



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Monday, 27th November, 2023
at 10.30 am

MEMBERSHIP

Councillors

G Almass	C Hart-Brooke	S Firth
J Dowson		M Robinson
H Bithell		
M France-Mir (Chair)		
J Heselwood		
P Wray		

Independent Member

L Wild

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**Agenda compiled by:
Governance Services
Civic Hall**

Debbie Oldham

A G E N D A

Item No	Ward	Item Not Open		Page No
1			<p>APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</p> <p>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).</p> <p>(*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)</p>	
2			<p>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC</p> <p>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.</p> <p>2 To consider whether or not to accept the officers recommendation in respect of the above information.</p> <p>3 If so, to formally pass the following resolution:-</p> <p>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:-</p>	

Item No	Ward	Item Not Open		Page No
3			<p>LATE ITEMS</p> <p>To identify items which have been admitted to the agenda by the Chair for consideration</p> <p>(The special circumstances shall be specified in the minutes)</p>	
4			<p>DECLARATION OF INTERESTS</p> <p>To disclose or draw attention to any interests in accordance with Leeds City Council's 'Councillor Code of Conduct'.</p>	
5			<p>APOLOGIES FOR ABSENCE</p>	
6			<p>MINUTES OF THE PREVIOUS MEETING- 25TH SEPTEMBER 2023</p> <p>To receive the minutes of the previous meeting held on 25th September 2023 for approval as a correct record.</p>	7 - 14
7			<p>MATTERS ARISING FROM THE MINUTES</p>	
8			<p>PROCUREMENT ASSURANCE REPORT 2022-23</p> <p>This is the annual report of the Head of Procurement and Commercial Services to the Committee, concerning the Council's procurement function, and provides assurances that the Council's arrangements are up to date, fit for purpose, effectively communicated and routinely complied with. The Committee is asked to consider the ongoing work to review and refine the Council's "procure to payment" processes as part of the Core Business Transformation Programme (the P2P Review) in order maintain effective procurement support and practices, including appropriate training and guidance, and efficient systems and processes.</p>	15 - 30

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9			<p>ANNUAL ASSURANCE REPORT ON CORPORATE PERFORMANCE MANAGEMENT ARRANGEMENTS</p> <p>The annual report of the Director of Strategy and Resources presents assurances to the Corporate Governance & Audit Committee on the effectiveness of the council's corporate performance management arrangements.</p>	31 - 50
10			<p>ANNUAL ASSURANCE REPORT ON RISK AND RESILIENCE ARRANGEMENTS</p> <p>The report of the Director of Strategy and 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.</p>	51 - 88
11			<p>ANNUAL ASSURANCE REPORT ON FINANCIAL AND TREASURY MANAGEMENT</p> <p>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 2022 to October 2023.</p>	89 - 128
12			<p>GRANT THORNTON RECEIPT OF EXTERNAL AUDITORS ICT REPORT</p> <p>The report of the Chief Finance Officer presents Grant Thornton's IT Audit Report for the 2022/23 financial year, which is attached as Appendix 1. The IT Audit Report is undertaken in support of the audit of the financial statements, and covers the control environment for the Council's main financial systems.</p>	129 - 148

Item No	Ward	Item Not Open		Page No
13			<p>CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME 2023-24</p> <p>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.</p>	149 - 154
14			<p>DATE AND TIME OF NEXT MEETING</p> <p>To note the next meeting of the Corporate Governance and Audit Committee will be on Monday 5th February 2024 at 10.30am</p>	

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.
- 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.

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Corporate Governance and Audit Committee

Monday, 25th September, 2023

PRESENT:	Councillor M France-Mir in the Chair Councillors G Almass, J Dowson, H Bithell, C Hart-Brooke, T Smith, P Wray and S Firth
INDEPENDENT MEMBER:	L Wild

28 Appeals Against Refusal of Inspection of Documents

There were no appeals against refusal of inspection of documents.

29 Exempt Information - Possible Exclusion of the Press and Public

There were no exempt items.

30 Late Items

There were no late items.

31 Declaration of Interests

No declarations of interest were made at the meeting.

32 Apologies for Absence

Apologies for absence were received on behalf of Cllr Heselwood and the Chief Officer Financial Services.

33 Minutes of the Previous Meeting - 24th July 2023

RESOLVED – That the minutes of the meeting held on 24th July 2023, be approved as a correct record.

34 Matters Arising From The Minutes

In response to a request from the Committee that an officer attend from IDS. Andrew Byrom was in attendance and would attend Committee when his calendar allowed.

Cllr Flynn at the last meeting had raised an issue on the effects of cost of living on service users in the Adults and Social Care Service. He had been

Draft minutes to be approved at the meeting
to be held on Monday, 27th November, 2023

forwarded a report which was presented to Scrutiny the day after Committee. He had advised that he would take his comments to the Chair of the relevant Scrutiny Board.

At the March 2023 Committee, the Committee had requested that the privileged user access list be presented to the Chair. It was noted that this had been sent to all Committee Members on the 1st September.

35 Annual assurance report on planning decision making and enforcement arrangements

The report of the Chief Planning Officer presented the Council's arrangements for dealing with and determining planning and enforcement matters. The Chief Planning Officer has responsibility to ensure that arrangements are up to date, fit for purpose, effectively communicated, routinely complied with and monitored and has internal arrangements in place to provide assurance in the decision-making process and to mitigate any potential risk of challenge on the grounds of partiality or bias.

Members were informed of the following points:

- The report related to the period April 2022 to March 2023.
- The service had faced a number of challenges during the reporting period including backlog issues from the pandemic, budget and resource issues, and system process changes.
- Define and Document sets out the national legislation and requires the Local Planning Authority to prepare plans through planning policies and procedures alongside the Officer's Delegation Scheme and other guidance such as Plans Panels Terms of Reference and Planning Code of Good Practice.
- Training sessions are provided to Members and officers.
- Regular meetings are held to discuss performance and decision making.
- The Service has faced challenges with staff turnover and recruitment.
- An independent service review had been undertaken and the service is currently working on comments received in relation to customer communication, complaints and appeals.
- Monitoring is embedded in the service and benchmarking takes place with core cities and practitioner groups.
- It was noted that the service has seen a reduction in applications in the last six months. However, some of the applications being received do have complex issues.
- The number of complaints to the service had improved.
- Working with colleagues in IDS has seen service improvement for planning services. This included the use of the performance dashboard and a validation checklist.
- The service was still waiting for details of Government changes to planning legislation and policy.

- Information is clearly communicated to staff and MS Teams has been used, so the meetings can be recorded, and lessons learned.

Responding to questions from Members the Chief Planning Officer provided the following information:

- Planning Enforcement is a discretionary service which is highly important. There are a range of measures used, so that proportionate action can be taken. It was noted that more resources were required for enforcement. It was acknowledged that there were costs associated with enforcement action and these needed to be balanced against the risks.
- The Chief Planning Officer gave assurance that the methodology used for enforcement action was consistent and there was guidance on the procedures. The service was working with colleagues in Finance and Legal in relation to any enforcement action. It was noted that a briefing could be provided for Members.
- Members offered to provide examples where in their view inconsistent approaches had caused delays and costs. The Chief Planning Officer said he would review any examples that were sent to him. He said at any one time there was 1,000 cases ranging from modest breaches to significant matters.
- The Committee were advised that the planning comments by a third party were not covered in this report, as it was not part of the same reporting period. The Committee noted that this matter would form part of a report to the relevant Scrutiny Board in 2024.

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

Cllr Firth joined the meeting at 10:55 during this item.

36 Annual Assurance Report on Decision Making

The report of the Chief Officer Financial Services provided one of the sources of assurance as to the effectiveness of the Council's arrangements for internal control which the Committee can consider when considering the approval of the Annual Governance Statement.

The Committee were informed that there had been no significant changes relating to the rules, protocols and formal responsibilities relating to decision-making. Decision making is clearly communicated via the Insite toolkit available to all officers and Members. Work is being undertaken to review the training package available.

The Council has meaningful monitoring of decision making through established key performance indicators. The KPI for decisions being placed on the List of Forthcoming Key Decisions is 95% and during 2022/2023 a KPI of 94% which is an improvement on previous years.

In response to questions from Members the Committee were informed of the following:

- Officers and Councillors receive decision making training and have access to the decision-making toolkit.
- The protocol in relation to Member Officer Relations is currently being reviewed and the comments provided by the Committee would be considered when reviewing the document.
- In relation to referrals of appropriate matters to Executive Board. It was noted that this would be checked, and reasons will be provided to Members.
- It was the view that to mitigate frustration between Members and officers, delegated decisions needed to be clearly defined.
- It was noted that Adults Health Directorate had increased their significant operational decisions, it was noted that there had been an increase in decisions relating to care packages, a review will be undertaken to provide a complete answer, and this will be provided to Members.

RESOLVED – To note the positive assurances set out in the Decision-Making Statement of Internal Control attached as Appendix A of the submitted report.

37 Internal Update Report April - August 2023

The Senior Head of Audit, Corporate Governance and Insurance presented a report providing a source of assurance that the internal control environment is operating as intended through a summary of the Internal Audit activity for the period from April to August 2023.

The Committee were informed of the following points:

- 27 reports had been issued in the reporting period.
- Appendix A provided a summary of the work completed by Internal Audit during the reporting period. Whilst there were some limited assurance opinions, this reinforced the success of Audit planning and the opportunity taken to add value. It was highlighted that Directorates had responded positively to the actions agreed and that follow ups would be made on the recommendations.
- It was the view that the trackers had increased a level of openness, and these were detailed in the table on page 88 of the agenda pack. Members attention was directed to an error in the table in relation to Children and Families. The figure under the 6-12 months in the column marked High should read 0 not 8.
- Appendix B provided a summary on the various activities that provide assurance on the performance and quality of the work undertaken by Internal Audit, along with the continuous improvement of the section. It was noted that the team had performed and adjusted well after the recent restructure.

- The Team have planned assignments as the audit year rolls to the Annual Opinion and there was confidence there was a robust process for prioritising the resources available for audits this year.

In response to questions and comments from Members the following information was provided:

- In relation to the table at 4.4 of Appendix 1 it asked for more information in relation to the opinion given for Special Educational Needs. Members were advised that the controls introduced to address the weaknesses found in previous audits had not had time to be embedded and the opinion in the table related to this.
- Members requested that a 'total column' be included on the table on page 88. This request was noted for future reports.
- It was noted that 2 of the specific audits on schools were recorded as behind on targets as there were access restrictions to the trackers and it was difficult to get progress updates. The Committee were advised that both schools were on the schedule for follow up.
- The team were continually reviewing processes and reflecting on intelligence provided, but this approach was better than had previously.
- In response to a question around Education Health Care Packages, it was noted that Scrutiny was currently engaged in looking at this area and that it is important for that work to run its course.
- It was noted that the Annual Report did used to be in July. However, after Covid the report had been moved to November. Discussions had taken place with partner authorities, and it was not uncommon for the Annual Report to be presented later in the year.
- Members asked if some of the outstanding transformational recommendations were reliant on IT. It was agreed that opportunities will be explored to provide greater information on the themes and root causes behind recommendations not implemented in accordance with the target date.

The Committee's Independent Member wished it to be noted that she thanked Internal Audit on the actions they had taken with the tracking process. It provided the Committee with more information and in some cases that did lead to more questions, but this was an improvement. She said 'well done' to the team.

RESOLVED – To:

- a) receive the Internal Audit Update Report covering the period from April to August 2023 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 relating to the Monitoring of Urgent Decisions covering the period April to August 2023.

38 Approval of Annual Governance Statement 2023

The report of the Chief Officer Financial Services submitted the final Annual Governance Statement and Action Plan for approval by the Committee.

It was noted that the Annual Governance Statement had been placed on public deposit and had raised no comments. The Statement had been endorsed by the Corporate Leadership Team.

The Annual Governance Statement would be published alongside the Statement of Accounts when they were finalised.

Members did make comment on the phrase 'best in breed' which had been used in the diagram on page 122 of the agenda pack. It was noted that the meaning of this would be checked and amended to a more suitable phrase.

The representative from Grant Thornton External Auditors advised the Committee that this was a live document until the accounts had been signed off. It was noted that the accounts should be ready for sign off in March 2024.

RESOLVED - To approve the Annual Governance Statement and Action Plan for 2023 with appropriate amendments, as appended to the submitted report at Appendices A and B.

39 Corporate Governance and Audit Committee Work Programme 2023-24

The Report of the Chief Officer Financial Services presented 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.

The work programme and meeting dates were attached at Appendix A of the submitted report.

It was noted that the report of Grant Thornton External Auditors would be coming to the Committee later in the year, and this would be amended in the work programme.

Members were advised that the report in relation to planning on third party comments pilot would be looked at by the relevant Scrutiny Board. The Chief Planning Officer would be able to update Members on progress through the recurring annual planning report to Committee.

The Members were of the view that the agenda for this Committee had become static. They requested that the Committee focus on key issues that the Members had concerns with. It was noted that officers would take the comments on board for the development of the 2024/25 work programme.

Members acknowledged that there is a review ongoing relating to Special Educational Needs and queried whether a report was going to be received by Committee in relation to this review, Officers advised that following the conclusion of this review should the conclusion of this review result in changes to processes or policies then this will be considered for inclusion in the Committees workplan.

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

40 Date and Time of Next Meeting

RESOLVED – To note that the next meeting of Corporate Governance and Audit Committee will be Monday 27th November 2023, at 10.30am.

The meeting concluded at 11:35am.

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Procurement Assurance Report 2022/23

Date: 27th November 2023

Report of: Head of Procurement and Commercial 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 is the annual report of the Head of Procurement and Commercial Services to the Committee, concerning the Council's procurement function, and provides assurances that the Council's arrangements are up to date, fit for purpose, effectively communicated and routinely complied with.

The Committee is asked to consider the ongoing work to review and refine the Council's "procure to payment" processes as part of the Core Business Transformation Programme (the **P2P Review**) in order maintain effective procurement support and practices, including appropriate training and guidance, and efficient systems and processes.

Recommendations

- a) Consider and note the assurances provided in this report from the review, assessment and on-going monitoring carried out;
- b) Note that the Head of Procurement and Commercial Services has reached the opinion that procurement policies and practices are up to date, fit for purpose, and effectively communicated; and
- c) Note the ongoing P2P Review.

What is this report about?

- 1 This is the annual report to the Committee concerning the Council's procurement function.
- 2 This report provides assurance that the Council's procurement arrangements are up to date, fit for purpose, effectively communicated and routinely complied with.
- 3 Members are asked to consider the ongoing work to review and refine the Council's "procure to payment" processes as part of the Core Business Transformation Programme (the **P2P Review**) in order maintain effective procurement support and practices, including appropriate training and guidance, and efficient systems and processes.

What impact will this proposal have?

- 4 The report provides assurance as to the effectiveness of the Council's procurement arrangements. Detail is included in the Procurement Statement (Appendix A), however note:
 - a) Each Directorate is accountable for the procurements that they need in order to secure the outcomes they are responsible for. The Executive Function of setting, supporting and monitoring policies and procedures for managing procurement, purchasing and contract management is delegated to the Director of Strategy and Resources, with further sub-delegation to the Head of Procurement and Commercial Services. Procurement and Commercial Services is accountable for provision of professional support to complex procurement activity.
 - b) External spend in 2022/23 was £1,121,223,464. While this was a c£65m increase on the preceding year, this increase was as a consequence of external spend which the Council is unable to influence (made up mainly of spend by schools). External spend in 2022/23 which was open to competition was identical to 2021/22, at c£879m.
 - c) The Council's Contract Procedure Rules (**CPRs**) are reviewed annually and changes in 2022/23 included facilitating a more flexible and responsive approach to low value spend where there is urgency or where spend relates to goods for resale by the Council. A more comprehensive refresh is currently underway as part of the broader review of the Council's constitution with a view to simplifying and making them more user friendly. This refresh will also include associated training and guidance, particularly in relation to lower value spend where capacity for PACS to support services is limited.
 - d) Regarding compliance:
 - i. There have been no formal procurement challenges in 2022/23;
 - ii. On-contract spend remains strong and there is general compliance with procurement policies, with on-contract and compliant expenditure standing at 96.03% for the 2022/23 financial year (marginally down from 97.11% in the previous year, but significantly in excess of the sector benchmark of 90%); and
 - iii. The number of waivers of CPRs in 2022/23 was 23 (down from 37 in the previous year).
 - e) The P2P Review continues, with particular focus on improving contract management/developing best contract management practice across the Council, and opportunities to utilise technology to deliver greater efficiency and effectiveness across the whole contract lifecycle (from initial procurement to operation and contract management). An updated action plan has been developed – see Appendix A.

- f) A framework for delivering Social Value in all the Council's procurements has been established for a number of years now and is well embedded in relation to the Council's higher-value procurement activity. Difficulties have been experienced in monitoring and ensuring delivery of Social Value commitments, and therefore steps have been taken to in-source all aspects of Social Value activity (including evaluation of SV proposals and monitoring the delivery of commitments). Expenditure with local suppliers and SME's equated to 63.4% of total expenditure in 2022/23 (63.8% in the previous year).

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

- Health and Wellbeing Inclusive Growth Zero Carbon

- 5 The Council's procurement function ensures that the Council is able to deliver the 3 pillars of the Council's Best City Ambition. The goods, works and services we choose to buy and commission, the suppliers we select, the influential relationships we maintain with those suppliers, and the commercial opportunities we offer can help deliver inclusive growth, improve the health and wellbeing of local people, and support the push toward zero carbon.
- 6 The Procurement Strategy (2019 – 2024) was specifically drafted in response to the Best Council Plan, and dovetails with other relevant strategies such as the Inclusive Growth Strategy. The developing updated Procurement Strategy will similarly respond to the Best City Ambitions.
- 7 Individual procurements support most/all of the Council's priorities and breakthrough projects.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted? Yes No

- 8 The annual report in relation to Social Value was provided to Strategy and Resources Scrutiny Board in February 2023. Amongst other things, the report also updated Strategy and Resources Scrutiny Board as to progress in developing a Council-wide best practice approach to contract management and a general update on the P2P Review.
- 9 The annual CPR review involves wider consultation involving commissioners, Internal Audit and Corporate Governance. Third sector representatives are periodically asked whether any barriers exist to small/third sector organisations, and any comments are fed into the document reviews. Third sector representatives and the People's Commissioning Strategic Group also continue to be consulted in respect of Social Value. The Survey of Internal Control received responses from across the Council in relation to procurement controls.
- 10 The P2P Review has been developed following an LGA facilitated peer-review of the Council's procurement activity, and is the subject of Council-wide consultation as part of the Core Business Transformation Programme. More recently it is informed by market research, particularly in relation to procurement and contract management systems.
- 11 Seeking opportunities for procurement savings is subject of oversight by BCT: Financial Challenge.

What are the resource implications?

- 12 The systems and processes anticipated by the Procurement Strategy (and the documented KPIs) represent an appropriate use of resources and are good value for money. Additionally, the procurement activity supported enables both cashable and non-cashable savings to be made across the contract lifecycle.

- 13 Opportunities to add further value from the Council's procurement activity are currently under consideration.
- 14 Internal resource is currently supplemented by Go4Growth (review of CPRs and related training/guidance) and EY (identification of savings opportunities).

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

- 15 The systems and processes that form part of the Council's procurement framework are currently functioning adequately. One of the directorate risks relates to risk of procurement challenge and (as set out above) there have been no formal challenges to procurement activity in the year to date. Work is continually undertaken to ensure that effective procurement processes, responding to regulatory requirements and best practice developments, are embedded through training and monitoring.
- 16 However, procurement processes for lower value procurements are perceived to be complex and access to useful procurement and spend data to inform decision making requires significant manual intervention. Processes and systems reviews are currently underway as part of the P2P Review to ensure that procurement across the Council is efficient and effective.
- 17 In addition, effective contract management across the Council is limited, leading to value seepage under Council contracts. Best practice guidance and systems are under development.

What are the legal implications?

- 18 The arrangements put in place through the Procurement Strategy, CPRs and procurement tools and documentation meet all legal requirements.
- 19 This report is not eligible for call-in.

Options, timescales and measuring success

What other options were considered?

- 20 This report is a valuable source of assurance for the Committee and enables democratic oversight of the Council's procurement arrangements.
- 21 Opportunities for improving effectiveness and efficiency of the Council's procurement arrangements are currently being delivered as part of the P2P Review.

How will success be measured?

- 22 Opportunities for improvement will be measured against "best practice", and the Procurement Strategy KPIs.

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

- 23 An updated P2P Review action plan, including timetable is included in Appendix A. The Head of Procurement and Commercial Services is responsible for implementation.

Appendices

- A – Procurement Statement

Background papers

- None

APPENDIX A – PROCUREMENT STATEMENT

1. DEFINE AND DOCUMENT

Contracts Procedure Rules

- 1.1 Section 135 of the Local Government Act 1972 requires local authorities to make standing orders for procurement activity, including securing competition and regulating tenders – the **CPRs**. The CPRs form part of the Council's Constitution.
- 1.2 CPRs are updated and strengthened each year to reflect changes in legislation and Council policy. They are currently under review (anticipated to be completed by April 2024) in order to simplify and make CPRs more user friendly.

Procurement Strategy

- 1.3 The current Procurement Strategy was adopted by Executive Board on the 26th June 2019 and identifies 5 key areas for procurement. It acknowledges value for money and good governance as the foundation stones of procurement, but also highlights the need to improve engagement with our suppliers and contract management, to be more commercial and to focus on social value.
- 1.4 The Procurement Strategy promotes a category management approach to procurement. It also advocates a whole lifecycle approach to contracting, and defines clear roles and responsibilities.
- 1.5 The Procurement Strategy will be reviewed in 2024, including assessment of the current position and delivery of KPIs, review in context of latest national procurement strategy, National Procurement Policy Statement and Procurement Act, stakeholder consultation (including draft to CGAC in November 2024) and Executive Board approval in early-2025.

Roles and responsibilities

- 1.6 Each Directorate is accountable for the procurements that they need in order to secure the outcomes they are responsible for.
- 1.7 The Head of Procurement and Commercial Services (delegated from Director of Strategy and Resources) is responsible for setting, supporting and monitoring the Council's policies and procedures for procurement, purchasing and contract management.
- 1.8 Procurement and Commercial Services (**PACS**) provides corporate support and oversight in respect of procurement activity. However, PACS' limited resources are prioritised to supporting high value and complex (from a risk perspective) activity. CPRs require Chief Officers to involve and/or consult with PACS for specified procurement activity, and also require PACS to be informed of the following activity: waivers, extensions, variations of high value contracts, where the template procurement plan or contract management plan is not to be used, breaches of CPRs and where internal service providers are not used.
- 1.9 PACS also provides support in respect of lower value procurements by way of:

1.9.1 an e-learning procurement training module for council staff through the Performance and Learning system which gives guidance and training for staff council-wide on how to comply with policy, governance and CPRs when ordering goods and services;

1.9.2 telephone support; and

1.9.1 where non-standard terms and conditions are proposed, the requirement that these are vetted through the commercial team within PACS.

1.10 PACS also provides pro-active support in relation to ad hoc training and updates relating to changes to procurement processes or regulatory/legal requirement etc, identifying and working with services to reduce off-contract spend, identifying procurement savings opportunities, and providing check and challenge.

Procurement tools and documents

1.11 The key procurement delivery documents and tools are refreshed regularly to reflect legislation and Council policy (e.g. incorporating Social Value provisions). Note that these tools/documents are currently being refreshed under the P2P Review to ensure they are user-friendly. In addition, it is anticipated that further review will be required as a consequence of the new Procurement Act and associated guidance.

1.12 The Council utilises the e-tendering platform YORtender3, in relation to which PACS provides training and support across the Council with on-site training sessions, phone/email conversations and an on-line interactive tutorial.

Communicating the Procurement Strategy and procurement policies

2.1 Each Category team within PACS works closely with commissioning staff within directorates to ensure compliance with CPRs and use of the correct documentation and governance processes. Telephone support is also currently available through PACS. In addition, the Procurement Strategy and toolkits dedicated to procurement and category management (including online training and tutorials, such as in relation to the waiver process and an interactive version of the CPR) are available on InSite. They are regularly updated, and key changes are further communicated on the InSite carousel.

2.3 A cross-council Procurement Practitioner Group meets every 6 weeks to share issues and best practice, and training sessions are organised for procurement staff and commissioners when new significant policy changes (such as the New Procurement Strategy) are implemented. Introductory training is provided to new Members and commissioners.

2.4 A P2P Review steering group meets monthly, and feeds updates to the Core Business Transformation Programme board.

2.5 However, the most recent "Survey of Internal Control" identifies the opportunity to further improve understanding across the Council of procurement policies and

processes, particularly in relation to arrangements for contract management – see sections 3 and 4, below.

3 EFFECTIVELY EMBED

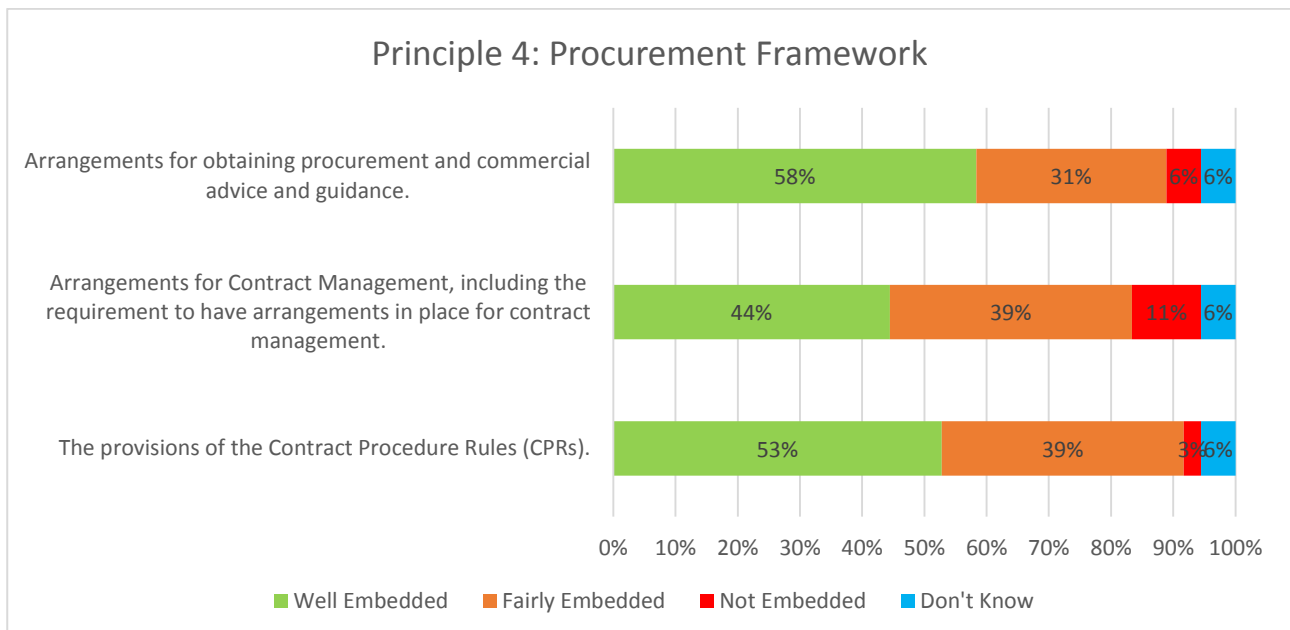
Survey of Internal Control

3.1 The survey of internal control (SIC) is used to gain operational assurance as to whether systems of internal control are embedded and functioning. Considering whether people in their teams have the relevant knowledge and skills, and comply with controls appropriately and proportionately to their individual roles and responsibilities, respondents were asked to indicate whether arrangements are:

- well embedded (green),
- fairly embedded (amber),
- not embedded (red) or
- the respondent does not know (blue).

Questions were asked in relation to Principle 4 of the Local Code of Corporate Governance (Procurement Framework). The chart below sets out responses received to questions asked in relation to:

- arrangements for obtaining procurement and commercial advice and guidance;
- arrangements for contract management;
- the provisions of the CPRs.



Compliance: On-contract Spend

- 3.2 The Council procures a very wide range of goods, works and services, including front-line services and back-office support. External spend in 2022/23 was £1,121,223,464. While this was a c£65m increase on the preceding year, this increase was as a consequence of external spend which the Council is unable to influence (made up mainly of spend by schools). External spend in 2022/23 which was open to competition was identical to 2021/22, at c£879m.
- 3.3 Despite diverting some resource away from compliance toward more value-added activity:
- 3.3.1 PACS continues to monitor off contract spend through FMS, actively collaborating with colleagues in the wider Council including the Business Support Centre, Corporate Finance and directorates (via their feeder systems) in order to have visibility of non and off-contract spend;
- 3.3.2 PACS also produces monthly and quarterly reports detailing non and off-contract spend. These reports are used to inform monthly meetings between PACS Category Managers and directorate contacts; and
- 3.3.3 Contract expenditure analysis and compliance continues to be distributed at directorate and service level so that expenditure by directorates with suppliers who do not hold a valid contract is visible and action can be identified and undertaken. Collaboration with Directorates using the report has been successful toward continuing to minimise non-compliance and ensuring best value is achieved from Council expenditure. Bespoke reporting is available upon request and utilised as a mechanism to further assist services.
- 3.4 This activity has enabled off contract spend to remain at minimal levels compared to total spend, and ensured general compliance with procurement policies. In 2022/23, 96.03% of payments were on contract or compliant with CPR's. While this is marginally down from 97.11% in the previous year, it is significantly in excess of the sector benchmark of 90% and demonstrates that compliance is well-embedded following hard work over the past 10 years.

Compliance: Waivers

- 3.5 CPRs allow certain rules to be waived in circumstances where relevant Chief Officers consider a course of action to be justified, provided that PACS is consulted before waivers are approved by Chief Officers, and that such waiver decisions are published as Significant Operational Decisions.
- 3.6 Issues relating to the inappropriate use of waivers of CPRs have been the subject of scrutiny by the Committee over many years. However, PACS has supported services to reduce the numbers of waivers each year. In 2022/23, the number of waivers of CPRs reduced to 23, down from 37 in 2021/22. To date only 17 of these contracts have been recorded on YORtender, and services are being chased to ensure full records of all contracts awarded following waiver of CPRs are properly recorded. Aggregate contract value of the 17 contracts recorded on YORtender and which were the subject of waivers of CPRs was £3.4m, equivalent to 0.3% of the total external spend in 2022/23.

Procurement Challenges/Transparency

- 3.7 There have been a number of requests for additional information in response to standstill letters, however none of those requests have developed into formal proceedings challenging decisions by the Council on award of contracts.
- 3.8 CPRs require all spend over £10k to be registered through YORtender3. Under the Government's Transparency Code local authorities must publish details (including a unique reference, a description of the goods/services/works and dates for review) of every invitation to tender for contracts to provide goods and/or services with a value that exceeds £5,000. This requirement is complied with by publication through the YORtender3 portal for spend of over £10,000 and by manual analysis of any spend exceeding £5,000 within FMS. The Council publishes its full Contracts Register on Data Mill North.
- 3.9 PACS also receives and responds to a significant number of procurement related FOI requests each year.

Social Value

- 3.10 Levering additional Social Value from procurement is a key element of the Council's wider aspirations for inclusive growth in conjunction with local communities and businesses.
- 3.11 Expenditure with local suppliers and SME's has been measured for several years, and equates to 63.4% of total expenditure in 2022/23 (63.8% in the previous year). In addition, the Council has also developed a collaborative and systematic approach to engaging with anchor institutions, to discuss ways in which we can work together more closely and actively promote collective action on employment, low pay and social responsibility. The aim is to develop a Leeds-wide set of social value priorities to be utilised by all anchors.
- 3.12 The Council's Social Value Guidance for Commissioners requires consideration of opportunities for additional social value in all the Council's procurement activity, and requires a minimum 10% weighting in order to evaluate any Social Value commitments as part of a tender process.
- 3.13 A Council-specific set of Social Value priorities (themes, outcomes and measures) has been developed (based around: Employment and Skills, the Environment, and Education) to facilitate development/evaluation of Social Value requirements for procurements.
- 3.14 Since 2020, the Council used an external consultant to support delivery of additional Social Value in relation to contracts valued above £100k. However, difficulties were experienced in relation to the consultant's monitoring and ensuring delivery of Social Value commitments, and therefore steps have been taken to in-source all aspects of Social Value activity (including evaluation of SV proposals and monitoring the delivery of commitments). In-sourcing Social Value delivery has also reduced cost to suppliers as consultancy costs of support and monitoring were passed-through to suppliers.

- 3.15 The Council now utilises its own software for recording Social Value related information and the first contracts went live on this new system in Summer 2023. Training has been provided to services in relation to the new process and system.
- 3.16 To date:
- 3.16.1 There are 24 live projects with an aggregate value of c.£58.5m; and
- 3.16.2 Nearly £23m of additional Social Value has been committed in relation to those contracts. Council officers are currently in the process of gathering information in relation to delivery of Social Value commitment in relation to the first quarter of operation.

4 MEANINGFULLY MONITOR

- 4.1 The Council continues to liaise with LGA on procurement issues of national significance, and with other regional authorities via the YORprocure Strategic Procurement Group (**SPG**). The SPG meets every six weeks to share best practice, act as the voice of the region on national procurement issues, and promote collaboration opportunities.
- 4.2 Further regional collaboration and sharing of best practice is undertaken in relation to the White Rose suite of Children's services framework contracts (which PACS manages) and the YORhub suite of regional construction and consultancy framework contracts (in relation to which the Head of PACS is Chair of the partnership board).
- 4.3 Internal audit review/report on a small number of procurements each year, and the ongoing training and support provided to directorates offers further assurance around monitoring of compliance.
- 4.4 Annual procurement related reports are provided to this Committee and (in respect of delivering Social Value and improving contract management) Scrutiny Board.

Procurement Responses to Survey of Internal Control

- 4.5 In addition to the quantitative SIC responses as to how embedded the Council's procurement framework is, the SIC also asked respondents to "say whether there are any weaknesses in the governance arrangements, and how you think they could be improved." Three responses were provided as follows:
- a) "These are well embedded in my service areas. However, corporately CPRs are circumnavigated, contracts are not managed appropriately, and guidance is often not sought."
- b) "It is often difficult to source procurement and commercial advice and guidance or know who to go to for that as people move on. We generally deal in low-value contracts that don't meet the criteria for full procurement support and it would be helpful to have an easy helpline for any queries. With the occasional contract that does require a full package, it is not obvious how to get into the

system and generally requires reinventing the wheel of how to go about it on the rare occasions we do that.”

c) “CPRs too complex; contract management best practice in development.”

5 REVIEW AND REFINE

Procurement Strategy

5.1 The Procurement Strategy was adopted in June 2019, and is kept under continual review, with a formal review updated Procurement Strategy scheduled for consultation and implementation in 2024.

5.2 Progress in relation to the “procurement enablers” identified in the Procurement Strategy is as follows:

5.2.1 developing talent – the Council continues to support staff in obtaining professional procurement qualifications (CIPS), with a strategy of internal training and recruitment. A skills framework is in place and development opportunities identified as part of the appraisal process;

5.2.2 Exploiting digital technology - a number of inefficient manual systems and processes are in operation across the Council, meaning there is a need to repeatedly input data, interpret results and apply manual solutions. Work is underway to assess potential new systems as part of the P2P Review. In addition, the Council has worked collaboratively with other local authorities in the Yorkshire and Humber region in procuring the YORtender 3 e-tendering system. A contract management module on YORtender3 (**CMM**) has subsequently been developed with a view to ensuring the services consider contract management arrangements before contract award, store relevant contract documents centrally and actively manage contracts throughout their lifecycle. The CMM will be reviewed and refined to take account of initial feedback from users;

5.2.3 Enabling innovation – the Council’s procurement processes and procedures (including CPRs) are kept under constant review to increase flexibility and opportunities to innovate (see below). As part of the P2P Review, proposals for allowing increased focus on strategic value from procurement are currently in development and opportunities will be considered for greater innovation as a consequence of the added flexibility under the new Procurement Act;

5.2.4 Embedding change - senior managers are encouraged to recognise the importance of procurement and contract management (including Social Value), and promote it as a way of leading and managing organisational change. PACS is seeking to support services to improve commercial skills, to identify opportunities for achieving savings through procurement activity and to ensure that contracts are effectively managed, to help respond to the Council’s financial challenge.

Constitution and CPRs

- 5.3 The CPRs are subject to an annual review and refresh.
- 5.4 The Scheme of Delegation has been updated to also delegate to the Directors of Strategy and Resources (with sub-scheme to Head of Procurement and Commercial Services) responsibility for setting, supporting and monitoring the Council policies and procedures for managing “contract management and commercial activity”.

P2P Review

- 5.5 One of the ambitions of the Core Business Transformation Programme (**CBT**) is to procure and implement modern integrated cloud technology to exploit digital capability. The new financial management technology will enable services to standardise and simplify how they work freeing up capacity by removing manual processes and “off-line” manipulation and processing of data and providing decision-makers with timely, consistent, and standard management information in relation to financial transactions.
- 5.6 A further ambition of CBT is to drive down costs and achieve better value for money through efficient and standardised practices in relation to “Procure to Pay” (**P2P**).
- 5.7 P2P refers to all processes and systems from procurement, through contract management, to payment. The P2P function is not currently recognised as one end to end, integrated business function in Leeds. It is one of the most critical business processes and involves significant spend and cash flow.
- 5.8 A review of the P2P function (the **P2P Review**) is currently underway to improve system capabilities, which has been informed by (amongst other things) an LGA facilitated peer review in June 2021.
- 5.9 Significant progress has been made in relation to the P2P Review, including:
 - 5.9.1 Adopting a new e-procurement platform;
 - 5.9.2 Commencing development of a Council-wide approach to contract management with a view to ensuring that the processes are user friendly, efficient, and effective for all scales of procurement activity. To date, 400+ contract managers have been identified across the organisation and over 60 staff have now undertaken Foundation training. Utilisation of the CMM has been mandatory for all awarded contracts since October 2022. A contract management newsletter has been developed and circulated across the Council, sharing key updates and creating a contract management community;
 - 5.9.3 A Market Sounding Exercise is ongoing to determine what technology is available to facilitate procurement in contract management, with focus on automation, integration, and efficiencies;
 - 5.9.4 Assessing opportunities for greater use of technology to enable systems to be more user friendly, efficient, and effective. An initial “Case for Change” has been produced outlining the opportunities, and a full business case is in development;

- 5.9.5 Reviewing procurement processes, guidance, and documentation to improve efficiency and ensure fitness for purpose. CPRs and supporting documents have been reviewed and simplified, and a user-friendly version created in draft format for review by relevant officers with a view to implementation in the New Year;
- 5.9.6 Appointing additional corporate resource to support services' procurement and commercial activity with a view to helping services develop their commercial skills and to deliver savings in response to the Council's financial challenge and the delivery of service transformation;
- 5.9.7 Engaging with potential local suppliers via a new comms and marketing plan, including:
- understanding the barriers to bidding for Council contracts; and
 - providing potential suppliers with training, support, and guidance regarding bidding for public contracts.
- 5.10 Following review, a refined P2P action plan is set out below identifying 6 priority areas, key deliverable tasks and key delivery dates:

PRIORITY	TASKS	KEY DATES
1. User Friendly Processes	PHASE 1 <ul style="list-style-type: none"> • Go4Growth to review and simplify CPRs and proc documentation to aid self-service for low value procurements 	Start – 1/9/23 Complete – 31/3/24
	PHASE 2 <ul style="list-style-type: none"> • Review of app solution for low value procurements; • Continuing review to take account of flexibility anticipated under new Procurement Act (October 2024) 	Start – 1/4/24 Complete – 31/3/25
2. Fit for purpose system	PHASE 1 <ul style="list-style-type: none"> • Assess available whole-contract lifecycle technology; • Scope requirements; • Draft business case for whole-contract lifecycle system • Report EY contract management project output 	Start – 1/9/23 Complete 31/3/24
	PHASE 2 <ul style="list-style-type: none"> • Finalise business case for whole-contract lifecycle system • Dovetail with a) other available LCC systems (including Microsoft 	Start – 1/4/24 Complete – 31/12/25

	<p>Dynamics and Power BI) and b) YORtender3 review/expiry</p> <ul style="list-style-type: none"> • Procure and implement fit for purpose system 	
3. Organisational Resource Review	<ul style="list-style-type: none"> • Review organisation's approach to procurement resource including: <ul style="list-style-type: none"> ○ Centralisation/more flexible utilisation of procurement resource ○ Review of categories ○ Council-wide review of procurement skills and capabilities • Review of corporate operational support team – purchasing, invoice, data and contract management • Review Procurement Practitioners Group (attendees, frequency, purpose etc) 	<p>Start – 30/10/23 Complete – 31/3/24</p>
4. New Procurement Strategy	<ul style="list-style-type: none"> • Assess current position and delivery of KPIs. • Review in context of latest national procurement strategy, NPPS and Procurement Act • Review category management processes • Consultation, including draft to CGAC Nov 2024 • Exec Board approval early 2025 	<p>Start – 1/1/24 Complete – 31/3/25</p>
5. Contract Management Best Practice	<p>PHASE 1</p> <ul style="list-style-type: none"> • Review contract register • Develop contract management best practice framework and guidance • Develop and embed contract management skills across LCC • Establish contract management assurance and oversight board (via financial challenge group) • Review process for market and supplier engagement including market intelligence/benchmarking 	<p>Start – ongoing Complete – 31/3/24</p>
	<p>PHASE 2</p> <ul style="list-style-type: none"> • Continually monitor and review contract management outcomes 	<p>Start – 1/4/24 Complete – 31/3/25</p>

	<ul style="list-style-type: none"> • Delivery and reporting of contract management framework outcomes 	
6. Social Value and local partnerships	<ul style="list-style-type: none"> • Delivery and reporting of SV outcomes • Develop examples of SV successes to inform/inspire • Implementation of SV Fund • Leeds-wide SV TOMs (engage with anchors/third sector) • Increasing local spend • Engaging with SPG/YORhub – procurement alignment/SV support to partners/maximising YORhub income opportunities 	Start – ongoing Complete – 31/3/24

New Procurement Act

- 5.11 The Procurement Act 2023 has recently received royal assent and will become operative in October 2024 following a period of transition and when the wider legislative framework (secondary legislation and guidance) is in place and training and support has been provided to public bodies. PACS will continue to monitor progress of the secondary legislation through Parliament and the guidance/training tools provided. During the period of transition the Council processes will be reviewed and updated to ensure compliance with the new regulatory regime.

Annual assurance report on corporate performance management arrangements

Date: 27th November 2023

Report of: Director of Strategy and 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.

- The introduction of the Best City Ambition, adopted by Full Council in February 2022, necessitated a review of our performance framework and the KPIs routinely reported to CLT, Executive Board and to Scrutiny.
- Following transitional arrangements introduced for 2022/23, a single list of KPIs is currently being refined through discussions with services and scrutiny chairs to ensure these are the appropriate measures to routinely monitor and measure our performance.
- Associated systems and processes are being reviewed at the same time to ensure efficiency and robustness.

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 2023/24 follows a transitional year for our performance arrangements since the introduction of the Best City Ambition, replacing the previous Best Council Plan which provided the framework for the council's performance management arrangements. The Best City Ambition, adopted by Full Council in February 2022, sets out the outcomes we want to see for the city.
- 4 A review of existing Key Performance Indicators is currently taking place to create and refine a single list that will form the basis of our performance reporting framework to CLT, Executive Board and Scrutiny Boards.

What impact will this proposal have?

- 5 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

- 6 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

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

What are the resource implications?

- 9 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?

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

11 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?

12 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?

13 Not applicable

How will success be measured?

14 Not applicable

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

15 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 council's performance framework covers how effectively we run business and services as an organisation.
3. This performance framework has a role in the wider monitoring framework which includes city analysis and contributions from partners and will demonstrate how we are progressing towards the [Best City Ambition](#).
4. 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 Best Council Plan was superseded by the Best City Ambition ("the Ambition"), adopted by Full Council in February 2022, which set out the outcomes we want to see for the city. 2022/23 was then a transitional year for our performance framework as we reviewed how this would operate under the Ambition and looked at refreshing our routinely reported KPIs.
5. The information in this appendix is based around a 'cycle of internal control' framework which consists of five aspects, seen in the diagram on this page.
6. This report provides a key source of assurance for the Committee to consider when approving the council's Annual Governance Statement.
7. This statement includes opportunities identified to improve these arrangements as seen in the Review and Refine section.



Define and Document

8. Policy and Strategy
9. 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. It explicitly recognises that the council cannot act alone, and many of the outcomes the council strives to realise can only be delivered alongside other partners in the city.
10. The 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 Leeds Inclusive Growth Strategy, Leeds Health & Wellbeing Strategy, Connecting Leeds Transport Strategy, Leeds Children & Young People’s Plan, Age-Friendly Leeds Strategy, Leeds Culture Strategy, Leeds Housing Strategy, Safer Stronger Communities: Leeds Plan and the council’s Medium-Term Financial Strategy, Budget and Capital Programme.
11. Supporting the Ambition is our Organisational Plan¹ which sets out our vision to be the best council in the best city, with our staff supported to understand what we do, why we do it, and how we can all work together to achieve our ambitions and values. In essence, the Organisational Plan describes how the council aims to ensure it can make its full contribution towards achieving the Best City Ambition. This plan is for all managers, more than 2,000 across the council to help them support their staff to be their best. This plan for the organisation shows how we’ll work to be an efficient, enterprising, healthy and inclusive organisation. It was created with leaders and managers and includes recommendations from the independent [Local Government Peer Challenge](#) undertaken in November 2022. The Peer Challenge provided us with recommendations covering our values, culture and workforce; locality and community working; transformation approach across the organisation; financial planning and our role and influence within and beyond Leeds. The Organisational Plan is intended to be a somewhat live document, with staff across the council being invited to provide feedback to inform future updates, the first of which is likely to be done in the first half of 2024. The council’s service planning framework is continually reviewed to make better links between our strategic priorities and local service priorities, with particular focus being given to this in the context of the council’s Financial Challenge.

¹ [Being Our Best](#) – Our organisational plan for 2023 onwards.

12. Effective evidence and progress monitoring are key to achieving our ambitions and plans. This report makes the distinction between the council's own corporate performance framework and the wider monitoring framework which will demonstrate progress against the Best City Ambition. There are connections between the two but it is important to understand the distinction and more detail is provided below.
13. LCC Performance Framework
14. A single list of Key Performance Indicators (KPIs) is currently being refined to form the basis of our corporate performance reporting. These KPIs are those which:
 - Directly demonstrate performance of or services, workforce and assets; or
 - Relate to a wider city performance which the council contributes to affecting by way of specific services and programmes.
15. The existing KPIs have previously been agreed with Scrutiny Board Chairs but work is taking place to review the list with Directorates to ascertain if these are still the appropriate indicators and to highlight where we are aware of gaps in coverage across services. In these instances we will review what measures are available to be reported by the relevant services and include additional KPIs on our list as appropriate. Conversations will also be held with Scrutiny Chairs (a number of which have changed since previous discussions were held) to review and agree any amendments. More details on the KPIs and their purpose can be seen in the Meaningfully Monitor section of this report.
16. We will further refine the list by removing those KPIs which do not fall into the categories identified at point 14 above; indicators and analysis that are not directly affected by council performance will fall into the remit of the wider monitoring framework discussed in more detail below.
17. Details about the process of monitoring and reporting the indicators to CLT, Executive Board and Scrutiny will be given in the Meaningfully Monitor section below.
18. Each KPI has previously been 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. The checklists will require reviewing and updating in conjunction with the ongoing review of the KPI list. These were last refreshed in 2022 but as the list was still in development, we are aware there are gaps and we will be working to complete these through 2023/24.
19. On 4 July 2023, the Department for Levelling Up, Housing and Communities Secretary of State Michael Gove formally announced the launch of the Office for Local Government (Oflog). The launch outlined the Government's vision for Oflog: to provide authoritative and accessible data and analysis about the performance of local government and to support its improvement. As part of this vision, Oflog identified four key areas of performance on which initial focus will be placed: adult social care, adult skills, waste and finance. A number

of KPIs were outlined for which we will be required to submit data. The areas of focus are expected to grow as Oflog becomes more established. As more detail becomes available (and potentially, more KPIs are included in scope), we will work to build these KPIs into our routine reporting and effectively manage the submissions required to Oflog. The data and reports provided on their website will also become a useful benchmarking tool for us to compare performance against other local authorities. Strategy and Resources Scrutiny Board received an initial report on Oflog in September 2023 and agreed the integration into current reporting arrangements as outlined above was the right approach.

20. At the request of scrutiny, Intelligence and Policy will develop a training session for elected members on Oflog and its current approach, incorporating some wider support to help members become more comfortable working with this performance data. This will likely be revisited on an annual basis so that useful updates can be provided as Oflog develops further.
21. Leeds Monitoring Framework
22. The council's corporate performance framework contributes to the wider monitoring framework underpinning the Best City Ambition, which includes city analysis and partnership working. These elements have always existed as part of the council's approach, but since the Ambition is more deliberately focused on the city at large – rather than the council alone – it is crucial to recognise where our monitoring concerns the council's activity directly, and where it is exploring wider issues we are seeking to affect in line with our tackling poverty and inequality mission. Often these latter issues are not ones we can directly control, but understanding them is important as it sets the context in which the council is working and plays into the agenda around prevention and early intervention.
23. As the current version of the Ambition does not provide detailed KPIs, we have developed a framework of success metrics that capture the size and diversity of the visions outlined within the Best City Ambition. Current proposals are for the progress framework to consist of 3 parts:
 - Leeds Joint Strategic Assessment (JSA)
 - Leeds Social Progress Index (SPI)
 - Key Performance Indicators (KPIs) in supporting Strategies and Plans
24. This framework will enable a deeper analysis of the city's progress, empowering partners to align their success metrics with the Ambition and improve the allocation of resources to maximise impact. Further consideration is also being given to incorporating wider city research priorities into the Best City Ambition, potentially through development of a light-touch city research strategy shared with partners, as well as building on bilateral work the council has been pursuing with the city's universities.
25. This work is taking place in conjunction with an update of the Ambition itself, and these proposed monitoring arrangements will be set out to Executive Board in December 2023.

26. Roles and responsibilities

27. 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 the council's performance as well as progress in line with the Best City Ambition under the wider monitoring framework. Directors also routinely discuss relevant performance issues with Executive Board members.
Directorate Management Teams	Directors and their management teams have responsibility for overseeing performance 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.
Intelligence and Policy ("I&P") 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. I&P 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 I&P.
All council Staff	All staff have a role in using the Best City Ambition priorities to inform their own appraisal objectives.

² Intelligence and Policy 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

28. Democratic Oversight

29. Elected Members, including those from Scrutiny Boards, were involved in the transition from the Best Council Plan in 2022 and participated in the development of the Best City Ambition. Scrutiny Board Chairs have also been involved in the agreement of the KPIs their respective boards will receive and the depth of supporting performance information such as historic results and benchmarking that will be provided. These discussions will continue to be had with new Scrutiny Board Chairs to ensure the performance information provided to the Boards continues to demonstrate a thorough picture of performance within their respective remits.
30. 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, which has recently been taken to Executive Board in September 2023.
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. The Committee approves the Annual Governance Statement which incorporates arrangements in relation to performance management.
Scrutiny Boards	Members oversee performance for the areas within their remit and receive reports twice yearly containing performance data and accompanying narrative. Scrutiny Boards have the ability to request additional, service specific performance information if considered necessary.

Clearly Communicate

31. General

32. The Annual Performance Report taken to Executive Board is published on the Council's website.
33. The list of KPIs will also be published within the relevant Scrutiny Board performance reports twice a year, available to the public.
34. 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.
35. Communication on performance is also demonstrated in the Effectively Embed and Review and Refine sections below.

36. Guidance

37. Each financial year, I&P 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. I&P 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.
38. 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 I&P and updated in collaboration with relevant service leads. The checklists will be reviewed and updated in line with the current KPI review (they were last refreshed in 2022).

39. Leadership

40. CLT and Elected Members 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. Further details and briefings on any points of challenge or interest are provided as needed on an ad hoc basis by performance colleagues across the local authority.
41. 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.

42. Training

43. The council's performance management network is well established and made up of experienced staff. Performance management training delivered by I&P 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 points 18 and 38 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

44. Stakeholder engagement

45. The performance stakeholder network is summarised in the Roles and Responsibilities section of this report. The KPI checklists (see points 18 and 38 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 (key contacts). The checklists are updated by I&P when needed to ensure they are up to date and reflect staffing changes. However, we are aware that the checklists need a full review as part of the current review of our KPI list and this will take place in late 2023 / early 2024.
46. 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. A report on proposed updates to the Best City Ambition was taken to Executive Board in September 2023, outlining recent work to refresh three pillar strategies, continued progress in embedding the Ambition and feedback from the LGA Peer Challenge.
47. The Best City Ambition, the Organisational Plan, and the performance framework KPIs reported to CLT, Executive Board and Scrutiny Boards were developed through engagement with partners, officers, and elected members, including members of Scrutiny Boards. The updated single list of KPIs that is currently in development and the details of how they will be reported during 2023/24 is in the process of being further reviewed and discussed with Directorate Management Teams, Scrutiny Chairs and CLT.

- 48. 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.
- 49. The arrangements for reporting the refreshed list of KPIs, under the Council’s performance framework, to the key stakeholders is summarised in the table below:

Directorate Management Teams	CLT	Executive Board / Full Council	Scrutiny Boards
Quarterly reporting of KPIs they are responsible for. Annual Performance review.	Quarterly reporting of all KPIs with a focus on “highlight items” – particular KPIs with results identified as being significant that quarter. Annual Performance Report	Annual Performance Report	Twice-yearly reporting of KPIs within each Board’s remit. Additional discussion about specific KPIs and / or progress against the BCA if requested.

- 50. Clear systems and processes in place
- 51. Systems for managing performance are well established across the council, supported by reporting timetables, and are very much “business as usual” within services.
- 52. KPI updates used to be administered via a Share Point site which also houses the KPI checklists. This system was used by some key contacts but not used by all and we are looking at options for a new system to collate this data, investigating automation options to reduce some of the administrative work involved in collating the updates. Currently, updates are provided by email from key contacts and these are input onto our “Scorecard” which is included as an appendix to the quarterly performance report to CLT. Where I&P identify a KPI as a particular highlight item, supporting commentary is requested from key contacts; in particular the reasons for any adverse performance results and the actions being taken to address this. This detail is included in the performance report. The Scorecard includes previous comparator data (depending on the KPI nature and frequency, this may be the previous month, quarter or year). Recent reports have included a pre-pandemic position as well as the latest comparator to show how performance is recovering / has recovered; we will continue to provide this detail where appropriate.
- 53. Following the adoption of the Best City Ambition, the checklists were reviewed in 2022 and updated as required. These checklists will require a further review as part of the review currently taking place on the single KPI list.

54. Gathering and reporting performance information is a key function of I&P, and this is reflected in the service workplan and those of individual members of staff. Although I&P considers these systems and procedures to be fit for purpose (subject to the current review), they are not static and can be adapted as needed according to changing circumstances and as we strive to achieve continuous improvement.
55. 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

56. Benchmarking

57. Benchmarking is used to compare Leeds' performance against those of other local authorities (including Core Cities⁴), 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.
58. 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.
59. 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

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.

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. The Leeds JSA is being refreshed for 2024.

60. The Leeds Social Progress Index will provide a broader context within the wider monitoring framework and will be vital to assess longer-term progress as an important part of our overall understanding of progress towards the Best City Ambition.
61. Performance Indicators robust and challenging
62. The KPI list reported to CLT and Scrutiny Boards has been subject to previous review by both CLT and through discussions with Scrutiny Chairs to ensure we are reporting the appropriate indicators. The current review is looking at this list as a whole and considering the following elements:
- Are the current KPIs still relevant to report?
 - Are there any key areas missing? – we are looking at particular gaps we have.
 - Are these true performance indicators that should form part of the performance framework (we are looking to distinguish those indicators where we can affect performance compared with those that more appropriately feed into the wider monitoring framework).
63. 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.
64. All KPIs included in our framework are reported to CLT each quarter, but I&P working alongside other performance colleagues across the council and relevant Heads of Service / Chief Officers identify and pull out a small number of KPIs on which further detail and analysis is provided. As the Committee would expect, these are usually those KPIs with a notably positive or negative trajectory. This approach has been implemented over the last year to ensure the most important information is more clearly highlighted to CLT through the reporting, reducing the likelihood that key details can be overlooked due to ‘information overload’.
65. For our KPIs, where reported to CLT in detail (a highlight item) and / or when reported to Scrutiny Boards, where possible 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
66. Some of the key datasets that contribute to our 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.
 67. Performance 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.
 68. The latest updated results for the KPIs are documented in an appendix (the Scorecard) to the quarterly update on performance to CLT. This appendix includes a colour-coded indication of whether performance has improved or declined against an appropriate comparator, allowing directors to see at a glance those areas where overall performance is going well or not.
 69. 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.
 70. A year-end performance report highlighting the progress made throughout the year against our KPI list is considered annually by Executive Board, with the most recent report ([link here](#)) being considered in September 2023.
 71. As detailed in the Effectively Embed section of this report (point 55), 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.
 72. Risks identified and mitigated
 73. 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 I&P includes the relationship between the council's strategic plans, performance indicators and risks.
 74. For several years, risk and performance information has 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.

75. At directorate level, reporting to management teams used to be via a joint risk and performance report, but these functions have now been separated out with performance being a standalone report for all Directorate Management Teams, although remaining on the same meeting agenda as risk where possible. De-coupling the two reports should allow appropriate focus to be placed on the performance results whilst still maintaining appropriate links with the risks.
76. 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 CLT.
77. Escalation process in place and used appropriately
78. 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.

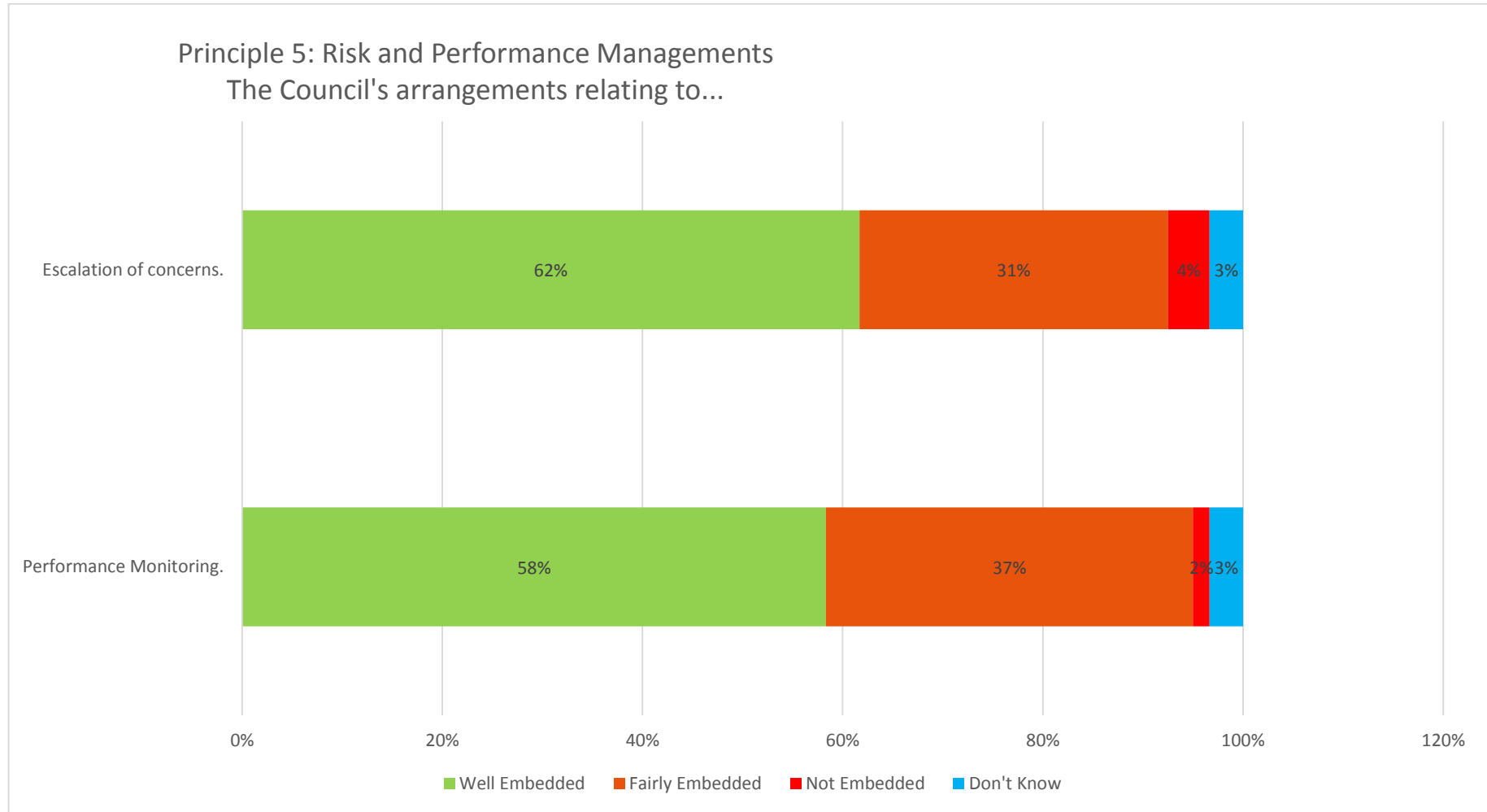
Review and Refine

79. Up to date and fit for purpose
80. The performance management arrangements are not static and are updated by I&P whenever necessary to ensure they are kept up to date and remain fit for purpose. As 2023/24 progresses, the performance arrangements will continue to 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. Elected members, including Scrutiny Chairs, are regularly consulted to check they remain content that the arrangements in place are suitable and meeting their needs.
81. 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 to form the basis of our corporate performance management arrangements within the context of the Best City Ambition and for reporting to stakeholders in the future. This review is ongoing.
82. 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.

83. 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.
84. 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.
85. I&P is also aiming to explore more accessible and efficient means of collating, producing and presenting the performance information – e.g., through potential automation of some elements. Work on this is in progress.
86. Survey of Internal Control
87. In April 2023, the council undertook its annual Survey of Internal Control⁵ 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.
88. The Survey included questions relating to arrangements Performance Monitoring and Escalation of Concerns. Respondents were asked to rate the extent to which they thought the arrangements were embedded.
89. The results, which are set out in the charts below, were generally positive:
- 93% of respondents thought that Performance Monitoring arrangements were ‘Well embedded’ (62%) or ‘Fairly embedded’ (31%)
 - 95% of respondents thought that arrangements relating to Escalation of Concerns were ‘Well embedded’ (58%) or ‘Fairly embedded’ (37%)
90. 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.

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

Table 1: Performance Monitoring and Escalation of Concerns survey results 2023



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Annual assurance report on corporate risk and resilience arrangements

Date: 27th November 2023

Report of: Director of Strategy and 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 three 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 Appendices 1 and 2 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. For reasons of clarity, separate cycles of internal control have been prepared for Risk Management and Resilience, Emergency Planning and Business Continuity Management.

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 incident in the city, and Major flooding incident. 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 and Appendix 2.

- 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, which summarises the most significant risks facing the council and the city, 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 West Yorkshire Prepared (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 West Yorkshire Prepared, 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 as 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 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

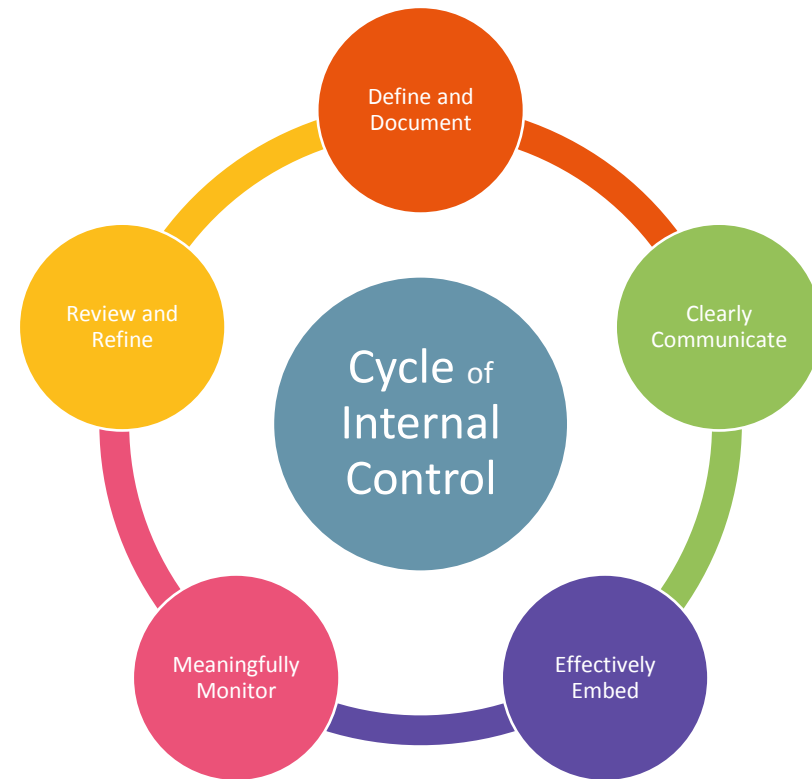
- Appendix 1: Corporate Risk Management arrangements
- Appendix 2: Resilience, Emergency Planning and Business Continuity Management arrangements

Background papers

- None

Introduction

1. This report provides the Corporate Governance & Audit Committee with assurances relating to the adequacy of the risk management 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 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. Recently, local authorities have experienced a wide range of significant risks including threats to financial sustainability, workforce resilience challenges, rising demand for statutory services, inflation and seasonal pressures.
4. 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.
5. Through the arrangements outlined in this report, the council seeks to embed an effective risk and resilience culture across the council, shaped by its values and 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 Management Policy and Strategy.



Define and Document

6. Policies and Strategies

7. The 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.
8. The Risk Management Policy and Strategy considered the latest guidance, such as that from ALARM¹, and relevant standards including ISO 31000² 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.
9. The Risk Management Strategy includes definitions of what 'risk' is:
 - The effect of uncertainty on objectives³
 - [Risk is] a situation involving exposure to danger⁴
 - [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 objectives⁵
10. 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, as seen in the Meaningfully Monitor section of this report.

11. Legislation and Guidance

12. 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.'

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)

13. Key plans and documents

14. Underpinning the Risk Management Policy and Strategy are the following key plans and documents:

- Corporate and directorate risk records are maintained on the council's Risk Management SharePoint site (RMS). The RMS was developed in-house as a low cost replacement for specialist risk management software that's licence period ended in 2019. The records held on RMS 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 RMS 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 actions 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.
- 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.
- The risks of a resilience nature i.e. ones that would require an emergency response should they arise, take into consideration the National Security Risk Assessment (the Assessment), published by the Cabinet Office. The 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 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 [National Risk Register](#) is the public facing version of the National Security Risk Assessment and contains risks including terrorism, cyber-attack, systems failures and various types of adverse weather. The Assessment and the National Risk Register are used to inform the more local West Yorkshire Community Risk Register, and together these inform the review and update of the resilience risks on the council's corporate risk register.

15. Roles and responsibilities

16. The council's Intelligence and Policy Team leads on the authority's corporate risk management function. This responsibility includes keeping the council's Risk Management Policy and Strategy up to date, maintaining the Corporate Risk Register, co-ordinating the quarterly updates and reporting of corporate and directorate risk registers, facilitating risk management workshops and providing training and guidance. The range of risk reports for internal stakeholders are detailed in the Clearly Communicate and Meaningfully Monitor sections of this report.

The roles and responsibilities for risk management within the council, as documented in the Risk Management Policy and Strategy, are:

Entity	Roles and responsibilities
Elected Members	
Executive Board, Council Leader and Deputy Leader	<p>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 Strategy and Resources which includes a summary of how 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).</p> <p>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.</p> <p>The Council Leader has responsibility for setting, supporting and monitoring the council's policies and procedures for risk management. 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.</p>
Corporate Governance and Audit Committee	<p>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 Strategy and 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.</p> <p>The Committee approves the Annual Governance Statement which incorporates arrangements in relation to risk and resilience.</p>
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

Entity	Roles and responsibilities
	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.
Council staff	
Corporate Leadership Team ⁶	<p>The Corporate Leadership Team (CLT) has responsibility for ensuring that there are appropriate arrangements in place to manage risks, both those within their respective directorates and with a cross-cutting or wider impact.</p> <p>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.</p>
The Director of Strategy and Resources	The Director of Strategy and 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 Strategy and Resources holds delegated authority to approve changes to the Risk Management Policy and Strategy 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 effectively 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.
Strategy and Performance Service	Central responsibility for Risk Management falls under the Strategy and Performance (Intelligence and Policy Team), as seen at point 16 above.

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
	The Intelligence and Policy Manager is the Deputy Chair of the West Yorkshire Prepared Risk and Capabilities sub-group. Further details about West Yorkshire Prepared can be seen in the Effectively Embed section of this report.
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. Staff should ensure that any risks which they cannot manage or that have a wider impact are escalated to their managers.

17. The Risk Management Strategy includes details of the roles and responsibilities required for each risk, as 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-to-day management of the risk and who reports to the delegated owner.

18. Corporate risks are owned by the relevant Director, with delegated ownership usually allocated to a Chief Officer. Directorate risks are usually owned by the relevant Chief Officer, with delegated ownership allocated to a Head of Service or senior officer. In some circumstances, the Director may choose to be the risk owner.

19. 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 the Medium Term Financial Strategy (MTFS) reports. An annual assurance report of the financial management and planning arrangements was reviewed by this committee on 28th November 2022, the report providing assurance that the council has in place effective and robust arrangements for financial management and treasury management. This 2023 financial management and planning arrangement annual report is on the same agenda as this report.

20. Democratic Oversight

21. 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 Table 1 of the [Annual Corporate Risk and Resilience Report](#) to Executive Board (agenda item 9).
22. The Annual Corporate Risk and Resilience Report to Executive Board includes summary assurances for all corporate risks rated as 'High' or 'Very High'. 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 and Resilience Report is also reviewed by the Strategy and Resources Scrutiny Board and is on the agenda for their meeting on 11th December 2023.
23. In addition to the democratic accountability, further oversight is provided via this annual report on the Risk and Resilience⁸ 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.

Clearly Communicate

24. Guidance and information

25. The main source of risk management information and guidance within the council is the Risk Management InSite page. As well as containing a copy of the Policy and Strategy, the Insite page 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 including that of the National Risk Register.
26. As seen in point 14 above, details of all corporate and directorate level risks are maintained on the Risk Management SharePoint site. Access to the site is administered by Intelligence and Policy and is granted to risk owners, key contacts and members of Internal Audit.
27. The latest corporate risk map continues to be published internally on InSite and externally through the leeds.gov website (on the [Managing our risks](#) page), with the annual report to Executive Board on the council's most significant risks also publicly available.

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

28. Training

29. Risk Management training is available and is 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. As detailed in the Review and Refine section of this report, the development of an e-learning training package for risk management is a recommendation from Internal Audit's recent review of the council's risk management arrangements.
30. The Risk Management Strategy recognises the importance for elected members and staff develop a knowledge and general understanding of risk management. The Risk Management InSite pages includes details of who to contact to arrange training, advice and guidance.
31. During the past year, risk management training has been provided to the Climate, Energy and Greenspaces Extended Leadership Team, Corporate Governance and Audit Committee and Highways and Transport Group Leaders. Risk workshops also include an element of risk management refresher training.
32. Risk management workshops continue to be offered to council services. The objectives of the workshops involve the identification, assessment and treatment options for the risks facing a service, project or business initiative. Over the past year, risk workshops have been delivered to The Climate, Energy and Greenspaces Leadership Team and the Economic Development Team, with further sessions planned for the council's Insurance Team and City Development Operations and Active Leeds functions.

33. Leadership

34. 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 key role that risk management plays within the council.
35. 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 Intelligence and Policy Team 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

36. Stakeholder engagement

37. Key internal risk and resilience stakeholders have been identified (please refer to the roles and responsibilities tables seen earlier in this report) and are recorded across in a series of documents and reports:

- Risk Management Policy and Strategy.
- Corporate and directorate risk records maintained on the RMS site.
- Risk registers reported to Directorate Management Teams and CLT.
- The Annual Corporate Risk Report to Executive Board.

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

39. At the start of the quarterly internal reporting 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.

40. Regular meetings take place between the Intelligence and Policy Manager and the Senior Head of Audit, Corporate Governance and Insurance 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.
- Insurance aspects relevant to corporate and directorate management

41. Regular meetings take place between the Intelligence and Policy Manager and the Resilience and Emergencies Team Manager to review and discuss work including:

- Organisational resilience preparedness.
- Items to include in the routine risk and resilience reports to directorates, CLT, committees and boards.
- Exercising and testing the organisations emergency response and business continuity plans.
- Consideration of information to be cascaded to the council e.g. updates from West Yorkshire Prepared and the National Risk Register.

42. At the start of the quarterly reporting cycle, the Intelligence and Policy Manger meets with the Customer Relations Manager and the Deputy Head of Shared Services (Contact Centre) to discuss any emerging concerns and themes from their work areas that may require escalation for discussion and reporting at directorate or CLT level. These discussions include the identification of possible new risks. An example of a new risk identified via these meetings is the Contact Centre telephony switchover, scheduled for March 2024.
43. Directorate Management and service team meetings provide the main opportunities to discuss risk management aspects relevant to their functions such as new and emerging threats, feedback from external partners and the consideration of any lessons learned from recent incidents.
44. External risk stakeholders include West Yorkshire Prepared, the region's multi agency partnership. Stakeholders within this partnership include representatives from West Yorkshire local authorities, West Yorkshire Police, Fire and Rescue Service, Yorkshire Ambulance Service, the British Transport Police, the military and utilities and health partners. At strategic level, Leeds City Council is represented by the Director of Strategy and Resources and at operational level by the Intelligence and Policy Manager who is Deputy Chair of the Risk and Capabilities sub group.
45. The aims of the Risk and Capabilities sub group are to identify, assess and prioritise risks that will enable West Yorkshire Prepared and associated groups to deliver appropriate programmes of work aimed at treating the risks originating from hazards and threats which may impact West Yorkshire. West Yorkshire Prepared meetings take place quarterly.
46. As detailed in the Meaningfully Monitor section (points 68 and 69 on Benchmarking), in summer 2023, the council's Intelligence and Policy Team co-ordinated a comparison of the risks on the Core Cities⁹ Strategic Risk Registers. One of the outcomes from this review was a desire from Core Cities risk contacts to meet (virtually) on a bi annual frequency to discuss risk management topics facing local authorities. The terms of reference for this group will be discussed at the first meeting, scheduled for 23rd November 2023. The meetings will provide an opportunity for wider local government stakeholder engagement on risk management.
47. The Intelligence and Policy Manager is a member of professional bodies: The [Institute of Risk Management](#) and [ALARM](#)¹⁰, both of which include risk management within their remit. Through actively participating in continuing professional development, such as attending seminars and conferences hosted by ALARM, the Intelligence and Policy Manager keeps informed of developments in risk and resilience matters. Along with the Director of Strategy and Resources and colleagues from the council's Resilience and Emergencies Team, the Intelligence and Policy Manager attends the West Yorkshire Prepared annual symposium.

⁹ Core Cities UK is an alliance of 11 cities - Belfast, Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. Its mission is to unlock the full potential of our city regions to create a stronger, fairer economy and society.

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

48. Clear systems and processes in place

49. Systems for risk management 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 routine risk management meetings (point 39 above) and the Resilience and Emergencies Teams site.

50. Risk updates are administered via the Risk Management System SharePoint site (see Define and Document, point 14), with each individual corporate and directorate risk having its own page on the site. Relevant staff are required to update the risks with progress comments and any changes to the risk details as required e.g. changes in ownership, rating, controls and actions. The Review and Refine section of this report includes the outcomes from a survey undertaken with RMS users.

Meaningfully Monitor

51. General

52. The need to meaningfully monitor, update and report risks is a key part of the Risk Management Process, as outlined in sections 5 and 6 of the following diagram:



53. Routine reporting takes place on risk management matters as follows:

54. 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 where this does not appear to be the case. The Intelligence and Policy Manager maintains a record of further spot checks undertaken on the risks and the follow up action taken. The risks are reported in the first instance to the relevant directorate management teams, which acts as clearance for the corporate risks to be submitted to Corporate Leadership Team for collective review and discussion.

55. Currently a 'Risk and Resilience' report covering the three areas of risk, emergency planning and business continuity management is reported to each DMT, presenting a comprehensive picture of risk and resilience matters. Any significant emergency planning and business continuity aspects that need to be reported to CLT are done so as part of the 'Major incident' resilience risks included in the report.

56. Risks are usually reported on the same DMT and CLT agendas as performance, facilitating an integrated reporting approach. Many key performance indicators act as an early warning system for risks.

57. Members of Intelligence & Policy currently attend the CLT and DMT meetings to present the reports and answer questions on their content. Representatives from the Intelligence and Policy can also attend Service Leadership Teams to matters of a more operational nature e.g., discussions on new risks and threats facing the service and risk training and workshop requirements and feedback.

58. '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 can be 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' can be identified and discussed. One of the recommendations from the recent routine Internal Audit review of the corporate risk management function (detailed in the Review and Refine section of this report) was to formalise 'lessons learned' reviews where risks have materialised internally and externally so that we can identify how they could have been more effectively mitigated through our risk management arrangements.
- 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.

59. Risks identified and mitigated

60. 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.
61. A risk prompt checklist is included as an appendix to every routine risk report for council DMTs. The checklist provides a series of prompts and questions aimed at helping DMTs to identify new risks and threats, and to consider whether they need to be discussed at the DMT meeting or even escalated to CLT.
62. 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 14 in Define and Document).
63. The guidance and template for council Committee and Executive Board reports for decision making includes 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 Team reviews these reports at draft stage and are able to provide feedback and suggestions to the authors on the risk information included.
64. 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.
65. Escalation process in place and used appropriately.
66. 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.
67. 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.
68. Benchmarking
69. In summer 2023, Intelligence and Policy co-ordinated a review comparing the strategic risks of the UK Core Cities. This review, usually undertaken on a biennial basis, aimed to identify the similarities and differences between the strategic risks on the Core Cities risk registers, how they are described and their ratings. Key findings from the review were:

- Many of the Core Cities risks are similar in terms of their theme and ratings e.g. Finance/budget, Major incident, Workforce/staffing, Cyber-attack, Climate change, Safeguarding etc. Although variances were noted in the way the risks were described, the titles and descriptions were easy to understand. The comparisons relevant to each Leeds City Council directorate's functions were included for information in their most recent routine risk report.
- Three Core Cities have a strategic risk on Corporate Governance failure / failure to meet statutory obligations, whilst Leeds does not. As Leeds has a well embedded Corporate Governance and Audit Committee with representatives from key services in attendance, the need for a similar risk on our corporate risk register may not be required.
- Three Core Cities have a corporate risk on Equalities / failure to achieve equality, diversity and inclusion (EDI) across services and the workforce. Leeds' corporate risk register doesn't include a specific risk on equalities as we have previously recognised this as a priority and deal with it via mandatory "Be Your Best" EDI training, facilitated learning, staff appraisals and our shared council values and behaviours. EDI improvement is reported to Executive Board via an annual report, the most recent being July 2023.

Review and Refine

70. Up to date and fit for purpose

71. The Policy and Strategy were recently refreshed, mainly to reflect changes to council terminology, and were approved by the council's Corporate Leadership Team on 31st October 2023. A more substantial review is planned for 2024 to consider the outcomes of a corporate review of policies which, at the time of writing, is still in progress.

72. Risk Management System (RMS) user survey

73. In October 2023, a survey was conducted with RMS users to gauge how effectively they think the system is working in practice and to identify any areas that may require improvement. The survey covered aspects such as how easy or difficult the system was to use (including the Help and Guidance section) and an opportunity to provide feedback and details of any problems encountered using it.

74. Overall, the comments highlight a mix of ease and difficulty in using the RMS, with common concerns related to saving updates and the organisation of information on screen within the system. Users appreciated the ordering of risk updates but still encounter some system usability challenges.

75. The results from the survey showed:

- 50% of users thought the RMS was 'very easy' or 'easy' to use, with 39% rating it as 'neither easy or difficult' and 11% as 'difficult'. Issues raised about the difficulties experienced related to the use of the 'next review date' field and whether this is something that could be automated, and concerns that sometimes updated information is not saved. Although these results indicate there is more

to do to make the system more user friendly, they compare favourably to a previous survey undertaken in 2015 when risks were administered using specialist risk management software. The results then were: 27% (very easy/easy) and 39% (neither easy or difficult) and 33% (difficult or very difficult to use).

- This year, 67% of RMS users were aware of the Help and Guidance section (compared to 64% in 2015), with 50% finding it ‘very useful’ or ‘useful’ and 50% ‘neutral’. Some users commented that they don’t need to use the Help and Guidance toolkit as they know how to use the system well enough.
- Some users requested that risk update reminders to be automated if possible. These requests will be considered a part of future updates to the RMS, and work has already commenced on a tool called ‘Power Automate’ which may be able to help generate email reminders.

76. Additional solutions being worked on by Intelligence and Policy from the survey findings include changing the order in which risk information is displayed on screen into a more logical sequence, making the titles of information fields clearer and arranging refresher training with users who appear to be finding the system problematic to use.

77. Survey of Internal Control

78. In spring 2023, the council undertook its annual Survey of Internal Control¹¹ to provide 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.

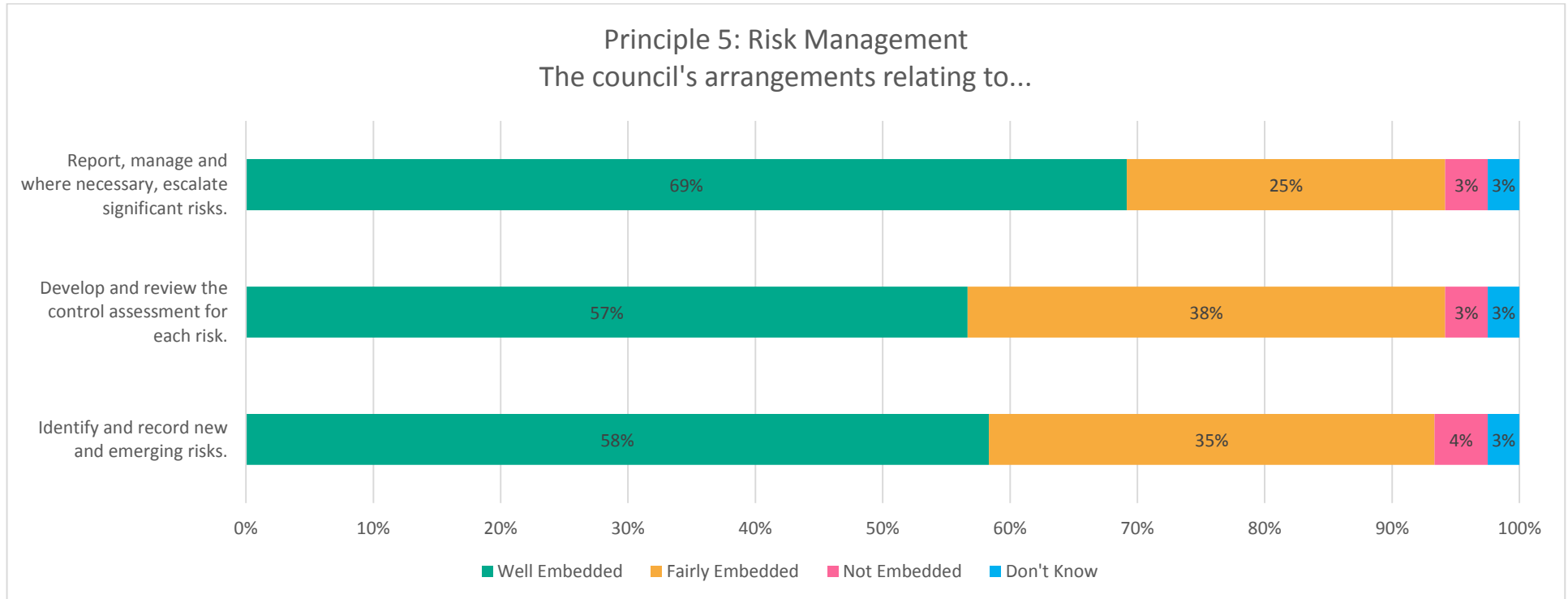
79. The responses to the three questions asked in the survey about the risk management arrangements were:

- 94% of respondents thought the arrangements to report, manage and where necessary, escalate significant risks were “well embedded” or “fairly well embedded”.
- 95% of respondents thought the arrangements to develop and review the control assessment for each risk were “well embedded” or “fairly well embedded”.
- 93% of respondents thought the arrangements to identify and record new and emerging risks were “well embedded” or “fairly well embedded”.

80. The results, whilst generally good and broadly in line with those of the previous year, indicate that there is still scope for improvement. Recent increases in requests for risk training and workshops, such as those delivered or in progress for the Climate, Energy and Greenspaces Service, City Development Operations and Active Leeds Service, the council’s Insurance Team provide opportunities to improve the results.

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

Survey of Internal Control Risk Management Results 2023



81. Reporting arrangements
82. The recent appointment of a new Chief Officer (Strategy and Performance) provided the opportunity to revisit the risk management reporting arrangements to identify and changes and enhancements required. Initial thoughts on how we might change how we report corporate intelligence (including risk management) includes looking at ways information can be visually enhanced and interconnected, whilst still satisfying compliance requirements.
83. Internal Audit review
84. Earlier in 2023, the corporate risk management function was subject to a routine review by the council's Internal Audit service. In addition to the need to formalise 'lessons learned' (seen in point 58 above) the other key recommendations from the review were:
 - The development of a risk management communication plan which should include:
 - Promotion of the refreshed Policy and Strategy
 - The creation of an e-learning package for risk management
 - Re-promotion of roles and responsibilities for risk management
 - The potential to deliver a 'Let's talk' risk management session for the council's Leadership and Management Framework
 - Obtain feedback on the RMS so that any areas of improvement can be addressed (see points 72-76 above).
85. Work has commenced on implementing the recommendations from the review, and progress made against them is being recorded and monitored through Internal Audit's recommendation tracker spreadsheet.

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Introduction

1. This report provides the Corporate Governance & Audit Committee with assurances relating to the adequacy of the emergency planning and business continuity management 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 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. Appendix 1 of this report looks at these risk areas in more detail.
4. Emergency Planning relates to how the council prepares and responds to risks and emergencies.
5. 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.
6. The term resilience covers both emergency planning and business continuity work streams.
7. The term risk and resilience covers all at point 6 in addition to Corporate Risk Management processes.
8. The need for the council to have strong emergency planning and business continuity management arrangements remains essential.
9. Through the arrangements outlined in this report, the council seeks to further embed an effective 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 Resilience, Emergency Planning & Business Continuity Policy.

Define and Document

10. Policies and Strategies

11. The Council's **Resilience, Emergency Planning (EP) and Business Continuity (BC) Policy** has been reviewed and signed off in October 2023. The policy is a framework for resilience and emergency response and preparedness work, outlining the legislative duties under the Civil Contingencies Act 2004 and how Leeds City Council works to meet those duties.

12. The Resilience, EP and BC Policy considered the Civil Contingencies Act 2004, the NHS Core Standards for Emergency Planning Resilience and Response (EPRR) and NHS England business continuity management framework with regard Resilience.

13. 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

14. 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.

15. 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.

16. Key plans and documents

17. Underpinning the Resilience, Emergency Planning (EP) and Business Continuity (BC) Policy are the following key plans and documents:

- The Specific Emergency Plans and Incident Response Plan are maintained on the council's Resilience and Emergencies Team 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 Teams 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.
- These 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 May 2023, contains risks covering aspects such as terrorism, cyber-attack, major social care provider failure and various types of adverse weather. The public facing version of this document, The National Risk Register is available [here](#). 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 (LCC01 and LCC02) arrangements.

18. The Incident Response Plans and Business Continuity Plans are held in electronic form on the Resilience and Emergencies Team 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. Physical copies of all of these plans are held in the event of an incident involving loss of data or power.

19. Roles and responsibilities

20. 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).

21. The council's Resilience and Emergencies Team lead on the co-ordination of the authority's emergency planning and business continuity functions.

22. Emergency Planning responsibilities include: maintaining the council's Resilience, Emergency Planning and Business Continuity Management Policy, maintaining emergency plans, warning and informing businesses and residents of Leeds of ongoing or expected

incidents, development and delivery of 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’.

23. Business Continuity Plans are owned and maintained by the respective critical services within the five council directorates. The Resilience and Emergencies Teams 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.

24. The main roles and responsibilities for Emergency Planning and Business Continuity within the council, as documented in the Resilience, Emergency Planning and Business Continuity Policy, are:

Entity	Roles and responsibilities
Elected Members	
Executive Board, Council Leader and Deputy Leader	<p>Ultimate responsibility for ensuring that the council has effective emergency planning and business continuity management arrangements lies with the Executive Board. Executive Board receives an annual update on this work from the Director of Strategy & Resources.</p> <p>Responsibility for ensuring that the council has effective risk and business continuity management arrangements lies with the Leader of the council, and the Deputy Leader, Executive Member for Resources has responsibility for emergency planning arrangements. These responsibilities have been delegated to the Director of Strategy & Resources. As with all executive delegations to officers, the portfolio holders may require, or the director may choose, to refer a matter to the Executive Board.</p>
Corporate Governance and Audit Committee	<p>The Corporate Governance and Audit Committee is responsible for reviewing the adequacy of the council’s governance arrangements. The Committee receives an annual assurance report on our emergency planning and business continuity management arrangements from the Director of Strategy & 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 Resilience, EP & BCM Policy.</p> <p>The Committee approves the Annual Governance Statement which incorporates arrangements in relation to emergency planning and business continuity.</p>

Entity	Roles and responsibilities
Elected Members	<p>All Elected Members have a responsibility to understand the council's emergency planning and business continuity management arrangements and the risks facing the authority.</p> <p>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. Two training sessions have been delivered in Autumn 2023 to Elected Members to embed knowledge of their roles and responsibilities in civil emergencies.</p>
Council staff	
Corporate Leadership Team ¹	<p>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.</p> <p>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.</p> <p>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.</p> <p>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 Tactical and Operational levels.</p>
The Director of Strategy & Resources	<p>The Director of Strategy & 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 Strategy & Resources holds delegated authority to approve changes to the Resilience, EP & BC Policy on behalf of the Executive Board.</p>

¹ 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.

Entity	Roles and responsibilities
Directorate Management Teams (including Senior Managers)	<p>Directorate Management Teams² includes ensuring that the resilience arrangements are in place within their services.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Strategy and Performance Service	Central responsibility for Emergency Planning and Business Continuity Management falls under the Strategy and Performance (Resilience and Emergencies Team).
All staff	<p>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.</p> <p>Staff have a responsibility to obtain a basic level of business continuity and emergency planning/response awareness through briefings and training. This extends to understanding their roles and responsibilities during an emergency or incident.</p> <p>Staff may be required to participate in exercising and testing resilience plans relevant to their service area.</p>

² 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.

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

Role	Responsibilities
<p>Emergency Planning</p> <p>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</p>	
Strategic level co-ordinating group	Considers the emergency in its wider context and determines long term impacts and risks; defines and communicates overarching strategy and objectives for the response
Tactical level co-ordinating group	Jointly conduct the overall management of the incident; determining priorities for allocating available resources and seeking additional resources if required, planning and coordinating tasks, assessing risks and uses this to inform tasking of operational commanders
Operational level – responder organisations	Implements the tactical plan, commands the single organisation response and co-ordinates actions
Single points of contact	<p>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</p> <ul style="list-style-type: none"> • data protection requirements are obtained for all contacts listed • 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 Plan 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 overall incident management.
<p>Business Continuity Management</p>	
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.

Role	Responsibilities
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.

26. Democratic Oversight

27. 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. LCC01 (City Resilience) and LCC02 (Council Resilience) are the risks which relate directly to Resilience. The joint risk owners of these risks are the Director of Strategy & Resources, Chief Officer Strategy & Performance and Head of Corporate Support who are 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 Table 1 of the [Annual Corporate Risk and Resilience Report](#) to Executive Board (agenda item 9).
28. The Annual Corporate Risk and Resilience Report to Executive Board includes summary assurances for all corporate risks rated as 'High' or 'Very High'. 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 and Resilience Report is also provided to the Strategy & Resources Scrutiny Board.
29. In addition to the democratic accountability, further oversight is provided via this annual report on the Risk and Resilience 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.

Clearly Communicate

30. Guidance and information

31. 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.
32. 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.

33. 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 Resilience, EP and BC Policy, 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'.
34. 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.
35. 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.
36. Leeds Alert is an alert network managed by the Resilience and Emergencies Team for businesses and organisations across the city. . Leeds Alert is a free of charge service in which recipients will receive an email outlining hazards and threats facing the city e.g. severe weather, road closures, industrial action, demonstrations etc. There are currently 729 subscribers to this service. The Resilience and Emergencies Team also maintain the [@leedsemergency](#) X (formerly twitter) account which currently has 8,162 followers, which warns and informs in the same way as Leeds Alert. The email addresses, Leeds Alert and the X account are publicised on the [Prepare your business for an emergency](#) page on the council's Leeds.gov website.
37. The Resilience and Emergencies Team have responsibility for issuing internal Severe Weather Warnings. The platform Gov.delivery is utilised to create bulletins to advise of MET Office and Environment Agency warnings of an impending weather incident. Subscribers (currently totalling 262) to this service receive a tailored message for Leeds, advising of the possible impacts locally and also actions already taken by services. These bulletins link to the authority's Severe Weather Plan and also Business Continuity Plans.
38. Gov.delivery is also the platform used to issue out Air Quality alerts. The Long-term Air pollution alert process is a sustainable method of informing the Leeds workforce, members of the public and those more vulnerable to high or very high levels of air pollution. This distribution list is maintained by the Authorities Public Health Team, but warnings issued by RET. There are currently 265 subscribers to this service.
39. Training and Exercises: Emergency Planning and Business Continuity Management
40. This year RET have delivered training to West Yorkshire Police newly appointed Inspectors on the Council's role and support available in the event of an emergency. This was delivered to approx. 50 officers over two sessions in the Summer.
41. An elected members training package was developed for 2023 and delivered at two sessions in Autumn, covering the role of elected members in civil emergencies. This training session included practical learning in the form of table-top exercising on the subject of emergency response and building community resilience. We also delivered induction training in May to newly elected members.

42. Business Continuity Management training has not been delivered in 2023 due to plan owners being requested to complete impact assessments for the risk of National Power Outage and the RET undertaking a comprehensive confidence audit of all authority plans. This is explained further at point 88.

43. Emergency Plan exercises

44. The Local Resilience Forum (see point 51 below) leads on, and facilitates, a comprehensive exercise programme to test the various plans and arrangements to deal with disruptive incidents and emergencies. This year the LRF have facilitated, with representatives from Leeds City Council taking part, the following:

- Exercise Lukla (8th March): LBA exercise looking at the management of an aircraft accident and fuel spillage
- Exercise Mighty Oak (28 – 30th March); national exercise looking at the risks and impacts of a National Power Outage
- Gold Symposium (12th July): A strategic level event offering professional development with the focus on operational response during a National Power Outage
- Emergency Services Roadshow (29th July): an event hosted at Roundhay Park welcoming all Category 1 and 2 responders to showcase their services and spread the warning and informing message to members of the public attending from West Yorkshire.
- Strategic Exercise (27th September): Looking at recovery following a National Power Outage
- Exercise Spring Ten (12th October): Live Exercise in an arena setting to test the response and strategic management of a marauding terrorist incident
- Fuel Exercise (24th October): Table-top exercise with a focus on response to a national fuel crisis

45. RET have facilitated a live exercise, Exercise Ripario (13th September), which looked at the establishment and successful running of a Reception Centre following an incident requiring an evacuation. This exercise also contributed to the successful achievement of the authority obtaining a Gold Pawprint Award from the RSPCA for the council's provisions of welfare to companion animals in an emergency.

46. Learning from these exercises is documented and reflected in the work of the Local Resilience Forum and feeds into the Service Plan of the Resilience and Emergencies Team.

47. Business Continuity Network Event

48. On 9th November we re-launched the BC Network, which is a professional forum of local businesses coming together to learn and share best practice for Business Continuity. The event had a focus on Martyns Law and welcomed guest speakers from Counter Terrorism, First Direct Arena, Community Safety and Highways. The event was publicised through Leeds Alert, BACIL (Businesses Against Crime In Leeds) and Economic Development with the Key Accounts Manager. The event was a 'sell out', with 120 people attending.

Leadership

49. The Resilience, Emergency Planning and Business Continuity Policy is endorsed by both the Leader, Deputy Leader and Director of Strategy and Resources demonstrating the ‘tone from the top’ about the important role that Resilience plays within the council.
50. As detailed in the roles and responsibilities section of this report, members of Executive Board and the Corporate Leadership Team receive reports during the year, and they can request updates on specific EP and BC matters from the Resilience and Emergencies Team or relevant directorate leads.

Effectively Embed

51. Stakeholder engagement

52. Key internal emergency planning and business continuity stakeholders have been identified (see roles and responsibilities table at point 23 above) and are recorded across in a series of documents and reports:

- Resilience, Emergency Planning and Business Continuity Policy
- Resilience & Emergencies Teams Site
- Incident Response Plans
- Business Continuity Plans

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

54. External stakeholders are mainly those who attend the West Yorkshire 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, West Yorkshire Fire and Rescue Service, Yorkshire Ambulance Service, the British Transport Police, the Military, Utilities and Health partners. Leeds City Council is represented at WYRF by:

- Director of Strategy & Resources, Co-chair of the WYRF
- Resilience and Emergencies Team Manager, Chair of the Mass Fatalities sub-group
- Intelligence and Policy Manager, Deputy Chair of the Risk and Capabilities sub-group
- Emergency Planning Officers, members of all other sub-groups
- Communications & Marketing Team, Communications Officers 6-weekly meeting

The Local Resilience Forum meetings take place quarterly supplemented by regular exercises to test the plans.

55. 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 33 in Clearly Communicate above).
56. At quarterly Directorate Leadership Team meetings the Resilience and Emergencies Team report on feedback from the WYRF, exercises and incidents that have taken place or occurred and the learning from them to incorporate into plans, update on plan developments and a review of the directorates Business Continuity Plans status (due for review, updated or over-due a review).
57. Internal 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. The movers and leavers form with the Business Administration Service also captures details of stakeholders and prompts line managers to inform the Resilience & Emergencies Team.
58. 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
59. 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.
60. The Resilience and Emergencies Team Manager is a member of [ALARM](#)³. Through actively participating in Continuing Professional Development, such as attending seminars and conferences hosted by ALARM, the Resilience and Emergencies Team Manager can keep informed of developments in resilience matters.
61. Clear systems and processes in place
62. Systems for emergency planning and business continuity 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.

³ ALARM is a risk management organisation that develops industry leading best practice for those managing risk and insurance

63. The Incident Response Plan and specific Emergency Plans on the council’s Resilience and Emergencies Microsoft Teams site are maintained by the RET 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.

Meaningfully Monitor

64. General

65. The need to monitor and update risks and plans is a key part of the emergency planning and business continuity process, illustrated in Diagram 1 (four phases of emergency management) and Diagram 2 (business continuity process) below:



Diagram 1

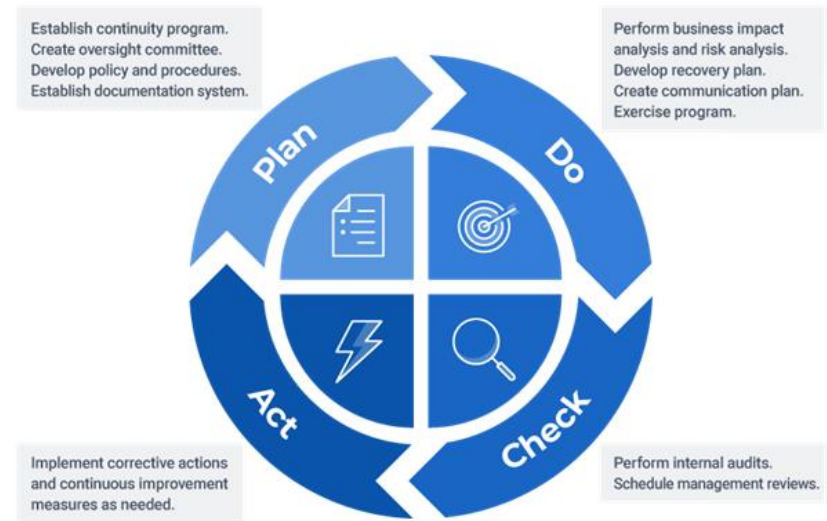


Diagram 2

66. Routine reporting takes place on emergency planning and business continuity matters as follows:

- Emergency Planning and Business Continuity updates are reported to each Directorate Management Team on a quarterly basis
- Members of the Resilience and Emergencies Team attend meetings to present the report and answer questions on their content

67. ‘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:

- 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

68. 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.

69. The Resilience and Emergencies Team are currently undertaking an audit of all critical services Business Continuity Plans. Part of this process will highlight all interdependencies services have with other services, in order for all BCPs to cohesively ensure that continuity also in the future.

70. BCP Key contacts are reminded to review and update their plans in April/May, 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.

71. Risks identified and mitigated

72. 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.

73. 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.

74. Through membership of the ALARM, the Resilience and Emergencies Team Manager is able to attend seminars and networking events at which new and emerging risks are discussed.

75. 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.

76. 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.

77. Escalation process in place and used appropriately

78. The West Yorkshire 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 West Yorkshire Resilience Forum is the threat of a national power outage.
79. Benchmarking
80. 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 West Yorkshire Resilience Forum.

Review and Refine

81. Legislation and Guidance
82. 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.
83. Fit for purpose
84. The Resilience, Emergency Planning and Business Continuity Policy has been recently refreshed, mainly to reflect council terminology, and was considered and signed off at Corporate Leadership Team on 31st October 2023.
85. A successful recruitment exercise was completed for the Project Support Officer within the Resilience and Emergencies Team, with the postholder being in position since April 2023. This has achieved the goal in allowing the Resilience and Emergencies Team Manager to focus on attending the Health Protection Board and other health forums with support from an Emergency Planning Officer (EPO). The EPO also now has more capacity to work collaboratively with Health colleagues on updating the Pandemic and Outbreak emergency plans.
86. A formal Internal Audit was undertaken on the Business Continuity Management functions commencing in 2022 with the final report being produced October 2023. The Executive Summary of this audit included: There are policies and procedures in place to effectively manage Business Continuity Arrangements and support is provided to directorates across the council where appropriate.
87. Some weaknesses were found as part of the BCM Audit, and recommendations made as follows:
 - IDS and RET to collaborate to review the Major Incident process for IDS

It has previously been identified that there are many interdependencies from all of the critical services with IDS, resulting in IDS being named as a core responder. The Resilience and Emergencies Team Manager has met with IDS colleagues and agreed that this recommendation will be reviewed following the process of audit for all other plans. We will be provided with an up-to-date picture of interdependency which will enable IDS to take proportionate and informed decisions when updating procedures for responding to requests for support from critical services.

88. Other recommendations were made as part of the Internal Audit, of which had already been highlighted as an area for improvement by the Resilience and Emergencies Team Manager. These were incorporated into processes before the final report was published in October, as follows:
- The RET have altered the approach, as outlined at point 42, and are undertaking an audit process in 2023 of all critical service plans. An objective of this process is to advise areas to improve on within the plans. Feedback will be reported to services in January 2024 for their plan review to incorporate recommendations in their April plan update.
 - It is anticipated that an outcome from this review will be that a proportion of Business Impact Analysis for council services will need to be undertaken or repeated to ensure that BCPs are in place for all current critical services. It will be fed back in the January reports to all services if this is felt to be a requirement, and any new services will be captured through communication links with Directorate Leadership Teams.
 - Within the template audit report, RET have included standard text to feedback a consistent message to all critical services about work flows and management during power outage and loss.
 - Plans had previously not followed a programme for review and update, with all plans having different review schedules. All plans have been updated in 2023 and have agreed to an annual review period, which will be undertaken in April/May each year. The first occurrence of this schedule will be in 2024, if there are plans overdue review by the end of May then this will be chased by the dedicated Directorate Emergency Planning Officer, if by June this has still not been undertaken then the Directorate Leadership Team will be made aware and it highlighted as a risk.

Annual Assurance report on Financial and Treasury Management

Date: 27th November 2023

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 2022 to October 2023.

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 2023/24 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 2023/24 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 significant demand and pressures combined with 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 2024/25 – 2028/29 which was agreed at Executive Board in September 2023. This report projected that the Council's general reserve would be £51.2m by March 2029.
- 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 8th February 2023.

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 combined with significant pay. price and demand 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

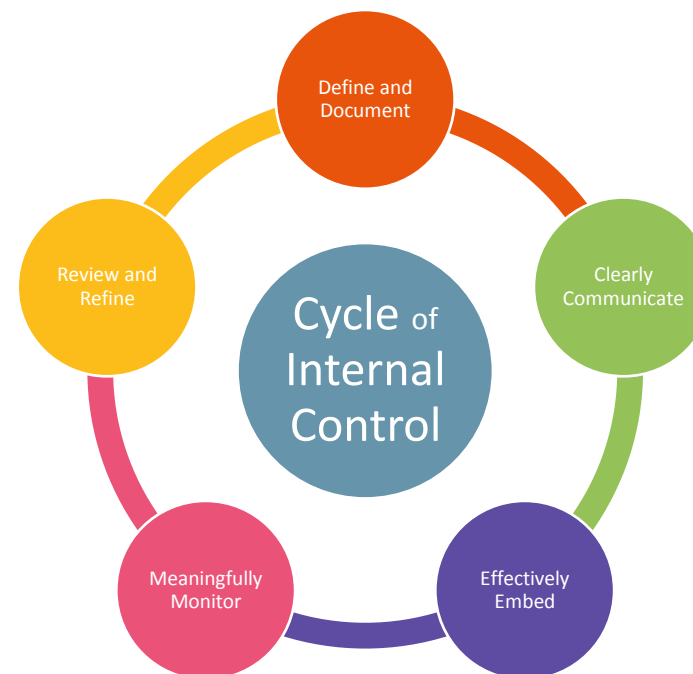
Background papers

- 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 and issuing S114 notices, 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 £2,409m, and investments currently stand at around £8m, as at the 23rd October 2023.
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 2022 to October 2023
7. The statement includes opportunities that have been identified to improve these arrangements.



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 Council's Being our Best priorities, the Council's values and Best City ambitions the Council has developed the MTFS to direct the resources of the Council to the priorities identified in the Best City Ambition. 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 2024/25 to 2028/29 MTFS, which was agreed by Executive Board in September 2023, 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 £251m of which £59.2m relates to 2024/25. An updated budget gap of £45.8m for 2024/25 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 2023 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.

The Budget

16. Local authorities are under a statutory duty to set a balanced budget each year. The 2023/24 budget was approved by Full Council on the 22nd February 2023.

The headlines from the 2023/24 budget proposals, when compared to the 2022/23 budget, are as follows;

- An increase in the Council's net revenue budget of £51.4m to £573.4m.
- The Council will receive £33.4m in Revenue Support grant (RSG) an increase of £4.1m on 2022/23.
- The net impact of business rate retention on the 2023/24 general fund is an increase of £22.2m.
- An increase in the Settlement Funding Assessment (SFA) of £10.1m or 5.4%
- An increase in the general Council Tax of 2.99% together with a further 2% in respect of the Adult Social Care precept which was estimated to contribute an additional £19.1m 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 £58.6m of savings by March 2024 and.
- A net decrease in staffing of 11 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.

Budget Principles

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
to deliver these responsibilities the Chief Financial Officer must lead and direct a finance function that is resourced	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;

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 be fit for purpose and must also be professionally qualified and suitably experienced.

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 2024/25 to 2028/29, 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 2024/25 to 2026/27. 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 in

October and December of 2023. Those approved for implementation, or consultation as required, will subsequently be built into the 2024/25 Budget and Provisional Budgets for 2025/26 and 2026/27.

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
Heads of Finance	Directorate Heads of Finance and Chief Officer – Financial Services. (chaired by the Deputy 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 and Chief Officer – Financial Services. (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 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 External Auditor's Annual Audit Report.

TREASURY MANAGEMENT

Policy and Strategy

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 2021 and guidance notes for Practitioners; CIPFA Treasury Management in the Public Services – Code of Practice and cross sectoral Guidance notes 2021 and Guidance notes for local authorities (Together the Code of Practice); Ministry of Housing Communities and Local government revised guidance on investments 2018 (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

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↓ 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
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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;
Chief Officer Financial Services sub scheme of Delegation Miscellaneous Functions - Financial Regulation 23: Treasury Management Page 35	Delegated to Deputy Chief Officer (Financial Services). Head of Finance – Technical. The Approved signatories as authorised by the Chief Officer	In relation to all matters within their remit
↓ 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 on the assurance and soundness of the Treasury management operation. Treasury management remains a key focus of internal audit and the committee receives their updates as part of the normal course of business.

54.

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 2023/24 report to Full Council on the 22nd February 2023. 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 them 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 Setting

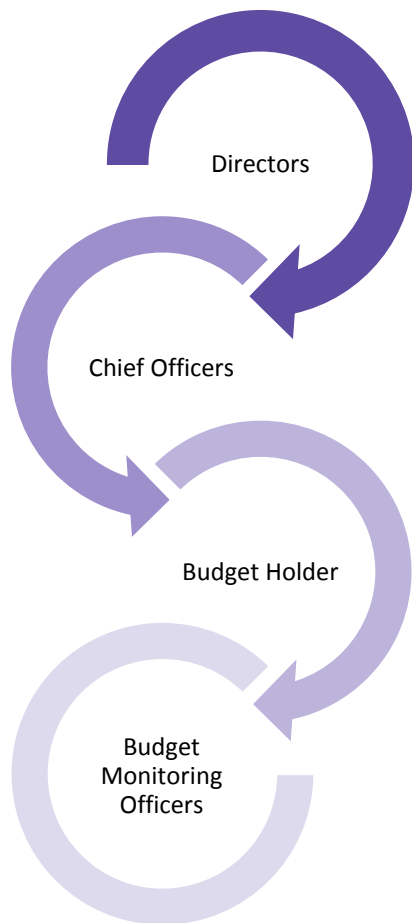
68. Within the context of MTFs, as well as being a financial expression of the Council's policies and priorities, the annual budget is also a means of controlling spending to the available resources and re-enforcing financial accountability and responsibility.
69. The annual budget process is led by 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. This group will have oversight over the delivery of the 2023/24 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 support the delivery of a balanced budget

position in 2023/24. 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.



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. The information presented at these meetings has now been standardised across all Directorates to ensure consistency in terms of the level and depth of information being presented.

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 be 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 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 March/April 2023 Strategic Investment Board agreed to continue with its 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. It also agreed that any revenue savings required due to any increase in the revenue debt budget above the headroom identified by the overarching Capital Strategy and any other identified available funds, would add to the revenue savings targets of relevant directorates. Further it was agreed that any capital receipts not required for transformation would be used to reduce corporate borrowing. A review of the existing capital programme was undertaken to ensure all existing borrowing commitments were still required and to confirm the profile of the necessary borrowing. This provided a clear base position against which to carry out the review process and identified where funds already committed could be freed up to deliver priority schemes identified during the 2023 review process.
93. Capital priorities agreed in 2023 have been updated to tie in with the Best City Ambition and the Organisational Plan, to ensure that the capital programme reflects the priorities of the Council and the City, and these priorities have been used to assess the priority of new projects / pressures identified by Directorates. The 'gateway' information captured for new projects / pressures included the following questions;
- Which of the Council's Three Pillars does the proposal deliver against: health and wellbeing, inclusive growth and net zero carbon commitment?
 - Which of the main change priorities in Being Our Best, the Council's Organisational Plan, does the proposal deliver against: improving efficiency of how we do business in the council, improving our digital offer, improving how we serve our customers, improving how we work with people and families, and improving the coordination of our services in local areas?
 - Is the proposal essential e.g. health and safety or statutory obligation?
 - Does the investment deliver a return e.g. direct income streams for the Council or leverages in additional funding, or indirect benefits for the city such as inclusive economic growth, housing growth, carbon reductions?
 - Does the investment deliver transformation e.g. improving service quality to reduce or defer costs or prevent further demand, or wider transformation for the city?
- Other data captured included implications for IT, staffing / HR, asset management, vat, climate / carbon footprint, finance, both capital and revenue, programme and model of delivery e.g. use of internal service providers and partners.
94. Directorates were invited to submit their priority proposals for consideration by a cross-council group of senior officers, including members of the Strategic Investment Board. Review meetings were held during May and June 2023 in which the group considered and challenged these proposals. Each proposal was considered against agreed Capital Programme Review Prioritisation Criteria, to ensure they were in line with the Council's priorities and this involved consideration of both the strategic importance and urgency of the proposals. Following confirmation of prioritisation, members of the group representing each directorate ranked the proposals and their scores were then collated into overall

rankings. Outcomes were reported to the wider Strategic Investment Board in late June 2023 for consideration and recommendation to Cabinet and then to the September meeting of Executive Board as part of the Medium-Term Financial Strategy (MTFS) Report.

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). In addition from June 2023 the PWLB will lend for HRA borrowing at a further 40bp discount to the certainty rate however this is subject to renewal and confirmation by the PWLB in June 2024. 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

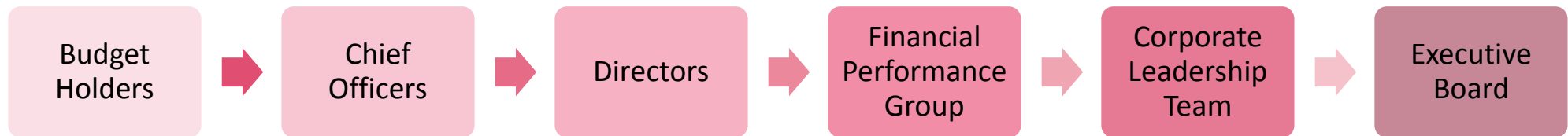
101. Treasury Management systems and processes are well established and changes to these are evolutionary rather than revolutionary. A new system has been purchased and is in the process of being implemented.
102. Treasury Management systems utilise a mixture of Access Databases;(being replaced by the 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



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.

Office for Local Government (OFLOG)

114. The Office for Local Government (OFLOG) was launched during the LGA Conference in Bournemouth in July 2023. The aim of Oflog is to provide authoritative and accessible data and analysis about the performance of local government. Initially the data published relates to four thematic areas one of which is Finance which has eight indicators. The Oflog indicators are a benchmarking tool, similar to the CIPFA Resilience Index indicators and other benchmarking indicators that we update and monitor as a Council. As such, the outcome of the Oflog exercise has not provided new information, merely highlighting existing available information.

Independent Assurance

Internal Audit

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115. 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, good assurance opinion or acceptable assurance opinion 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.

External Audit

116. 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.
117. 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.
118. 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 2021/22 Annual Audit report was received at this Committee on the 20th March 2023 and whilst it did not identify any significant weaknesses and related key recommendations it did identify a small number of improvement recommendations to further enhance the Council's arrangements. These recommendations included the following:

119. (a) Given the significant swings experienced in the capital programme spend from February's projections compared to the actual outturn, we (Grant Thornton) recommend the Council reviews its processes for monitoring the capital spend and projections. This should result in more accurate projections of the expected capital year-end spend, strengthening financial monitoring arrangements.
120. (b) That when reporting savings delivered in year and achieved at the year-end, we (Grant Thornton) recommend the Council reports the split between recurrent and non-recurrent savings. This will increase the transparency of the type of savings delivered and provide clarity on the proportion of non-recurrent savings that may continue to be a challenge for the Council in the future.
121. (c) In our review of the key governance policy documents of the Council, we (Grant Thornton) noted that the Code of Conduct for Officers does not appear to have been reviewed for relevance since 2013. We recommend the Council reviews the Code of Conduct for Officers for relevance and updates the Code as required.
122. (d) When reporting our 2020-21 findings we recommended that the Council should consider the use of unit cost benchmarking. Our own use of such benchmarking, using CFO Insights highlighted a number of areas where the Council's costs, relative to other core cities, are 'very high. We (Grant Thornton) therefore recommend that the benchmarking data from CFO Insights is reviewed to help the Council understand its costs and to potentially identify areas for cost reduction and improvement.
123. (e) In our review of performance reporting we noted that, in the report on organisational KPIs to the Corporate Leadership Team in November 2022, three indicators were awaiting a commentary from the service. In order that both officers and Members fully understand performance, we recommend that commentary is available on all KPIs at the time of reporting.
124. 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.
125. 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

126. 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

127. 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.
128. 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.
129. 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

130. 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.
131. 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

132. 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.
133. 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 CIPFA Codes of Practice but annotated for a Leeds City Council perspective and attitude to risk e.g. Credit and Counterparty Risk, Market Risk Management.
134. 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

135. The TMSS outlines not only the strategy and risks to that strategy but also any mitigations necessary and options available to mitigate those risks.
136. 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 Council's 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.
137. 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

138. 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.
139. 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 be revised to take account of these risks and developments.

Review of MTFS

140. An updated MTFS was received at September's Executive Board, and this highlighted a funding gap of £251m of which £59.2m relates to 2024/25. As reported to October's Executive Board this estimated budget gap for 2024/25 has subsequently increased to £45.7m. This position has been reported in advance of the Chancellor's autumn statement which is expected to be published on November 22nd and this will inform the Provisional Local Government Finance settlement that is expected in the week before Christmas. Further budget savings options to bridge the estimated budget gap for 2024/25 have been timetabled to be received at December's Executive Board.
141. 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.
142. In addition there are a number of other pressures which will influence and impact upon the Council's financial position and these include pay and price inflation, the continuing impact of the cost of living crisis and any ongoing impact of COVID-19 upon the level of resources available to the Council.

National Funding Formula for Schools

143. 2023/24 is the sixth 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 2024/25. The schools funding formula for 2023/24 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 2023/24 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

144. 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.
145. Implementation of the code complements 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.
146. 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 2021/22 accounts were reported to the Corporate Governance and Audit Committee in March 2023.

Opportunities for improvementFinancial Management Systems (FMS)

147. 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.
148. 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.

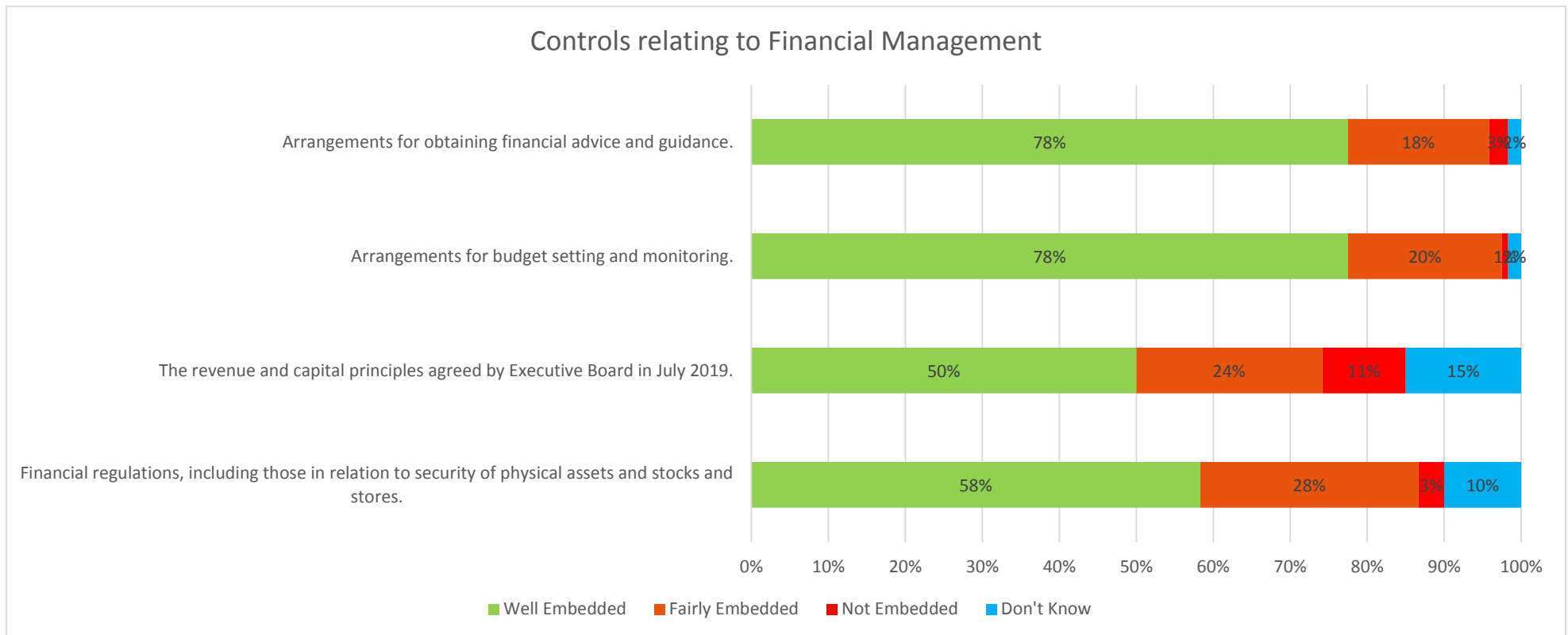
149. FMS is an in-house developed and managed Oracle-based system. The system is a ledger system, the general feel of the system is not modern, user-friendly and there are specific gaps in the system's capabilities, for example procurement/purchasing. As a part of the Core Business Transformation (CBT) 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. A further Executive Board report, in October 2022, approved delivery of phase 1 of the CBT Programme, which is to replace FMS with Microsoft Dynamics. The Council is currently working with an Implementation Partner to deliver and configure the new Finance system, with go-live scheduled during financial year 2024/25.
150. 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 2023/24 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.

IR 35

151. 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.
152. 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. HMRC has recently been in contact with all local authorities requesting details of how many agency workers are employed and how many are self employed.
153. The Council has established specific controls to manage this process, but it is recognised that further work is required to confirm that the CEST tool is being completed appropriately on all occasions.
154. The Survey of Internal Control which took place in May 2023 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.

155. 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



Internal Audit Recommendations

156. 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. The continual monitoring of this information will drive the timely action required to support the ongoing refinement of the financial control environment

TREASURY MANAGEMENTEnsuring our arrangements are up to date and fit for purpose

157. 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 general lending arrangements was 21st October 2021, Circular 163 however specific Subject guidance is also issued from time to time the last being 15th June 2023)
- Accounting rules (updated annually)

158. 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

- 159. 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.
- 160. 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 2023/24 municipal year.

Opportunities for improvement

Define and Document	<ul style="list-style-type: none"> • There are no proposed amendments in respect of arrangements to define and document the system of internal control.
Clearly Communicate	<ul style="list-style-type: none"> • 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. Delivery of this training package will be timed to coincide with the new financial ledger, Microsoft Dynamics, going live in 2024/25. • To continue 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 continue to be reviewed and proposals brought forward to enhance compliance in these areas.
Effectively Embed	<ul style="list-style-type: none"> • There are no proposed amendments in respect of arrangements to effectively embed the system of internal control.
Meaningfully Monitor	<ul style="list-style-type: none"> • We will ensure that arrangements to support compliance with IR35 are appropriately monitored. • Continue to monitor and to respond to consultations and legislative changes as they come forward in relation to the Treasury management area.

Review and Refine

- Internal Audit recommendations are continually received, tracked and implemented to review and refine the system of internal control.

Grant Thornton IT Audit Report 2022/23

Date: 27th November 2023

Report of: the Chief Finance Officer

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 covering report presents Grant Thornton's IT Audit Report for the 2022/23 financial year, which is attached as Appendix 1.

The IT Audit Report is undertaken in support of the audit of the financial statements, and covers the control environment for the Council's main financial systems.

Recommendations

- a) Members are asked to receive the IT Audit Report presented by Grant Thornton and to note the recommendations which have been made.

What is this report about?

- 1 This report presents Grant Thornton's IT Audit Report 2022/23.
- 2 The IT Audit Report covers the control environment for the Council's main financial systems. It is undertaken to support the audit of the financial statements, to determine the level of reliance which the accounts audit can place on controls within the financial systems. The report makes a number of recommendations and provides an update on previous recommendations.

What impact will this proposal have?

- 3 The report outlines the conclusions from Grant Thornton's IT audit work for 2022/23, and identifies some recommendations for improvement in the Council's arrangements.

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

Health and Wellbeing Inclusive Growth Zero Carbon

- 4 The report relates to the council's underlying financial governance arrangements rather than to the delivery of any specific services.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted? Yes No

- 5 The audit report does not raise any issues requiring consultation or engagement with the public or individual ward members.

What are the resource implications?

- 6 There are no direct resource implications arising from this report.

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

- 7 The IT Audit Report covers Grant Thornton's findings in relation to the control environment which is in place for the Council's main financial systems.
- 8 The report makes one high priority recommendation and three medium priority recommendations. The high priority recommendation follows on from the previous IT audit report which was presented in March 2023 and relates to the fact that for the FMS system, user access rights are administered by corporate finance staff in conjunction with their other responsibilities. This is an arrangement which Grant Thornton feel is in principle not advisable, but the scope of their audit does not include a detailed review of FMS functionality to determine to what extent the potential risks would apply in practice to this system. Officers have re-considered the audit recommendation and remain satisfied that given the specific functionality of FMS, the existing arrangements do not give rise to significant extra risk.

What are the legal implications?

- 9 The IT Audit Report contributes to Grant Thornton's overall work to discharge their responsibilities as defined by in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Options, timescales and measuring success

What other options were considered?

10 The report is a retrospective one, which presents findings from Grant Thornton's 2022/23 audit work.

How will success be measured?

11 Grant Thornton will provide an update on the recommendations made in the report during their 2023/24 audit.

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

12 Those recommendations which have not yet been implemented will be addressed by officers over the coming months.

Appendices

- Appendix 1 is Grant Thornton's IT Audit Report for 2022/23.

Background papers

- None

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IT Audit Findings

Leeds City Council

Year ended : 31 March 2023

Issued Date : 14 November 2023

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Section 1: Executive summary

01. Executive summary

02. Scope and summary of work completed

03. Summary & Details of IT audit findings

04. Review of IT audit findings raised in prior year

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To support the financial statement audit of Leeds City Council for year ended 31 March 2023, Grant Thornton has completed roll forward testing, followed up on prior year's findings and re-tested privileged access controls for the in-scope applications FMS, Capita (Academy) and SAP. Grant Thornton has also completed a design and implementation review of the IT General Controls (ITGC) for the Civica CX application identified as relevant to the audit.

This report sets out the summary of findings, scope of the work, the detailed findings and recommendations for control improvements.

We would like to take this opportunity to thank all the staff at Leeds City Council for their assistance in completing this IT Audit.

Section 2: Scope and summary of work completed

01. Executive summary

02. **Scope and summary of work completed**

03. Summary & Details of IT audit findings

04. Review of IT audit findings raised in prior year

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The objective of this IT audit was to complete a design and implementation review of Leeds City Council ITGC to support the financial statement audit. The following applications were in scope for this audit:

- Capita Academy
- FMS
- SAP
- Civica CX
- Active Directory

We completed the following tasks as part of this ITGC review:

- IT General Controls Testing: Design, implementation assessment over controls for security management; technology acquisition development and maintenance; and technology infrastructure.
- Performed high level walkthroughs, inspected supporting documentation and analysis of configurable controls in the above areas.
- Documented the test results and provided evidence of the findings to the IT team for remediation actions where necessary.

Section 3: Summary & Details of IT audit findings

01. Executive summary and scope of work completed



















02. Scope and summary of work completed

03. Summary & Details of IT audit findings

04. Review of IT audit findings raised in prior year

Section 3: Overview of IT audit findings

This section provides an overview of results from our assessment of the relevant Information Technology (IT) systems and controls operating over them which was performed as part of obtaining an understanding of the information systems relevant to financial reporting. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.]





IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks / other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
SAP	Detailed Roll forward ITGC assessment (design effectiveness)					N/A
Capita Academy	Detailed Roll forward ITGC assessment (design effectiveness)					N/A
FMS	Detailed Roll forward ITGC assessment (design effectiveness)					N/A
Civica CX	Detailed ITGC assessment (design effectiveness)					N/A
Active Directory	Detailed ITGC assessment (design effectiveness)			Not In Scope	Not in Scope	N/A

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We also performed specific procedures in relation to the Cyber security performed during the audit period. We observed the following results:

IT system	Result	Related significant risks / risk / observations
Cyber Security	No Deficiencies Identified	n/a




Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements / significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

IT general controls assessment findings

Assessment	Issue and risk	Recommendations
1.	<p> User accounts identified with inappropriate access rights in FMS</p> <p>Administrative access to FMS has been granted to users who have financial responsibilities. The combination of financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict.</p> <p>We noted that 13 Finance users with role ‘System Controller Status = 2’ could set up user accounts and then assign additional financial responsibilities to these or other user accounts. Some Finance users provide systems support and require this functionality; other users who perform financial reporting, create a segregation of duties conflict. We did not perform additional procedures to verify if the users had access to and used this functionality The list of users referred has been provided.</p> <p>Risk</p> <p>Depending on the functionality of a system and the nature of the administration access rights, a combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to</p> <ul style="list-style-type: none"> - unauthorised changes being made to system parameters - creation of unauthorised accounts, - unauthorised updates to other account privileges 	<p>Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should define segregation of duty policies and processes and ensure that there is an understanding or roles, privileges assigned to those roles and where incompatible duties exist. It may be helpful to create matrices to provide an overview of the privileges assigned to roles.</p> <p>We would recommend that the “System Controller Status = 2” role is removed from the finance users and assigned to the system administrators who manage the application or assigned to users whose activities are logged and monitored.</p> <p>Management should adopt a risk-based approach to reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business.</p> <p>If incompatible business functions access rights are granted to users due to organisational size constraints or other business needs, management should review their current detective controls on a regular basis to identify and monitor activities. These may include reviewing system reports of detailed transactions; selecting transactions for review of supporting documents; overseeing periodic counts of physical inventory, equipment or other assets and comparing them with accounting records; and reviewing reconciliations of account balances or performing them independently.</p> <p>We are aware that there is a project to implement a dual authorisation which has gone live since the conclusion of our audit.</p> <p><i>Continue to next page..</i></p>

Assessment

-  Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
-  Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
-  Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach


IT general controls assessment findings

	Assessment	Issue and risk	Recommendations
1.	●	User accounts identified with inappropriate access rights in FMS	<p>Management response</p> <p>Officers have reconsidered Grant Thornton's finding and remain satisfied that the specific system controller functionality within FMS does not give rise to additional risk when combined with financial functionality. In FMS, the system controller access referred to does not permit users to bypass system enforced dual authorization controls. However, transferring the system controller function away from knowledgeable Finance staff would increase the risk of inappropriate access being given to users.</p> <p>Following the previous year's audit report the Council noted that there was a potential weakness in the creation of new users, as new user accounts could be created by one single system controller – a risk which was unrelated to whether the system controller function was performed by Finance or by other staff. However, during 2023 the Council has improved the functionality in FMS so that one individual system controller can no longer create and activate a new user account.</p> <p>The Council periodically risk-assesses all functionality in FMS. This highlights those areas of functionality within the system which represent the highest risk, and it is in the light of this work that the Council is satisfied with its current arrangements. FMS provides a full audit trail of system administrator activity, and detection controls are in place.</p>




Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach


IT general controls assessment findings

Assessment	Issue and risk	Recommendations
<p>2. </p>	<p>Inadequate controls over privileged user accounts in FMS, and Capita Academy databases</p> <p><u>FMS Oracle databases</u></p> <p>We noted that activities performed by system administrators via generic user accounts SYS and SYSTEM were logged. However, the activities were not reviewed on a periodic basis. We were informed that the DBA team of the Council have agreed that individual accounts will be set up for their use when resources allow.</p> <p><u>Capita Academy database</u></p> <p>We noted that activities performed by system administrators via generic user IDs 'aisdba' were logged. However, these activities were not reviewed on a periodic basis. We were informed that management is in the process to implement a new module within Academy that monitors the system users including generic accounts.</p> <p>Risks</p> <p>Without logging and monitoring of administrator activities, in particular generic accounts, it might not be possible to detect unauthorised activities that are performed via these accounts.</p>	<p>Management should consider developing a logging and monitoring strategy for critical administrative activities. Resources should be allocated to monitor only those activities that are critical. These logs should be reviewed by an independent person on a periodic basis or as and when alerted.</p> <p>Management response</p> <p><u>FMS</u></p> <p>As noted, individual accounts will be set up for use by individual staff. However, this will not remove the requirement for generic IDs to run scripted processes, although the use of the generic IDs will be limited to this. The functionality for auditing of 'sys operations' is switched on for the FMS database, ensuring that there is an audit trail of the activities carried out by these IDs.</p> <p><u>Academy</u></p> <p>As noted, the Council is in the process of implementing new modules which will help to address this point.</p>

Assessment

-  Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
-  Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
-  Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach


SAP controls assessment findings

	Assessment	Issue and risk	Recommendations
3.		<p>Users with inappropriate access to directly create and modify SAP roles in production</p> <p>From our review, we identified four (4) Dialog user accounts who have access to directly create and modify roles respectively in the production environment using the PFCG transaction. The List of users referred has been provided.</p> <p>We performed further audit procedures to determine whether the roles are created or changed in production are based on a formal request and approval. We noted that these roles are created or changed in Development and QA and then moved to production via transports, other roles are changed directly in production as and when required by business and there is no formal request and approval process followed by Council.</p> <p>Risks</p> <p>Access to create and modify roles directly into production creates a risk that inappropriate access within the application or underlying data may be granted without following formal user management procedures.</p>	<p>Management should adopt a consistent process for managing roles within production and consider the following :</p> <ul style="list-style-type: none"> • Newly created roles or changes to existing roles should be implemented as transports in all circumstances. Creation of new roles and changes to existing roles should be initially performed in development, tested in quality and imported into production via transport requests. • If there are any exceptions to the process, users with the ability to directly implement new roles or perform role modifications should be assigned with Firefighter access with a set validity period based on formal approvals. • Roles should be created or modified within each development system and transported to the target systems from development. The ability to create or modify roles should be restricted. <p>Management response</p> <p>In practice the procedure in place is not to amend roles directly in the 'live' environment, and the standard process is that changes are implemented through the 'development' environment and QA. The current permissions will be removed and will only be given on request in case of firefighting, with all such requests being logged.</p>

Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach


SAP controls assessment findings

	Assessment	Issue and risk	Recommendations
4.		<p>Inappropriate segregation of duties conflict within SAP as users have ability to configure and delete audit logs in production</p> <p>We performed a comparison of all users with the ability to configure audit logs within production via SM19 with those with the ability to re-organise or delete them in production using SM18. We identified four (4) users with both access rights. The List of users referred has been provided.</p> <p>To perform our further additional procedures, we were informed that the SM21 logs are retained for only previous 12 days and then deleted. Therefore, we were unable to perform further testing.</p> <p>Risks</p> <p>Users with access to SM19 and SM18 have the ability to configure and delete audit logs on SAP. Hence, inappropriate and anomalous activity may not be detected and resolved in a timely manner.</p>	<p>Management should segregate a user's ability to configure (SM19) and delete (SM18) user security event logs within production.</p> <p>If for operational reasons access cannot be fully segregated, alternative options to mitigate the risk could include usage of Firefighter accounts with a set validity period based on formal approvals.</p> <p>Management response</p> <p>This function is carried out by the Council's third-party support contractor. Officers will discuss with the contractor whether this access is needed and whether there are any practical barriers to it being segregated by user as recommended.</p>

Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

Section 4: Review of findings raised in prior year

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p>X</p> 	<p>User accounts identified with inappropriate access rights in FMS</p> <p>Administrative access to FMS has been granted to users who have financial responsibilities. The combination of financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict.</p> <p>We noted that 14 finance users could set up user accounts and then assign additional financial responsibilities to these or other user accounts.</p>	<p>The finding has not been remediated.</p> <p>Management response as of 2022</p> <p>The role of setting up new users in FMS is undertaken by staff within the Corporate Financial Integrity team to help ensure that the access permissions given are appropriate. The Council has assessed that the risk involved in setting up new user accounts is inherent to that function and is not significantly affected by other roles which users performing the function may have. The Council has various controls in place to detect unauthorised user accounts. Going forward, system improvements which were already under development will ensure that passwords for user accounts, including newly assigned accounts, can only be generated by genuine users logged in to the Council's systems with a council network ID matching the details of the FMS ID. This will minimise the risk of unauthorised user accounts.</p> <p>GT Comments as of 2023 – We inquired with Lead Engineer, IT Engineer and Principal IT Officer and confirmed that there have been no changes or remediations which have taken place during the audit period in concern. However, We are aware that there is a project currently underway to implement a dual authorisation project which has gone live since the conclusion of our audit.</p> <p>Please refer to Finding 1 above in the section “IT general controls findings”.</p>

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Assessment

- ✓ Action completed
- X 2 Not yet addressed

Review of findings raised in prior year

Assessment	Issue previously communicated	Update on actions taken to address the issue
✓	User accounts identified with inappropriate access rights in SAP	The finding has been Remediated.
●	<p>We identified 24 user accounts with inappropriate privileged access. We noted the following:</p> <ul style="list-style-type: none"> 7 out of 24 business users had access to DEBUG - ABAP Debugger in production. 7 out of the 24 business users had access to SM30 and SM31 - Call ViewTable Maintenance 13 out of 24 business users had access to Batch admin: SM36 - Schedule Background Job, SM37 - Monitor Batch Job 11 out of 24 business users had access to Batch scheduling: SM36 - Schedule Background Job, SM37 - Monitor Batch Job <p>As mentioned above, we identified 7 user accounts with inappropriate DEBUG access via S_DEVELOP authorisation object and assigned access to maintain all SAP standard or customised tables via SM30 or SM31. Although the users were validated by the business as appropriate, they have DEBUG access which is not recommended as it can by-pass most controls in SAP and is very difficult to perform a risk exposure check.</p>	<p>Management response as of 2022</p> <p>We have reviewed the findings and access and have removed all DEBUG access in the LIVE system, with the exception of system users.</p> <p>The users specified do not have direct access to SM30 & SM31 and are unable to update all tables as specified. They do have access to maintain one specific table which has been created to allow for a bespoke programme to be used to Automate the submission of RTI Returns to and from HRMC.</p> <p>We believe that the criteria used to gain the original audit sample data from SAP was incorrect which resulted in incorrect returns for SM36 and SM37. The reports have been re-run with the correct criteria, and this has highlighted an issue for which corrective action has been taken.</p> <p>GT Comments as of 2023</p> <p>We received additional evidence following the issue of the draft report and noted that the inappropriate users' permissions were removed and only users from SAP BASIS and Support team have access in-line with the user's job roles and responsibilities.</p>

Assessment

- ✓ Action completed
- ✗ Not yet addressed

Review of findings raised in prior year

Assessment	Issue previously communicated	Update on actions taken to address the issue
X	<p>Inadequate controls over privileged user accounts in SAP, FMS, and Capita Academy applications and databases</p> <p>Academy application</p> <ul style="list-style-type: none"> We noted that activities performed by system administrators via generic user accounts (academy -Academy Remote Supp and aisdba -Database Admin) were logged. However, these were not reviewed on a periodic basis. Even though the password to access "aisdba -Database Admin" was shared, this was not securely stored in a password vault. <p>FMS and SAP Oracle databases</p> <ul style="list-style-type: none"> We noted that activities performed by system administrators via generic user accounts SYS and SYSTEM were logged. However, these were not reviewed on a periodic basis. <p>Capita Academy Ingres database</p> <ul style="list-style-type: none"> Activities of generic user IDs (academy, aisdba, and ingres) were logged from an application level. However, we noted that the activities performed by these three accounts were not logged from the database level. 	<p>This finding has been partially remediated.</p> <p>Management response as of 2022</p> <p>Academy & Academy Ingres database</p> <p>The Council is in the process of purchasing audit logging which sits inside the system. We believe this will allow us to log what each user is undertaking.</p> <p>SAP Oracle database</p> <p>Access to the SAP Oracle Database and these users is controlled by the DBA team. They will give consideration to the following :</p> <ul style="list-style-type: none"> Creating an account for each named DBA with appropriate role privileges. Creating account(s) for the scripts which may use SYS to logon to the database. Reviewing scripts and processes to identify other uses of SYS and SYSTEM accounts. Changing the SYS password and creating processes to change this after use and/or periodically. Appointing an independent body and reviewing the requirements for reporting on the above. <p>FMS</p> <p>Consideration will be given as to whether a resource exists which is both independent and has sufficient technical knowledge to be able to meaningfully review activity logs.</p> <p>GT Comments as of 2023 – We inquired with Lead Engineer, IT Engineer and Principal IT Officer and confirmed that there have been changes or remediations taken place during the audit period in concern, however some of the remains same for the current year. Please refer to Finding 2 above in the section "IT general controls findings".</p>

Review of findings raised in prior year

Assessment	Issue previously communicated	Update on actions taken to address the issue
<p>✓</p> <p>●</p>	<p>Insufficient evidence of Implementation of Cyber Security Controls</p> <p>We noted the following deficiencies:</p> <ul style="list-style-type: none"> Lack of maintaining baseline security configuration standards and configurations for IT components (for example, networking equipment, cybersecurity equipment, servers, and workstations, mobile devices). No formal documented data classification and retention policy, controls, and monitoring processes were available. No evidence related to cybersecurity trainings provided to employees which were conducted during the audit period under consideration 	<p>This finding has been remediated.</p> <p>Management response as of 2022</p> <p>Staff resource has now been identified to review the relevant policies. These will be updated with a document control table and relevant review dates applied.</p> <p>Under the Council's Information Management and Governance Strategy, mandatory Information Governance training is undertaken by all staff at least every two years, and the Council is satisfied that this frequency is appropriate. The latest tranche of training is being undertaken during autumn 2022.</p> <p>sits inside the system. We believe this will allow us to log what each user is undertaking.</p> <p>GT Comments as of 2023 – We inquired with Lead Engineer, IT Engineer and Principal IT Officer and confirmed that there have been changes or remediations which have taken place during the audit period in concern. GT obtained and tested additional evidences for Cybersecurity workpapers and found no deficiencies.</p>

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Assessment

- ✓ Action completed
- X Not yet addressed



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Corporate Governance and Audit Committee Work Programme 2023-24

Date: 27th November 2023

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.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?

Yes

No

- 4 The work programme was approved by the Committee at its meeting in March 2023 and is presented at each meeting for the Committee to consider and amend as appropriate.

What are the resource implications?

- 5 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?

- 6 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?

- 7 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".
- 8 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?

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

How will success be measured?

- 10 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?

- 11 As set out at Appendix A.

Appendices

- Appendix A – Work Programme of Corporate Governance and Audit Committee 2023/24

Background papers

- None

Work Programme 2023/24

Date		Work Item	Author	Attendee	Category
26th June 2023	1	Internal Audit update report	Jonathan Foster	Angela Laycock	Internal Audit
	2	Counter Fraud and Corruption update report	Louise Ivens	Louise Ivens	Internal Audit
	3	Civica CX (Housing) and FMS (Finance) systems interfaces	Helen Jackson	Girish Solanki	Additional Assurance
	4	Draft annual report 2021/22 of CGAC to Council	Liz Gott	Kate Sadler	Effectiveness
24th July 2023	1	Internal Audit Annual report and opinion (including assurance in respect of RIPA)	Jonathan Foster	Angela Laycock Louise Ivens	Statutory
	2	Draft Statement of Accounts (for information)	Mary Hasnip	Mary Hasnip	Statutory
	3	Interim Annual Governance Statement (for information)	Kate Sadler	Kate Sadler	Statutory
	4	Grant Thornton Interim Audit Findings Report 2021-22		GT	External Audit
25th September 2023	1	Annual assurance report on planning regulation and enforcement arrangements	Helen Cerroti	David Feeney	Annual Assurance
	2	Annual assurance report on decision making	Liz Gott / Kate Sadler	Liz Gott / Kate Sadler	Annual Assurance
	3	Internal Audit update report	Jonathan Foster	Angela Laycock	Internal Audit
	4	Approval of Annual Governance Statement 2023	Kate Sadler	Kate Sadler	Statutory
	5	Work Programme	Kate Sadler	Liz Gott / Kate Sadler	

Date		Work Item	Author	Attendee	Category
27 th November 2023	1	Annual assurance report on procurement policies and practices	Kieron Dennett / Lewis Sinkala	Kieron Dennett / Lewis Sinkala	Annual Assurance
	2	Annual assurance report on corporate performance management arrangements	Claire Keightley and Emma Kamillo-Price	Mike Eakins, Claire Keightley, and Emma Kamillo-Price	Annual Assurance
	3	Annual assurance report on corporate risk and resilience arrangements	Tim Rollett and Leanne Cummings	Tim Rollett and Leanne Cummings	Annual Assurance
	4	Annual report on financial planning and management arrangements (to include Treasury Management)	Richard Ellis	Richard Ellis	Annual Assurance
	5	Receipt of External Auditor's IT Audit Report 22-23	Mary Hasnip	GT	External Audit
	6	Receipt of External Auditor's Annual Report including Value for Money Findings 22-23	Mary Hasnip	GT	External Audit
	7	Receipt of External Auditor's ISA 260 Update Report 21-22	Mary Hasnip	GT	External Audit
	8	Work Programme	Liz Gott / Kate Sadler	Kate Sadler	
5 th February 2024	1	Internal Audit update report	Jonathan Foster	Angela Laycock	Internal Audit
	2	Joint annual report on information governance from Data Protection Officer and Caldicott Guardian	Aaron Linden	DPO / Shona McFarlane	Annual Assurance
	3	Update report on Information and Digital Services Governance	Andrew Byrom	Leonardo Tantari	Annual Assurance

Date		Work Item	Author	Attendee	Category
	4	Counter Fraud and Corruption update report (inc RIPA)	Jonathan Foster	Jonathan Foster	Internal Audit
	5	Receipt of External Auditors – Receipt of Accounts 21-22	Mary Hasnip	GT	External Audit
	6	Receipt of External Auditors – Informing the Audit Risk Assessment	Mary Hasnip	GT	External Audit
	7	Receipt of External Auditors – Audit Plan 23-24	Mary Hasnip	GT	External Audit
	8	Work Programme	Liz Gott / Kate Sadler	Kate Sadler	
18 th March 2024	1	Receipt of Internal Audit Plan	Jonathan Foster	Angela Laycock	Internal Audit
	2	Annual assurance report on employment policies and procedures and employee conduct	Jess Dolphin	Andy Dodman	Annual Assurance
	3	Receipt of External Auditors Audit Report for 22-23 Accounts.	Mary Hasnip	GT	External Audit
	4	Approval of Audited Accounts	Mary Hasnip	Mary Hasnip	Statutory
	5	Proposed Work Programme	Kate Sadler	Kate Sadler	Effectiveness

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