**Corporate Governance and Audit Committee**

**Friday, 30th July, 2021**

**PRESENT:** Councillor K Maqsood in the Chair

Councillors G Almass, J Bentley, M Foster, P Grahame, P Harrand, J Illingworth, J Shemilt and P Truswell

L Wild – Independent Member

**15 Appeals Against Refusal of Inspection of Documents**

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

**16 Exempt Information - Possible Exclusion of the Press and Public**

There were no items identified where it was considered necessary to exclude the press or public from the meeting due to the confidential nature of the business to be considered.

**17 Late Items**

There were no late items of business identified.

**18 Declaration of Interests'**

There were no declarations of interest made at the meeting.

**19 Apologies for Absence**

There were no apologies for absence.

**20 Minutes of the Previous Meeting**

The minutes of the previous meeting held on 25th June 2021 were submitted for comment/ approval.

**RESOLVED -** That the minutes of the previous meeting held on 25th June 2021 were accepted as a true and correct record.

**21 Matters Arising from the Minutes**

The Committee received the following up-date on matters previously considered by this Committee:

Public Sector Network Certification (PSN) - Update Report (Minute No.13 referred) - The Data Protection Officer reported that the deadline for submission of a compliant application for PSN certification was 31st July. Members were informed that the Council's PSN submission had been sent to the Cabinet Office earlier today,30th July 2021. Members noted that a response would be received within the next 4 - 8 weeks, any feedback received would be made known to the Committee.

**22 Procurement Assurance Report - 2020/21**

The Head of Procurement and Commercial Services submitted a report which presented the Annual Report on the Council's procurement function and provided assurances that the Council's arrangements were up to date, fit for purpose, effectively communicated and routinely complied with.

The report requested Members to consider the ongoing work to review the Council's entire
"procure to payment" (the **P2P Review**) processes in order maintain effective procurement support, including appropriate training and guidance, and efficient systems and processes.

Addressing the report, the Head of Procurement and Commercial Services said the report sought to provide assurance as to the effectiveness of the Council's procurement arrangements. Members noted:

- Each Directorate was accountable for the procurements that they need in order to secure the outcomes they are responsible for. Procurement and Commercial Services was accountable for provision of professional support to complex procurement activity.
- External spend in 2020/21 was £992,465,919 (increased on typical spend levels as a consequence of Covid-related grant funding).
- A refresh of the Council's Contract Procedure Rules (**CPRs**) was implemented in 2020/21, further strengthening procurement controls, incorporating Social Value requirements and changing the evaluation emphasis to provide greater focus on price. CPR training for Council staff continues, including an online interactive tool and guidance document on Insite.

Regarding compliance:

- There had been no formal procurement challenges in the period to which this report relates
- On-contract spend remained strong and there was general compliance with procurement policies, with on-contract and compliant expenditure standing at 96.42% for the 2020/21financial year (up from 95.6% in the previous year)
- The number of waivers of CPRs in 2020/21 was 60 (down from 79 in the previous year).
- In addition, a "peer review" facilitated by the Local Government (the **LGA Peer Review**) was expected to confirm that the levels of the Council's procurement compliance represent an "an outstanding achievement that demonstrates efforts by the council to ensure good governance outstanding achievement" (the final report was yet to be received).
- A framework for delivering Social Value in all the Council's procurements was now established, with a Social Value Board, Social Value Guidance for Commissioners, and Social Value support from PACS and Social Value Portal. Work was underway to embed Social Value in all the Council's procurement activity, and expenditure with

local suppliers and SME's equated to 65.88% of total expenditure in 2020/21 (up from 64.64% in the previous year).

- The ongoing P2P Review (including the ongoing analysis of progress toward achieving the Procurement Strategy KPIs) would look to further improve the efficiency and effectiveness of the Council's procurement. In addition, the LGA Peer Review was anticipated to propose that resource should focus on delivering greater strategic value from procurement activity.

Referring to Covid-19, Members asked if the National procurement of Personal Protective Equipment (PPE) had had any impact on the City Council's ability to precure PPE or if the City Council had obtained PPE from these national contracts.

Members were informed that some dedicated resource was required to oversee procurement of additional PPE, but a PPE Framework was in place, good relationships had already been established with PPE suppliers on the framework allowing for increased utilisation, and other suppliers who had previously been unsuccessful in securing a procurement contract were utilised to provide additional resource.

Members asked did the Council incur additional expenditure as a consequence of National PPE procurement

The Head of Procurement and Commercial Services said PPE was purchased for our own needs from the Council's own PPE framework arrangements, and the Council did not need to utilise National contracts.

Referring to Social Value and the figures provided on page 25 of the submitted report, the social value dashboard, Members suggested it was difficult to distinguish if these figure were good, bad or indifferent, could further clarification be provided.

Members were informed that social value was a work in progress and there was a lot of work required to embed social value across the Council and to be taken into account across all procurement activity. Social value in contracts had only gone through the social value portal for a relatively short period and this was reflected in the figures provided, but the aggregate contract value was currently around £10m which was not an insignificant sum. The intention was to continue with dashboard reporting and over time to establish some foundation levels as KPIs with a view to improving year on year.

Members sought further information about the Social Value Portal (SVP).

Members were informed that the Social Value Portal was a separate company with the purpose of embedding Social Value into procurement. SVP had developed a set of Leeds-specific set of Social Value themes, outcomes and measures which would help achieve the Leeds social value priorities. (Currently 3 year contract £7.5k per year)

Members referred to the Brexit/ Procurement Regulation Review, page 31, and asked if the Council's submission on the Green Paper Consultation could be circulated to Members

The Head of Procurement and Commercial Services confirmed the requested information would be shared with Members

It was reported that in terms of social value (reported annually) the annual spend with local suppliers or SME's was 65.88% for this year

Members asked if comparisons/ benchmarking with other local authorities was available.

Members were informed the requested details would be supplied

Clarification was sought as to how social value was compatible with price first

Members were advised that social value should not impact on price, social value should not be included as an extra cost.

Members welcomed the recent LGA peer review and asked if any Members were involved in overseeing the review.

It was confirmed the Leader of Council and the previous Chair to this Committee were involved in the review. It was reported an Action Plan was currently been prepared and would come back to this Committee (Autumn 2021)

Referring to paragraphs 2.6 and 4.12 of the submitted report and the opportunity to improve connectivity between the Procurement and Commercial Service and colleagues undertaking procurement activity within directorates. Members queried if this would form part of the focus in the proposed action plan.

Members were informed that the proposal to improve connectivity between the Procurement and Commercial Service would be included in the action plan

Reference was also made to paragraph 3 of the report which suggested resource should focus on delivering greater strategic value from procurement. Members queried what assurances could be provided to ensure this re-focussing would not detract from the culture of compliance.

Members were informed that a team of 8 officers provide procurement support in relation to compliance. The majority of this focus on compliance would continue, but with 2-3 FTE from this team focusing on improving social value through procurement activity and focusing on spend.

Members requested if a procurement update could be considered within the Work Programme

Members were supportive of the suggestion

The Chair thanked officers for their attendance and contributions.

**RESOLVED** –

(i) To note the assurances provided in the submitted report including the review, assessment and on-going monitoring carried out

(ii) To note that the Head of Procurement and Commercial Services had reached the opinion that procurement policies and practices were up to date, fit for purpose, and effectively communicated

(iii) To note the ongoing P2P review, the ongoing analysis of progress toward achieving the Procurement Strategy KPIs and the anticipated proposal from the LGA Peer Review to focus resource on delivering greater strategic value from procurement activity

(iv) That a further report would be brought back to Committee with more detail in respect of (iii) above.

**23 Decision Making Statement of Internal Control**

The Chief Officer Financial Services submitted a report which presented the Annual Report on the Council's decision making arrangements. The report sought to provided assurances that the Council's arrangements were up to date, fit for purpose, effectively communicated and routinely complied with.

Members noted the report formed part of the Council's review of the effectiveness of its arrangements for Internal Control and would be taken into account in preparing the Annual Governance Statement which the Committee would be requested to approve.

Members were informed the arrangements provided a framework for transparent and accountable decision making in accordance with the Council's Corporate Governance Code and Framework.

Referring to the Council's decision making arrangements. Members queried if decisions were revisited e.g. the review of a policy change which had not had the desired effect, the intention was good, but the change did not work as anticipated.

The Lead Officer suggested that revisiting a decision was more likely to be a scrutiny function, and that the Corporate Governance and Audit Committees role related to assurance in relation to the processes and procedures that were in place.

**RESOLVED** –

(i) To note the positive assurances set out in the Decision Making Statement of Internal Control, as indicated in Appendix A of the submitted report

(ii) To request that performance monitoring in respect of decisions taken under urgency procedures, and subject to call in should be reported quarterly through the Internal Audit update report.

**24 Interim Annual Governance Statement**

The Chief Officer Financial Services submitted a report which presented the draft Interim Annual Governance Statement (AGS). Members noted the interim AGS was prepared following a review of the effectiveness of the Council's arrangements for Internal Control and would be published alongside the Statement of Accounts when put on deposit.

Members were informed the final Annual Governance Statement for 2021 would be brought back to the Committee for formal approval in advance of the Committee's approval of the audited Statement of Accounts.

Referring to page 72 of the submitted report and the inclusion of a table to demonstrate the alignment with the CIPFA Good Governance Framework and the City Council's Corporate Governance Code and Framework, it was suggested that the wording within "Commitment D of the CIPFA Framework" did not translate to that of the LCC – Corporate Governance Code and Framework.

In responding the Lead Officer said the LCC – Corporate Governance Code and Framework was adopted back in 2017, it may be necessary to review the Code and Framework to determine if any adjustments are required.

Referring to page 79 (Paragraph 12.2) of the submitted report and the phrase "Our scrutiny function is well resourced and developed and is afforded parity of esteem with the Executive" – Members requested if any evidence had been provided to support that wording.

The Lead Officer said that assurances for the AGS were taken from enquiries made of Senior Officers with relevant expertise, in conjunction with the Scrutiny Boards Annual Report. Upon further questioning the Lead Officer confirmed that the Scrutiny Board Annual Report is agreed by all Scrutiny Board Chairs.

**RESOLVED** – To note the draft Interim AGS, noting that it would be published alongside the Statement of Accounts when put on deposit.

**25 Draft Statement of Accounts 2020/21**

The Chief Officer Financial Services submitted a report which presented the draft unaudited 2020/21 Statement of Accounts which would be made available on the Council's website for public inspection for thirty working days commencing Monday, 2nd August 2021. Details of the roles, responsibilities and timescales for approving the statement of accounts were set out in the submitted report.

Addressing the report, the Head of Finance explained that the accounts presented the council's financial position for the year in the format required by

accounting standards, incorporating technical transactions relating to non-spendable reserves in addition to the outturn position.

Members were informed that the financial statements reflected the unprecedented impact of the pandemic upon the council's finances during 2020/21, and the statements showed some significant variances in comparison to previous years, particularly in the balance of funding between local taxation income and government grants.

The Head of Finance Members drew Members attention to the main financial issues arising from the statement of accounts as identified in section 3 of the submitted report.

Members noted that during 2019/20 the Chief Executive received £44.5k in relation to his role as Returning Officer during National and European elections. Members queried whether Returning Officer remuneration was only payable in years when such elections took place.

Members were informed that remuneration for the role of Returning Officer in National and European elections was only paid in the years in which such elections were held.

Commenting on the West Yorkshire Pension Fund, Members noted that the last triennial valuation had taking place since 2019 and asked for confirmation that a triennial valuation was due as at March 2022.

It was confirmed that the next triennial actuarial valuation of the fund would take place as at March 2022. Members were informed that the balance sheet figures were on an accounting basis, representing the value of the fund assets and liabilities as at the balance sheet date, whereas an actuarial valuation of the fund would be on a forward looking basis taking into account expected future earnings from assets.

Reference was made to the costs of compulsory redundancies and other leavers, Members suggesting there was a large increase to that of the previous year.

Members were advised that the difference was mainly due to the numbers of staff leaving under the Early Leavers Initiative (ELI) during the 2021 period.

**RESOLVED –** To note the unaudited statement of accounts for 2020/21, which had been certified by the Chief Finance Officer.

**26 Grant Thornton Audit Plan 2020/21**

The Chief Officer Financial Services submitted a report which presented the External Auditors (Grant Thornton) Annual Audit Plan for their 2020/21 audit, covering the audit of the Council's accounts and the process for assessing its arrangements to secure value for money in the use of resources.

Addressing the External Auditors report, Gareth Mills (Grant Thornton) spoke on the main issues which included:

- Adoption of new auditing standards – Estimates
- Financial Reporting and Audit – raising the quality bar
- Significant risks including: Management override controls, valuation of land and buildings, valuation of investment properties and valuation of the net pension fund liability (All based on assumptions)
- Materiality
- Value for Money arrangements
- Audit logistics

Referring to the accounting estimates and related disclosures, Members queried if the updated ISA (UK) 540 (revised) would create additional work for Grant Thornton and a subsequent increase in their fee

Mr Mills said that because of the revised financial reporting arrangements the level of work had increased significantly, the new value for money arrangements (VFM) now required a wider range of investigation to a new reporting standard. The Redmond Review had also recommended change.

Members were informed that a Briefing Session for Members of the Committee would be held shortly to provide an opportunity to understand the new requirements and responsibilities associated with the revised ISA (UK) 540 Financial Reporting Arrangements

Referring to the “Audit fees – detailed analysis” Members asked why the audit of “one off” exceptional items during 2019/20 had been treated as a base figure.

In responding Mr Mills said that some further work would be required on these items, and that there was the potential for new major issues to arise, but that the fee was at this stage indicative and could be amended as the audit progressed.

On the issues of expected future changes to standards in relation to materiality and fraud, Members suggested that arrangements should be in place at an early stage, such discussions should not be delayed.

In responding Mr Mills said it was important to have key discussions at an early stage about any new developments.

**RESOLVED –**

**(i)** To receive the Annual Audit Plan presented by Grant Thornton

**(ii)** To note and agree the nature and scope of the proposed audit work.

**27 Work Programme 2021/22**

The Chief Officer Financial Services submitted a report which set out the

proposed Work Programme for the remainder of 2021/22.

The Lead Officer drew to the Committee's attention suggested adjustments to the Work Programme to include an additional report from the External Auditors (Grant Thornton) in September, and an additional procurement update report in November 2021.

**RESOLVED** – That the Work Programme be approved, as set out at Appendix 1 of the submitted report.

**28 Date and Time of Next Meeting**

**RESOLVED** - To note that the next meeting will take place on Friday, 24th September 2021 at 2.00pm in the Civic Hall, Leeds.