meeting dates at Appendix A.

What is this report about?

1 This report presents the work programme for the Corporate Governance and Audit Committee.

What impact will this proposal have?

2 The work undertaken by the committee throughout the year will support the understanding of the internal control and risk environment and support the committee's approval of the statutory Statement of Accounts and Annual Governance Statement (the AGS).

How does this proposal impact the three pillars of the Best City Ambition?

☒ Health and Wellbeing   ☒ Inclusive Growth   ☒ Zero Carbon

3 The work undertaken by the committee will provide assurance that arrangements for internal control support the delivery of the council's strategic objectives.

4   Following consultation with the Chair of Committee the item providing assurance in relation to the Integrated Digital Service has been deferred to the February meeting.

5   Following a review of the assurance provided by the items on the work programme it is noted that the Annual Assurance Report on Customer Contact and Satisfaction represents duplication of assurance on two grounds:

- Firstly, there is assurance to the committee that the customer contact arrangements are part of our performance and risk arrangements in providing a feedback loop ; and
- Secondly that performance issues in relation to the contact centre itself are within the terms of reference of the Scrutiny board (Strategy and Resources). Any concerns in relation to performance of the contact centre that arise through consideration of the risk or performance assurance reports can be referred to the Scrutiny Board as happened recently in respect of call waiting times.

6   Following discussion with the Chair of the Committee and the Director of Resources this item has therefore been removed from the work programme.

What consultation and engagement has taken place?

Wards affected:
Have ward members been consulted?   ☐ Yes   ☒ No

7   The Work programme was approved by the Committee at its meeting in March 2022 and is presented at each meeting for the committee to consider and amend as appropriate.

What are the resource implications?

8   The work undertaken by the committee will provide assurance as to the appropriate use of resources to deliver the council's strategic objectives.

What are the key risks and how are they being managed?

9   The work undertaken by the committee will provide assurance that there are arrangements in place for the management of risk which are appropriate, proportionate, monitored and effective.

What are the legal implications?

10 S151 Local Government Act 1972 requires local authorities to "make arrangements for the proper administration of its financial affairs". The Accounts and Audit (England) Regulations 2015 provide that the local authority is responsible for ensuring "a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk".

11 The work undertaken by the committee enables it to advise Council (the body charged with governance) that arrangements in place are up to date, fit for purpose, communicated and embedded, monitored and routinely complied with.

Options, timescales and measuring success

What other options were considered?

12 Members are invited to recommend the inclusion of further business in the work programme as necessary.

How will success be measured?

13 The Committee will provide an annual report to Council detailing how the committee has discharged its responsibilities.

What is the timetable and who will be responsible for implementation?

14 As set out at Appendix A

Appendices

- Appendix A – Work Programme of Corporate Governance and Audit Committee 2022/23

Background papers

- None

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CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME FOR 2022-23

The schedule of meetings set out below is proposed but the committee reserve the right to review and amend the work programme content and meeting dates throughout the year.

Date		Work Item
24th **June** 2022	1	Internal Audit update report
	2	Counter Fraud and Corruption update report
	3	Annual assurance report on decision making
	4	Governance arrangements for implementation of Best City Ambition and review of strategic framework
	5	Draft annual report 2021/22 of CGAC to Council
29th **July** 2022	1	Annual assurance report on procurement policies and practices
	2	Interim Annual Governance Statement
	3	Draft statement of accounts 2021/22
3rd **October** 2022	1	Internal Audit update report
	2	Annual assurance report on planning regulation and enforcement arrangements
	3	Internal Audit annual report and opinion (including assurance in respect of RIPA)
	4	Final statement of accounts 2020/21 and updated Audit Findings Report
	5	Receipt of External Auditor's Annual Report for 2020/21 setting out findings of Value for Money Review
	6	Approval of Annual Governance Statement 2021/22
	7	Receipt of External Auditor's Audit Plan for 2021/22
	8	Informing the Audit Risk Assessment
28th **November** 2022	1	Annual report on financial planning and management arrangements (to include Treasury Management)
	2	Counter Fraud and Corruption update report
	3	Annual assurance report on corporate performance management arrangements
	4	Annual assurance report on corporate risk and resilience arrangements
	5	Final Statement of Accounts 2020-2021 and updated Audit Findings Report
6th **February** 2023	1	Joint annual report on information governance from Data Protection Officer and Caldicott Guardian
	2	Update report on Information and Digital Services Governance
	3	Internal Audit update report
	4	Final statement of accounts 2021/22 and updated Audit Findings Report
	5	Receipt of External Auditor's Annual Report for 2021/22 setting out findings of Value for Money Review
	6	Annual assurance report on employment policies and procedures and employee conduct
20th **March** 2023	1	Receipt of Internal Audit Plan
	3	Assurance report on estate management arrangements
	4	Proposed Work Programme

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