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## **CORPORATE GOVERNANCE AND AUDIT COMMITTEE**

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**Meeting to be held in Civic Hall, Leeds on  
Monday, 24th January, 2011  
at 2.00 pm**

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### **MEMBERSHIP**

#### **Councillors**

G Driver (Chair)	C Campbell	P Harrand	J Elliott
P Grahame	G Kirkland	W Hyde	
N Taggart	S Smith		
A Lowe			
J Lewis			
T Hanley			

#### **Co-opted Member**

G Tollefson  
(Chair of Standards Committee)

**\*PLEASE NOTE A RISK MANAGEMENT BRIEFING WILL COMMENCE AT 1PM  
BEFORE THE START OF THE MEETING**

# A G E N D A

Item No	Ward	Item Not Open	Page No
1			<p><b>APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</b></p> <p>To consider any appeals in accordance with Procedure Rule 25 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 25, written notice of an appeal must be received by the Chief Democratic Services Officer at least 24 hours before the meeting)</p>
2			<p><b>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC</b></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><b>RESOLVED</b> – 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><b>LATE ITEMS</b></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><b>DECLARATION OF INTERESTS</b></p> <p>To declare any personal / prejudicial interests for the purpose of Section 81(3) if the Local Government Act 2000 and paragraphs 8 to 12 of the Members Code of Conduct.</p>	
5			<p><b>APOLOGIES FOR ABSENCE</b></p> <p>To receive any apologies for absence.</p>	
6			<p><b>MINUTES OF THE PREVIOUS MEETING</b></p> <p>To confirm as a correct record the minutes held on 14<sup>th</sup> December 2010.</p>	1 - 4
7			<p><b>RIPA POLICY AND QUARTERLY REPORTS</b></p> <p>To receive a report of the Director of Environment and Neighbourhoods detailing the recent use of directed surveillance and advising the Committee about the outcome of the latest Office of Surveillance Commissioners (OSC) Inspection Report, and also the outcome of an inspection by the Interception of Communications Commissioner's Office in relation to the acquisition of communications data.</p>	5 - 14
8			<p><b>PROPOSED CHANGES TO THE LEEDS INITIATIVE PARTNERSHIP AND THE CITY PLANNING</b></p> <p>To receive a report of the Assistant Chief Executive (Planning, Policy and Improvement) setting out changes to partnership structures and planning arrangements operating at a strategic level in the City.</p>	15 - 28

Item No	Ward	Item Not Open		Page No
9			<p><b>ANNUAL AUDIT INSPECTION LETTER</b></p> <p>To receive a report of the Director of Resources presenting KPMG's Annual Audit and Inspection Letter 2009/10.</p>	29 - 42
10			<p><b>WORK PROGRAMME</b></p> <p>To receive a report of the Assistant Chief Executive (Corporate Governance) notifying and inviting comment from the Committee upon the work Programme.</p>	43 - 70
			<p>Please find attached a document entitled 'Proposed Work Programme and Scales of Fees 2011/12' compiled by the Audit commission in 2010/11 for your information.</p>	

# Agenda Item 6

## Corporate Governance and Audit Committee

Tuesday, 14th December, 2010

**PRESENT:** Councillor G Driver in the Chair  
Councillors C Campbell, G Kirkland,  
A Lowe, Tollefson, J Elliott, P Harrand,  
J Lewis, T Hanley and C Fox (as substitute  
for W.Hyde)

**Co-optee** G. Tollefson

Apologies Councillors N Taggart and W Hyde

### **65 Appeals Against Refusal of Inspection of Documents**

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

### **66 Exempt Information - Possible Exclusion of the Press and Public**

There were no resolutions to exclude the public.

### **67 Late Items**

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

### **68 Declaration of Interests**

There were no declarations of interest made.

### **69 Apologies For Absence**

Apologies were received from Councillor W. Hyde and Councillor N. Taggart.

### **70 Minutes of The Previous Meeting**

The minutes of the Corporate Governance and Audit Committee meeting held on 15<sup>th</sup> November 2010 were approved as a correct record.

### **71 Matters Arising**

Duplicate Creditor Payments (Minute No. 60)

In response to a request made by the Committee at the previous meeting The Head of Internal Audit circulated information which provided details of the Directorates in which duplicate payments had been made and the amounts.

## **72 Leeds City Region**

The Head of Regeneration Policy and Planning and Jobs and Skills presented a report of the Director of Environment and Neighbourhoods. The report provided an overview of how the Council inputs and affects the employment and Skills and Housing and Regeneration agendas, within the context of the Leeds City Region.

The Committee discussed the report in detail, highlighting that their concerns for the Leeds City Region centred around the transparency of and democratic access to the organisation.

Members also commented at the apparent lack of private sector involvement in the Leeds City Region Housing and Regeneration Board and that ideally the public sector and the private sector should be involved in both the Housing and Regeneration Board and the Employment and Skills Board.

**RESOLVED** – The Committee resolved to:

- (a) note the report and the progress made; and
- (b) request a report on the governance arrangements for the new Local Enterprise Partnership specifically exploring governance issues contained within the partnership governance toolkit.

## **73 Information relating to significant legal cases**

The Chief Officer (Legal, Licensing and Registration) presented a report of the Assistant Chief Executive (Corporate Governance) which proposed arrangements for informing relevant Members of significant legal cases involving the authority.

Members discussed the proposals highlighted in the report in detail and raised the importance of Financial Management being made aware of cases which could have a significant impact on the Council's budget provisions.

In light of the Technoprint Plc and Snee V Leeds City Council, Members stressed the importance of increasing the amount of officer contact with the relevant Executive Board Member with regards to significant legal cases. This should include high value cases, but also, low value multiple cases, with the aim to make Members more aware of the litigation faced by the Council.

Members also discussed amending the proposed arrangements featured within the report, which they considered should emphasise the reporting of cases to the relevant Executive Board Member which are of major public concern.

Finally Members agreed that there should be a system introduced at the Council whereby Members can be informed of claims made against the Council be they legal claims or any other claim which might affect the budget or reputation.

**RESOLVED** - The Committee resolved to:

- (a) request that the proposed arrangements for informing Members of significant legal cases be amended as discussed;
- (b) request a report detailing the types and values of cases which are currently ongoing against the Council; and
- (c) request a report detailing the general arrangements for oversight of claims against the Council (including legal claims, insurance claims,) including how each Directorate considers and minimises the risk of repeat claims being made.

#### **74 Security Arrangements for PDA Devices**

The Project Manager (Planning, Policy and Improvement) presented a report of the Assistant Chief Executive (Policy, Planning and Improvement) detailing the security arrangements the Council has in place for PDA devices issued by the Council.

Members discussed the report and gained assurance that sensitive information relating to Members case work was safe on PDAs and would be impossible to access if the PDA was lost or stolen.

**RESOLVED** – The Committee resolved to note the contents of the report.

#### **75 Report on Governance of the Complaints Process - 2010**

The Corporate Customer Relations Manager presented a report of the Chief Customer Services Officer. The report provided further information to the Committee as to the resourcing of the complaints function on a corporate and Council wide basis.

Members discussed the figures contained within the report with the Corporate Customer Relations Manager and congratulated her on presenting an informative report which was of particular value to the committee's considerations.

**RESOLVED** - The Committee resolved to note the report and acknowledge the ongoing improvements in performance and good feedback on the same from the Local Government Ombudsman.

## **76 Protecting the Public Purse - 2010**

The Chief Officer (Audit and Risk) presented a report of the Director of Resources which formed a self assessment of the authority's position against the recommended best practice in the Audit Commission's 'Protecting the Public Purse 2010' report and proposed actions to address areas where further work could be done to address the risk of fraud and corruption.

The Committee discussed the report and re-iterated the need to continue to focus on reducing fraud committed against the Council by collaborating with other local authorities and contributing to the National Fraud Initiative.

**RESOLVED** – The Committee resolved to note the assurance provided by Internal Audit regarding our arrangements to meet the best practice detailed in Protecting the Public Purse 2010 and support the continued efforts to develop the anti – fraud culture at the authority.

## **77 Work Programme**

The Assistant Chief Executive (Corporate Governance) submitted a report notifying Members of the draft work programme for 2010/11.

Members discussed the importance of reviewing how risk management at the Council was being conducted in light of the budget cuts faced by the Council.

**RESOLVED** – The Committee resolved to:

- (a) note the draft work programme for the remainder of 2010/11;
- (b) note that there will be a risk management briefing before the commencement of business at the next meeting of the Committee on 24<sup>th</sup> January 2011; and
- (c) request regular reports to consider the implications for the control environment at the Council in light of budget cuts.





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### Report of the Director of Environment and Neighbourhoods

#### Corporate Governance & Audit Committee

Date: 24 January 2011

Subject: RIPA Policy and Quarterly Reports

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#### Electoral Wards Affected:

Ward Members consulted  
(referred to in report)

#### Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

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### Executive Summary

The Regulation of Investigatory Powers Act 2000 (RIPA) is designed to ensure that public bodies respect the privacy of members of the public when carrying out investigations, and that privacy is only interfered with when the law permits and there is a clear public interest justification.

This report provides Members with information about the recent use of authorisations for covert (directed) surveillance. This report also advises Members of the conclusions and recommendations in the latest Office of Surveillance Commissioners Inspection Report, arising from an inspection of the Council's arrangements for authorising surveillance of this nature. This report also advises Members of the outcome of an inspection by the Interception of Communications Commissioner's Office in relation to the acquisition of communications data, and the action plan which is needed. This report also contains proposals for changes to the Council's RIPA policy which was approved by Executive Board in August 2010, so that the policy covers the acquisition of communications data, as well as covert surveillance.

## **1.0 Purpose of the Report**

- 1.1 The Regulation of Investigatory Powers Act 2000 (RIPA) is designed to ensure that public bodies respect the privacy of members of the public when carrying out investigations, and that privacy is only interfered with when the law permits and where there is a clear public interest justification.
- 1.2 The Covert Surveillance and Property Interference Revised Code of Practice provides that elected Members “should review the authority’s use of the 2000 Act and set the policy at least once a year. They should also consider internal reports on the use of the 2000 Act on at least a quarterly basis to ensure that it is being used consistently with the local authority’s policy and that the policy remains fit for purpose”. At the August 2010 Executive Board, the Board agreed a RIPA policy, which provides that the policy will be reviewed on an annual basis, and that reports on use will be provided on an annual basis, in each case by Corporate Governance and Audit Committee. This report advises Members about the recent use of directed surveillance.
- 1.3 This report also advises Members about the outcome of the latest Office of Surveillance Commissioners (OSC) Inspection Report, in relation to the use of directed surveillance, and also the outcome of an inspection by the Interception of Communications Commissioner’s Office in relation to the acquisition of communications data.
- 1.4 There are also proposals for consequential changes to the Council’s RIPA policy, and subject to the views of the Committee, the revised policy will then be submitted to Executive Board, for approval. As the RIPA policy is not part of the Policy Framework as specified in the Council’s Constitution, it falls to be approved by Executive Board.

## **2.0 Background**

- 2.1 RIPA provides an authorisation process for certain types of surveillance and information gathering, and that process can be used as a defence against human rights claims. At present, the Council is entitled to authorise its own directed surveillance under RIPA, and the Council’s RIPA policy contains a number of safeguards against the over-use of authorisations.
- 2.2 The RIPA policy provides that the policy will be reviewed on an annual basis, and that reports on the use of authorisations will be considered on a quarterly basis, in each case by Corporate Governance and Audit Committee.
- 2.3 The RIPA policy was approved by Executive Board in August 2010, and there have been no applications for directed surveillance authorisations since then. Indeed, there has been only one such application since the new arrangements were introduced in April 2010, and whilst the operation in question was authorised, it did not in fact take place. The application concerned the use of an Environmental Analyser to trace, record and analyse sound levels in a noise nuisance investigation, where the case history demonstrated this was the last available option which remained open to the Council. However, all relevant services have been notified formally about the current arrangements, and corporate guidance which includes the RIPA policy is available on both the intranet and the on the Council’s website. The drastic reduction in the number of applications since last April has been raised formally with the Director of Environment & Neighbourhoods, given that the Anti-Social Behaviour Unit, and Health and Environmental Action Service were previously

the main users of covert surveillance. He has confirmed that he is satisfied the reduction simply reflects the new RIPA policy, and the clear presumption in favour of overt practices.

- 2.4 The Council is inspected periodically by the OSC, the regulator for directed surveillance, and the latest inspection was on 14 October 2010. The report concluded that there was now “a thoroughly competent system” governing the Council’s use of covert surveillance, and commended officers for “excellent work” in relation to the corporate guidance and procedure document, and in relation to training materials. The report also commended the Assistant Chief Executive (Corporate Governance) for her “well-informed and forceful leadership” on RIPA issues. The report made only 3 minor recommendations in relation to the corporate guidance, the directed surveillance application form, and future training respectively, all of which are acceptable and have now been implemented.
- 2.5 The Council has also received its first inspection by Interception of Communications Commissioner’s Office (IOCCO). RIPA permits local authorities to acquire certain subscriber information about phone number and e-mail account holders, in particular the name and billing address of a subscriber (but not the content of any communication). In order to acquire such information, there must be a formal application to the provider of the service, and again there are a number of statutory safeguards. In particular, the Council can only use these powers for the purpose of preventing or detecting crime or of preventing disorder, and the person who authorises their use (the designated person) can only do so if they believe this is necessary and proportionate to what is sought to be achieved by acquiring the data. In addition, the relevant Code of Practice provides that in order to use these powers, a public authority must have an accredited single point of contact (SPoC). To become accredited, an individual must complete a specified course of training and have been issued with a SPoC personal identification number. Details of all accredited individuals are made available to communications service providers for authentication purposes.
- 2.6 To date, the only service which has made use of these powers is the Health and Environmental Action Service. The Service makes occasional use of these powers as part of their investigations into environmental enforcement, in particular when the only lead available is an advertised phone number or web site address. The Service uses these powers infrequently, and has issued only seventeen notices to communications service providers since June 2007. The Service has confirmed these powers are only used for the purpose of investigating serious incidents, and that overt surveillance is the “default position”, with covert methods only being used if the required information cannot be obtained by overt means.
- 2.6 As the Service uses the powers to acquire communications data only infrequently, it was considered more cost-effective for the Service to outsource the role of single point of contact (SPoC), and to pay for applications to be considered on an ad hoc basis. A supplier was identified to advise on whether data requests appeared to comply with the requirements of RIPA, and the supplier gave contractual assurances to the Service that it carried out its activities in line with good industry practice. This outsourcing of the SPoC role avoided the cost of training and accrediting officers to SPoC standards for these purposes. Unfortunately, the IOCCO inspector concluded that the applications were generally completed to a poor standard, and did not sufficiently justify the principles of necessity and proportionality. The inspector was not satisfied that the company to whom the Service had outsourced the SPoC role, was fulfilling its roles and responsibilities in the Code of Practice, or that it was

advising applicants or the designated person appropriately, or ensuring that the Council acted in an informed and lawful manner.

- 2.7 The IOCCO inspector made a number of recommendations in his report, in particular in relation to considering the use of the SPoC facility provided by the National Anti-Fraud Network (NAFN), maintaining a proper audit trail of applications and a central record, guarding against the supply of excess data, reviewing who should act as designated person and as Senior Responsible Officer, evidencing properly that necessity and proportionality have been considered, and the proper recording of errors.
- 2.8 The Service has urgently reviewed its use of these powers, and applications for communications data were suspended when the report was issued. An action plan to implement the recommendations in the IOCCO report has been agreed by the Chief Officer (Health & Environmental Action Services), and by the Assistant Chief Executive (Corporate Governance). This action plan has been submitted to IOCCO, and they have confirmed that they regard this as a “comprehensive response” from the Council. The Council has given a commitment to IOCCO to implement all items in the action plan by February/March.
- 2.9 The purpose of the action plan is to create a robust system which will govern the use of these powers. To a great extent, this system will mirror the system governing the use of covert surveillance. The new system will therefore provide this Committee with the assurances it needs that appropriate controls are in place, and that the Council is using these powers where this is necessary and proportionate.
- 2.10 In particular, the action plan provides for full training to be provided to specified applicants, the designated person, and senior responsible officer, the discontinuation of services from the previous company, the receipt of proposals from NAFN, the setting up of a comprehensive central record, changes to the role of designated person and senior responsible officer, and the proper recording of recordable errors. In addition, the role of designated officer will be raised to Head of Service level as a minimum, or in their absence the Chief Officer, and the Senior Responsible Officer who will have responsibility for the integrity of system will be Nicole Jackson, Assistant Chief Executive (Corporate Governance).

### **3.0 Main Issues**

- 3.1 It is proposed that the Council’s RIPA policy should be amended to reflect current practice within Environment & Neighbourhoods in relation to the acquisition of communications data, and also to reflect the commitments given by the Council in its response to the IOCCO report.
- 3.2 A proposed revised policy is set out in Appendix 1. The proposed changes to the current policy are shown underlined in italics.
- 3.3 The policy should ensure that all of these powers under RIPA, whether in relation to directed surveillance or the acquisition of communications data, are only used in a balanced and proportionate way in serious and/or persistent cases, where overt methods are not appropriate, or where overt methods have been used and have failed.

## **4.0 Implications for Council Policy and Governance**

- 4.1 The Codes of Practice mentioned above must be taken into account by the courts, and by the OSC/IOCCO respectively when carrying out inspections. The Council can be required to justify, with regard to the Codes, the use or granting of authorisations and notices generally. The current system governing the use of directed surveillance, and the system to be established for governing acquisition of communications data will provide this Committee with the necessary assurances that the Council has appropriate controls over the use of RIPA powers, and that the use of these powers is compliant with the legislation and relevant Codes of Practice.
- 4.2 The terms of reference of Corporate Governance and Audit Committee include the review of the “adequacy of policies and practices to ensure compliance with statutory and other guidance”. It is therefore proposed that periodic reports on the use of RIPA should also include the use of the powers to acquire communications data.
- 4.3 Officers will check the Officer Delegation Scheme (Executive Functions) to see if any consequential changes need to be made to the Scheme, arising from the revised policy.
- 4.4 For the reasons mentioned above, the proposed policy will need to be approved by Executive Board.

## **5.0 Legal and Resource Implications**

- 5.1 The legal implications of the proposals in this report, are as set out above.
- 5.2 The resource implication is that notices and authorisations in relation to communications data are proposed to be dealt with at a more senior level, and an overview of the arrangements for acquiring communications data is proposed by the Assistant Chief Executive (Corporate Governance). It is understood that the Council is already a subscriber to NAFN, and enquiries are being made with NAFN to establish whether the provision of SPoC services by NAFN will require any additional payment.

## **6.0 Conclusions**

- 6.1 The Council needs to adopt a clear policy about the use of RIPA authorisations, whether in relation to covert surveillance or the acquisition of communications data, to the effect that they will only be granted in serious cases, after overt methods have been considered, and that there will be a demonstrable balance between the impact of the surveillance proposed, and the gravity and extent of the perceived crime or disorder.

## **7.0 Recommendation**

- 7.1 Members are requested to comment on the revised draft policy prior to consideration by Executive Board.
- 7.2 Members are asked to note the outcomes of the OSC inspection report, and the IOCCO inspection report, and in relation to the latter to note that an appropriate action plan has been agreed.

## Background Documents

- OSC Inspection Report
- IOCCO Inspection report
- RIPA 2000

## Draft Revised Regulation of Investigatory Powers Act 2000 (RIPA) Policy

### 1.0 Extent

This policy applies to the authorisation of directed surveillance under Section 28(1) of RIPA. This policy also applies to authorisations and notices for the purposes of obtaining communications data, under Section 22(3) and 22(4) of RIPA. This policy does not cover the authorisation of covert human intelligence sources under Section 29 of RIPA, nor does this policy cover intrusive surveillance (which the Council is not entitled to authorise under RIPA).

### 2.0 Safeguards

2.1 The Council will apply a presumption in favour of overt investigation methods. The Council will always consider using a variety of overt investigatory tools, before considering whether the use of these powers is required. Covert surveillance or investigation will be used only when other reasonable options have been considered, and ruled out.

### 3.0 Covert Surveillance

3.1 In order to comply with the duties in Section 28(2) of RIPA, that a person shall not grant an authorisation for the carrying out of directed surveillance unless they believe that the authorisation is “necessary” on the ground of preventing or detecting crime or preventing disorder, and in accordance with the Covert Surveillance and Property Interference Revised Code of Practice, the Council will

- balance the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence, or disorder;
- explain how and why the methods to be adopted will cause the least possible intrusion on the target and others;
- consider whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
- evidence, as far as reasonably practicable, what other methods had been considered and why they were not implemented.

3.2 The Council will only use covert surveillance when the problem is serious and/or persistent, and where overt surveillance would not provide evidence and/or might displace the problem elsewhere.

3.3 The Council will use covert surveillance proportionately, and will not use covert surveillance to address minor matters, but instead will focus on those issues which are of greatest concern to the community, namely environmental damage such as flytipping and graffiti, and anti-social behaviour where individuals or families are targeted or threatened.

3.4 The Council will only use covert surveillance either to obtain evidence that can be presented at court, or where another positive outcome relating to the prevention or

detection of crime or the prevention of disorder has been identified, for example through the positive identification of perpetrators.

- 3.5 The Council will give responsibilities to a single member of its Corporate Leadership Team, Nicole Jackson, Assistant Chief Executive (Corporate Governance) to ensure that designated authorising officers meet the standards required by the Office of Surveillance Commissioners.
- 3.6 The Council will ensure that the quality of authorisations is monitored by Legal, Licensing and Registration Services.
- 3.7 The Council will ensure applicants and authorising officers receive an appropriate level of training.
- 3.8 The Council will ensure that in accordance with The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010, authorisations will only be granted by Directors. This will avoid any perception that authorising officers are directly involved with the investigations they authorise. Authorising officers will therefore be able to apply more independently reasoned judgment of the issues.

#### **4.0 Acquisition of Communications Data**

- 4.1 *In order to comply with the duties in Section 22(1) and 22(5) of RIPA that a designated person will not grant an authorisation or give a notice for the acquisition of communications data unless they believe this is “necessary” for the purpose of preventing or detecting crime or for preventing disorder, and “proportionate” to what is sought to be achieved, the Council will balance the extent of the intrusiveness of the interference with an individual’s right to respect for their private life against a specific benefit to the investigation or operation being undertaken by the Council in the public interest.*
- 4.2 *The Council will only use powers to acquire communications data when investigating serious incidents, (such as vehicles causing nuisance within communities, and illegal advertising) and where overt investigation methods would not provide the necessary evidence.*
- 4.3 *In accordance with the Acquisition and Disclosure of Communications Data Code of Practice, the Council will appoint a senior responsible officer, who will be responsible for the integrity of the process within the Council to acquire communications data, compliance with the relevant provisions of RIPA and the Code, oversight of the reporting of errors to IOCCO and the identification of both the cause of errors and the implementation of processes to minimise the repetition of errors, engagement with IOCCO inspectors, and overseeing the implementation of post inspection action plans. The senior responsible officer will be Nicole Jackson, Assistant Chief Executive (Corporate Governance).*
- 4.4 *The Council will ensure that the quality of notices and authorisations is monitored by Legal, Licensing and Registration Services.*
- 4.5 *The Council will ensure applicants, the designated person, and the senior responsible officer receive an appropriate level of training.*
- 4.6 *The Council will ensure that in accordance with The Regulation of Investigatory Powers (Communications Data) Order 2010, the designated person will be a*



“Director, Head of Service, Service Manager or equivalent”, or someone in a more senior position. The Council will ensure the designated person is at Head of Service level as a minimum.

## **5.0 Review**

- 5.1 This policy will be reviewed on an annual basis, and reports on the use of these RIPA powers will be considered on a quarterly basis, in each case by Corporate Governance and Audit Committee.

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### Report of the Assistant Chief Executive (Planning, Policy and Improvement)

#### Corporate Governance and Audit Committee

Date: 24<sup>th</sup> January 2011

Subject: Proposed changes to the Leeds Initiative Partnership and the City Planning Framework

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#### Electoral Wards Affected:

Ward Members consulted  
(referred to in report)

#### Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

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### EXECUTIVE SUMMARY

This report sets out the changes to the partnership framework of the Leeds Initiative and the planning framework for the city. The Corporate Governance and Audit Committee are asked to consider the governance implications of these proposals.

#### 1.0 Purpose Of This Report

- 1.1 This report sets out changes to partnership structures and planning arrangements operating at a strategic level in the city. Specifically, the report sets out revisions to the Leeds Initiative Partnership framework with the aim of creating a simpler and more legible framework. It also seeks to provide for closer integration with the planning and performance management arrangements, with a focus on effective partnership delivery of priorities. The framework also creates a context for wider partnership working.
- 1.2 Significantly the evolution of these arrangements impinges upon the Council's Budget and Policy Framework (contained in Article 4 of the Constitution). This report explains some of these implications and seeks the Committee's views in advance of consideration of amendments to Article 4 by the General Purposes Committee and Full Council.
- 1.3 These proposals have already been to Executive Board in December 2010 and they were broadly endorsed.

## **2.0 Background Information**

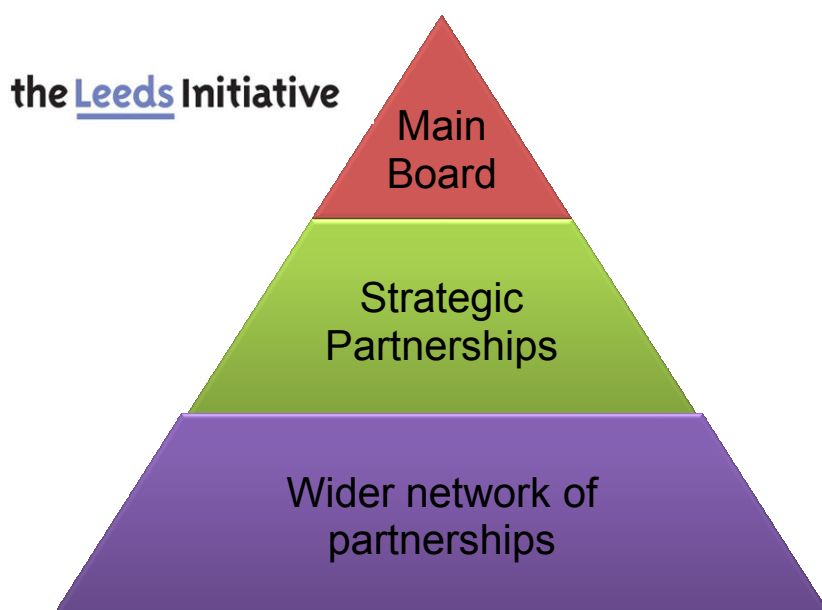
- 2.1 Leeds has a strong track record of partnership working through the Leeds Initiative. The Leeds Initiative was first introduced into the city in 1990 and has developed over the course of the last 20 years. The Vision for Leeds, originally published in 1999, and subsequently revised in 2004, has provided an effective process for setting out the city's longer term priorities and aspirations. Our partnership arrangements have been recognised as being among the most effective in the country, most recently by the awarding of Beacon Status in 2008.
- 2.2 Nevertheless, our current strategic planning arrangements are shaped around a combination of the priorities of the Vision for Leeds 2004 and the requirements of previous national performance frameworks such as Local Area Agreements and the Comprehensive Area Assessment.
- 2.3 The programme of the new Government, who took office in May 2010, has significantly changed the landscape. Central government has removed many of its requirements and has delegated more flexibility to local areas. There are also changes affecting our partners, most significantly at the regional level with the decision to abolish Regional Development Agencies, and the closure of all Government Offices for the regions. Changes to local partner arrangements are also being progressed by Government, including the reforms to the NHS through the health white paper 'Equity and excellence – liberating the NHS'. Finally, the Comprehensive Spending Review has set challenging public service funding reductions for all aspects of government. For Leeds City Council alone this means a reduction estimated to be £150m over the four year period 2011 - 2015.
- 2.4 The work to update the Vision for Leeds, Leeds Strategic Plan and Council Business Plan provides an opportunity, alongside key changes in the financial and policy context for local government, to look again at how priorities are identified, resourced and performance managed across the city. A number of changes and improvements are proposed within this report that enables a better alignment between the partnership structures, strategic plans and our supporting performance management arrangements. Allied to this is a need for our strategic plans to focus on a smaller number of priorities to provide a more focussed approach to delivering our long-term ambitions for the city.
- 2.5 The draft Vision for Leeds proposes that Leeds should aim to be internationally recognised as the "best city in Britain". The Council is in the process of setting out its ambition, in its draft Business Plan, to be the "best city council in the UK". It is important that we set out clearly what this means in order to be able to judge our progress and ultimately our success.

### 3.0 Reviewing the Partnerships

3.1 To prepare these proposals officers have engaged with all of the key stakeholders, including members and officers of the council, as well as Leeds Initiative partners. These discussions have considered the effectiveness of current arrangements and how they could be improved. Respondents were supportive of what had been achieved to date, although there is a feeling that the structure, particularly at the corporate level, has become too complex as it reflects the priorities of the Vision for Leeds 2004 and those necessitated by the Local Area Agreement and Comprehensive Area Assessment. With the city reviewing its long-term aspirations with the current consultation on the Vision for Leeds, and the requirements of central government removed, the aspirations for a new partnership structure are that it should be:

- simple – a structure with fewer boards, that can be easily understood;
- strategic – uniting the key partners on the key issues which face the city;
- focussed – on the delivery of a small number of key outcomes;
- inclusive – but not so inclusive that they become ineffective; and
- powerful and decisive – able to take forward the priorities of the city.

3.2 **The partnership framework**, drawn from these aspirations is shown in the diagram below. It consists of a new Leeds Initiative Main Board, five Strategic Partnerships and a wider network of supporting partnerships and independent partnership activity to deliver the aims of what will be our new Vision for Leeds.

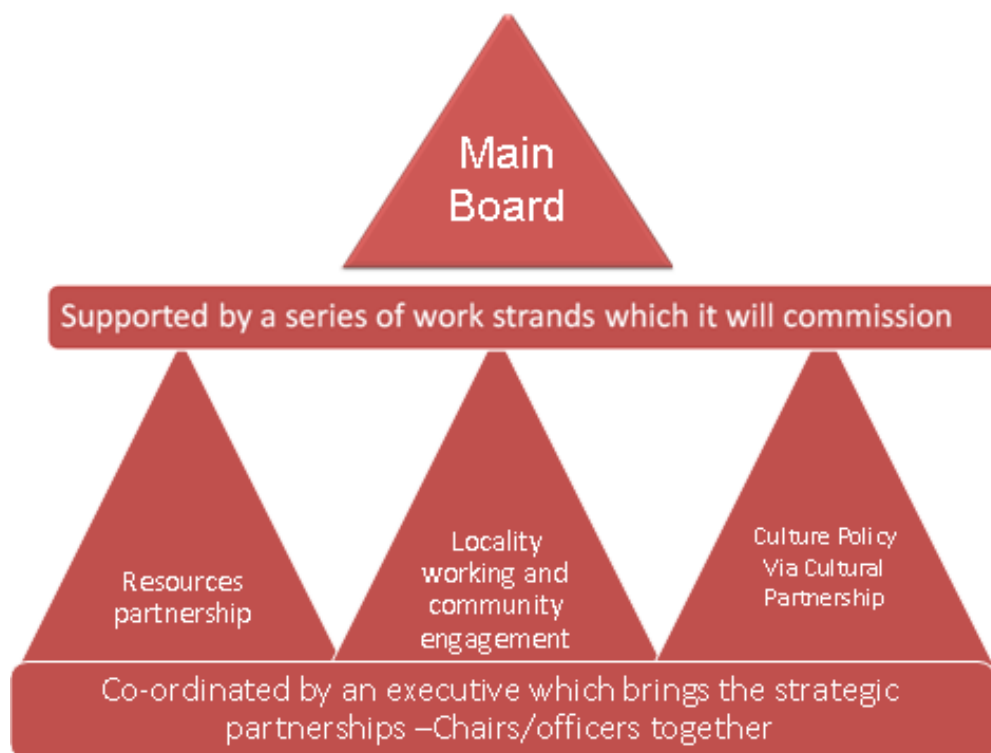


3.3 **The Leeds Initiative Main Board** will be the leadership body for the partnership, chaired by the Leader of Council, and involving other senior politicians, the Chief Executive of Council and the leaders of the key organisations in the city. This will include Higher and Further Education, Police, Health Service, the private and third sector. Its membership will be restricted to a maximum of 15.

3.3.1 **Supporting the board**

3.3.2 To recognise the linkages between the five Boards, there will be a need for some form of co-ordination across the Boards. Further work is necessary to determine the form of such co-ordination, but it is likely to be either a new form of Leeds Initiative Executive, comprising the chairs of the five strategic partnerships, or alternatively a Chairs Co-ordination Group or similar.

3.3.3 It is further proposed that certain cross-cutting responsibilities be led by the main-board through agreed sub-groups (or existing partnerships), established on either a standing or time-limited basis. Initially, three are proposed to cover locality working and community involvement, public sector resources and a third covering the cultural life of the city, to be led by the Cultural Partnership.



3.4 **The strategic partnerships**

3.4.1 It is proposed that five new strategic partnerships are created, with the lead role for developing policy and strategy across each theme, with a primary purpose of owning and driving the delivery of the City Priority Plans described below. The five boards are as follows:



- 3.4.2 Whilst further work is required to finalise the specific responsibilities of the five strategic partnerships, appendix 1 outlines the proposed areas of responsibility.
- 3.4.3 It is envisaged that from the Council's perspectives, each board would have representation from both administration and opposition elected members. They would be supported by a lead officer from the Corporate Leadership Team who would take lead responsibility for each partnership and the successful delivery of its associated city priority plan.
- 3.4.4 Elected member appointments will be made through the normal member appointment process overseen by the Member Management Committee.
- 3.4.5 Relevant public, private and third sector partners will be invited to nominate their representative(s).
- 3.5 **The wider network of partnerships** aims to be a flexible framework of organisations and activity which promotes partnership working. These bodies will determine their own governance arrangements. It is expected to include:
- long standing partnership activity associated with the Leeds Initiative, such as Financial Leeds, Sport Leeds etc;

- partnership bodies created to support the work of the Main Board and strategic partnerships, such as the culture and climate change partnerships; and
  - independent bodies whose remit clearly links them to the collective effort to deliver the Vision for Leeds, such as Leeds Community Foundation, Leeds Ahead, Leeds City Credit Union.
- 3.5.1 These partnerships will be formally recognised as part of the Leeds Initiative family and will have the power to escalate issues where senior decision making support is needed to the Main Board.
- 3.5.2 The proposal for the cultural partnership to provide policy support to the main board, set out at 3.3.3 above, demonstrates the advantage of a flexible approach. The Culture partnership as part of the network can give policy support to the main board – whilst continuing to progress its broader agenda in support of the long term aims of the Vision for Leeds
- 4.0 The new city planning framework** is shown in appendix 2.
- 4.1 The proposed role and function of each of these plans are detailed below:
- 4.1.1 **Vision for Leeds 2011 to 2030** - is the Leeds Sustainable Community Strategy which sets-out the long term ambition and aspirations for the city. It is being developed by the Leeds Initiative in conjunction with all local partners, including the public, private, and third sectors. The draft Vision is currently the subject of an extensive consultation with the public and stakeholders through the 'What if Leeds' campaign.
- 4.1.2 **City Priority Plans 2011 to 2015** – these are new city-wide partnership plans which aim to identify the key outcomes and priorities to be delivered by the council and its partners over the next 4 years. They replace the Leeds Strategic Plan and may also be able to replace some of the previous thematic plans and are aligned to the proposed Strategic Partnerships as detailed above. These partnerships will own the plans and be responsible for ensuring the delivery of the agreed priorities. These plans will be restricted to a small set of outcomes and agreed priorities so that they are the absolute must do's for each of the partnerships to move forward in delivering our long term vision for Leeds. For each priority, the plan will also include a list of the high level actions and these will be monitored through partnership performance management processes as well as being subject to the Council's Scrutiny process.
- 4.1.3 **Council Business Plan 2011 to 2015** – this is the single plan for the council that brings together all the priorities for the council alongside the medium term financial plan. It will have two main elements. A small number of cross council priorities and a set of directorate priorities. There will be a limited number of cross council priorities which will be clearly aligned to the council's values. These will be supported by an action plan and key performance indicators. The directorate element of the plan will outline their own priorities, both for service transformation and service delivery, including the directorate's contribution to the relevant City Priority Plans. This will



include the most significant 'must do' priorities which will have the biggest impact on the individual directorate and council-wide priorities. Each priority will have a small number of clearly defined milestones and/or targets which can be used to monitor progress. It is envisaged that the business and financial plans of our key partners will similarly support the delivery of the City Priority Plans.

4.1.4 **Locality Working, Community Engagement and Cultural Life in the City** – these are cross cutting themes which will need to be reflected in a consistent way across all of the plans.

4.1.5 **Area/Locality Planning** - an update on the locality working was provided to Executive Board in Dec 2010 and work is on-going to develop the approach in this area. As the approach becomes clearer further work will be undertaken to ensure that area based planning links to, and dovetails with, the strategic arrangements set out in this report.

4.1.6 **Service/Team Plans** - these plans will remain much as they are now although work is being progressed to streamline the content. The key outcomes and priorities set out in the Council Business Plan will be distilled into a work programme for delivery by services and teams across the council. Service plans will continue to be developed to a consistent template, with supporting guidance issued to assist managers in this process and to ensure all cross-cutting issues are included. Managers then use these plans to set objectives for individuals in their teams as part of their annual appraisal.

4.1.7 **Other key changes include:**

- The move from a three to a four year planning cycle which aligns better to our financial planning cycles. However, plans will be updated after two years to ensure that they remain current and still reflect the key priorities for the council and the city. Service Plans will move to a two year cycle to align with this but will be subject to an annual refresh.
- Generally, plans will not be produced in hard copy format in order to reduce costs and make updating easier and quicker.
- Revised performance management arrangements to support the delivery of these plans are currently being developed. The challenge will be to ensure that these are proportionate and any issues with the overlap of priorities between the City Priority Plans and the Council Business Plan are resolved.

## 5.0 **Implications For Council Policy And Governance**

5.1 The planning framework links closely to the Council's Budget and Policy Framework which sets out the key plans and strategies for the council and ensures that these are subject to the right level of member involvement and scrutiny. It is proposed that the following plans would form part of the Budget and Policy Framework:

- Vision for Leeds (Sustainable Community Strategy)
- The five City Priority Plans
- Council Business Plan – including the Medium Term Financial Plan

5.2 In this way Members can be assured that they are involved in setting the priorities for the city. However, a number of changes to Article 4 of the Constitution are required in order to reflect these changes. It is intended that the City Priority Plans directly replace a number of other partnership plans which are currently in the Budget and Policy Framework e.g. Crime and Disorder Reduction Strategy, Children and Young People's Plan and Health and Wellbeing Plan. However, there is still some uncertainty about the statutory basis for some of these plans going forward and, therefore, further work is being progressed on this matter. Firm proposals will be made clear within the report to General Purposes Committee in March 2011 which will then go onto Council in April 2011.

5.3 Where possible the draft City Priority Plans and Council Business Plan are scheduled to go to Scrutiny in March; Executive Board in May; and for approval by Council in July 2011. However Members should note that the Budget and Medium Term Financial Plan are scrutinised and then approved through a separate process as they need to be in place before the beginning of the new financial year. The City Priority Plans on Regeneration and Sustainable Economy and Culture may have to follow a different timetable as the relevant Strategic Boards do not currently exist and need to be constituted first.

## **6.0 Legal And Resource Implications**

6.1 As outlined above it is currently unclear which partnerships and partnership plans will continue to be statutory. Those requirements that already exist, or are likely to be implemented, are reflected in the proposals and arrangements set out above. However, the Government is tending to remove rather than add to the statutory requirements so there is likely to be more, rather than less, flexibility in the future.

6.2 In the current financial climate it is important to be able to identify our key priorities and align our resources to support these. This revised partnership and planning framework ensures that the council is very clear about its own priorities, as well as those that are shared with partners. In particular, the new plans seek to reduce the number of these in order to provide real focus for the organisation and the city.

## **7.0 Conclusions**

7.1 The proposals in this report will enable effective partnership, planning and performance management arrangements to be put into place. This should mean the partnership is more effective at achieving the aims of the Vision for Leeds in an effective and efficient manner.

7.2 Further detailed work will be undertaken to produce agreed terms of reference, membership and working arrangements, and to ensure that the partnerships interrelate effectively. A detailed work programme will also be developed.

7.3 It is recognised that changes in government policy and partner views will need to be taken into account in finalising the arrangements and prior to a report being prepared for Members of Full Council in regard to the constitutional changes that are necessary.

## **8.0 Recommendations**

8.1 It is recommended that the Committee considers the governance implications of the revised structures of the Leeds Initiative and the planning framework for the city.

## **9.0 Background Papers**

- Article 4 of the Constitution
- Executive Board Report on Planning and Partnership Arrangements 15 Dec 2010
- Executive Board Report Towards Integrated Locality Working 15 Dec 2010

## Appendix 1

### Draft Key themes for the different boards and structures – subject to further change

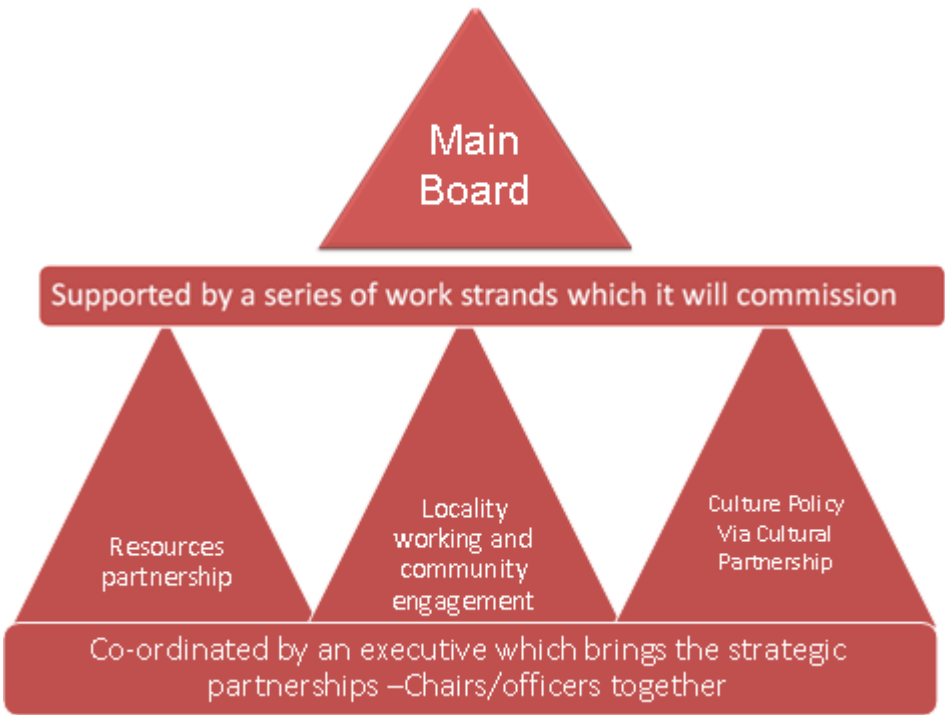
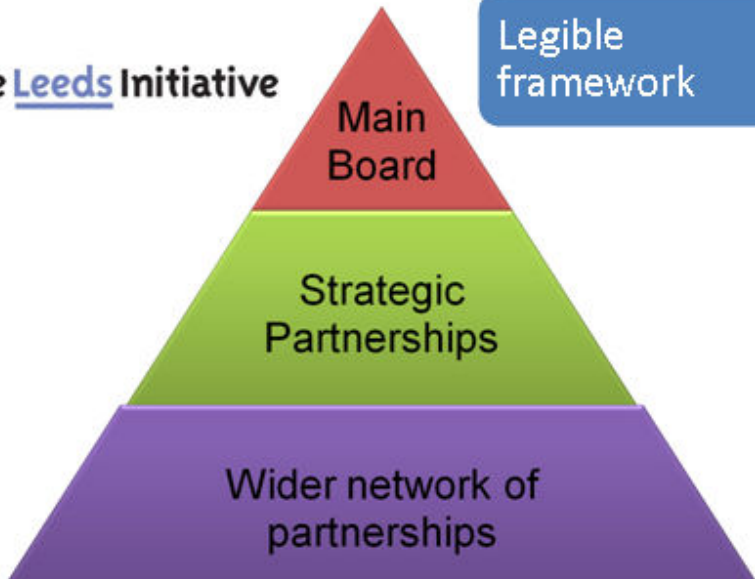
Board	Key roles/themes
Main Board	<p>Overall leadership of the city</p> <ul style="list-style-type: none"> <li>• Ownership of the Vision for Leeds and the City Priority Plan</li> <li>• Sustainability of the city socially, economically, and environmentally</li> <li>• Overall responsibility for monitoring performance</li> <li>• Dealing with city wide policy and issues escalated by the wider Leeds Initiative network</li> </ul> <p>Sub-groups/themes:</p> <p>Public sector resources - To support the main board by co-ordinating the deployment of resources to improve outcomes across all partnership activity joining up the work of all the boards.</p> <p>Locality and community engagement - To support the main board by developing a city-wide approach to locality working and engaging communities, joining up the work of all the boards.</p> <p>Cultural life in the city - In addition to its role as a network partnership, the Cultural Partnership will specifically support the main board by developing a city-wide approach to culture joining up the work of all the boards.</p>
Children and families board	<p>Delivery of the Children and families City Priority Plan</p> <ul style="list-style-type: none"> <li>• Healthy Lifestyle</li> <li>• Safe from Harm</li> <li>• Active citizens</li> <li>• Have fun growing up</li> <li>• Do well at school or college – ready for work</li> </ul>
Health and wellbeing board	<p>Delivery of the Health and wellbeing City Priority Plan</p> <ul style="list-style-type: none"> <li>• Joint Strategic Needs Assessment</li> <li>• Co-ordinating Commissioning NHS social care and health improvement services</li> <li>• Transforming health and social care services</li> </ul>

Safer and stronger communities board	<p>Delivery of the Safer and stronger communities City Priority Plan</p> <ul style="list-style-type: none"> <li>• Tackling Anti Social Behaviour and crime</li> <li>• Reduce re-offending</li> <li>• Protect vulnerable people</li> <li>• Creating opportunities for people to live independently in quality affordable homes</li> <li>• Maximise job opportunities and support people into work</li> <li>• Enhancing sustainable and cohesive mixed communities in attractive neighbourhoods</li> </ul>
Sustainable economy and culture board	<p>Delivery of the Sustainable economy and culture City Priority Plan</p> <ul style="list-style-type: none"> <li>• Recovery from recession – encouraging investment, enterprise and jobs</li> <li>• Tackling climate change</li> <li>• Quality of Life across the city</li> <li>• Cultural life of the city</li> </ul>
Regeneration board	<p>Delivery of the Regeneration City Priority Plan</p> <ul style="list-style-type: none"> <li>• Oversight of key regeneration programmes</li> <li>• Ensuring local people benefit from regeneration investment</li> <li>• Effective engagement of all partners in transformational regeneration programmes</li> <li>• Maximising the impact of those plans on the ground</li> </ul>

**Appendix 2:-Proposed structure**

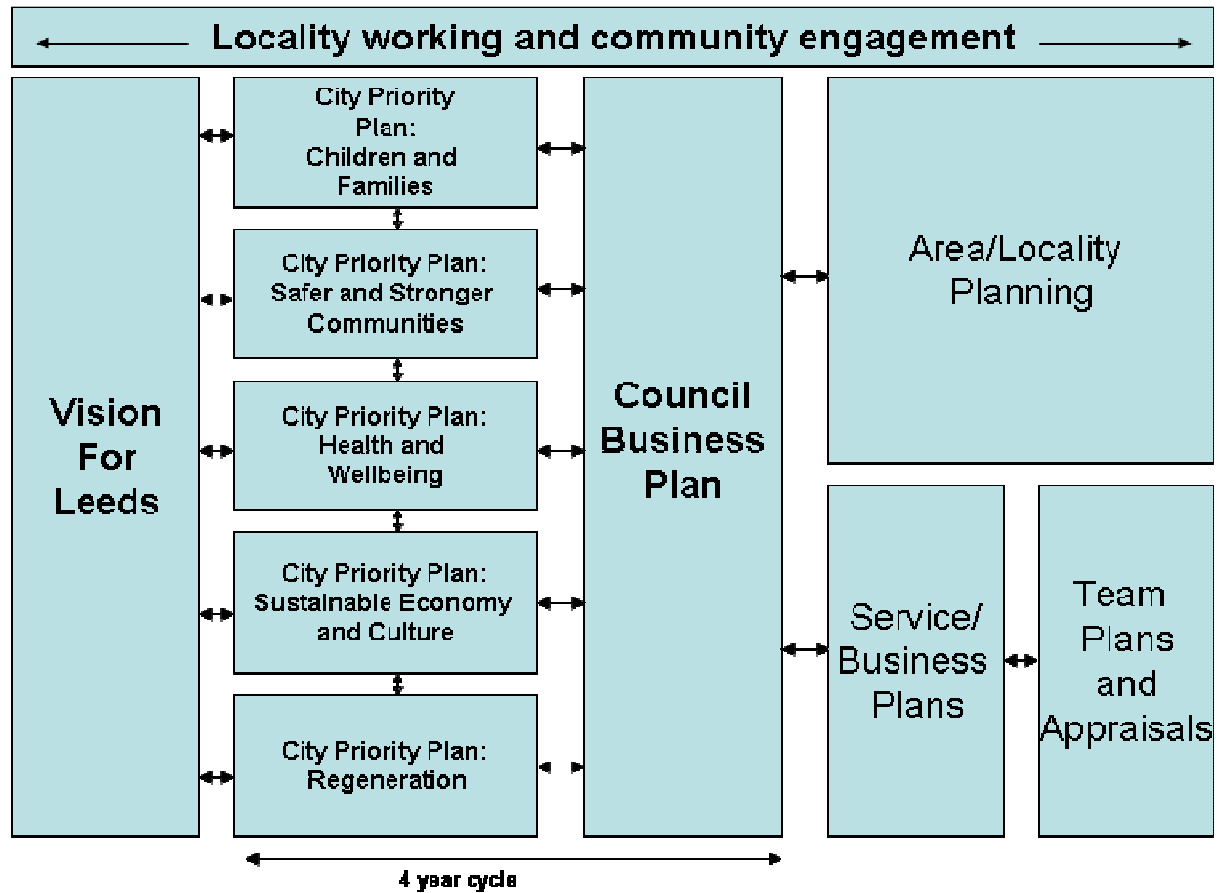
the Leeds Initiative

Legible framework



### Appendix 3

#### The proposed new city planning framework



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## Report of the Director of Resources

### Corporate Governance and Audit Committee

Date: 24<sup>th</sup> January 2011

Subject: KPMG report – Annual Audit Letter 2009/10

<p><b>Electoral Wards Affected:</b></p>          <div style="border: 1px solid black; width: 40px; height: 20px; display: inline-block; vertical-align: middle;"></div> Ward Members consulted (referred to in report)
--

### 1.0 Purpose Of This Report

1.1 To provide a summary of the key external audit findings for the 2009/10 financial year.

### 2.0 Background Information

2.1 Each year, KPMG are required to report all key external audit findings to members and publish the results on the Audit Commission website. Such issues are incorporated into an Annual Audit Letter.

### 3.0 Main Issues

3.1 The attached KPMG Annual Audit Letter summarises the findings of all the external audit reports received by this Committee in respect of the financial year 2009/10.

3.2 Members should note the external audit assurances on:

- Value for Money;
- Identification of fraud;
- The Annual governance Statement; and
- The Statement of Accounts.

3.3 The report also highlights two key risks for 2010/11, namely the impact of the Comprehensive Spending Review and the implementation of International Financial Reporting Standards.

### 4.0 Implications For Council Policy And Governance

4.1 The report provides assurance to members that there are no significant issues identified as part of KPMG's external audit work. The Council is required to publish the findings of the KPMG report to external stakeholders by way of the Council's website.

## **5.0 Legal And Resource Implications**

- 5.1 Members should note the audit fee of £504k, with an additional £117k for certification of grants and returns.

## **6.0 Conclusions**

- 6.1 There are no major issues arising from the work of external audit and officers continue to work closely with KPMG to agree and implement any recommendations raised in their reports.

## **7.0 Recommendations**

- 7.1 Members are asked to note the key external audit issues arising from the 2009/10 audit process.

### Background Documents Used

KPMG Financial Statements Audit Plan 2009/10

KPMG Certification and Returns report 2008/09

KPMG Interim Report 2009/10

KPMG ISA 260 report 2009/10



PUBLIC SECTOR

# Leeds City Council

Annual Audit Letter 2009/10

23 December 2010

AUDIT

# Introduction

**The contacts at KPMG in connection with this report are:**

**Mike McDonagh**  
Partner  
KPMG LLP (UK)  
Tel: 0121 335 2440  
michael.a.mcdonagh@kpmg.co.uk

**Steve Clark**  
Director  
KPMG LLP (UK)  
Tel: 0113 254 2910  
stephen.clark@kpmg.co.uk

**Jillian Burrows**  
Senior Manager  
KPMG LLP (UK)  
Tel: 0161 246 4705  
jillian.burrows@kpmg.co.uk

**Alison Ormston**  
Manager  
KPMG LLP (UK)  
Tel: 0113 231 3444  
alison.ormston@kpmg.co.uk

**Sam Bradford**  
Assistant Manager  
KPMG LLP (UK)  
Tel: 0113 231 3624  
sam.bradford@kpmg.co.uk

## Background

This Annual Audit Letter summarises the key issues arising from our 2009/10 audit of Leeds City Council (the Council). Although this letter is addressed to the Members of the Council, it is also intended to communicate these issues to key external stakeholders, including members of the public. The letter will also be published on the Audit Commission website at [audit-commission.gov.uk](http://audit-commission.gov.uk). It is the responsibility of the Council to publish the letter on the Council's website at [leeds.gov.uk](http://leeds.gov.uk). In the letter we highlight areas of good performance and also provide recommendations to help you improve performance. A summary of our key recommendations is summarised in Appendix A. We have reported all the issues in this letter to you throughout the year and a list of all reports we have issued is provided in Appendix B.

## Scope of our audit

The statutory responsibilities and powers of appointed auditors are set out in the Audit Commission Act 1998. Our main responsibility is to carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the code) which requires us to report on:

<b>Use of Resources (UoR)</b>	We conclude on the arrangements in place for securing economy, efficiency and effectiveness ('value for money') in your use of resources.
<b>Financial Statements</b>	We provide an opinion on your accounts.

## Fees

Our fee for 2009/10 was £504,000 excluding VAT (2008/09: £504,000). Our fee for the certification of grants and returns was £117,343 excluding VAT in 2008/09. Work is still ongoing in relation to the certification of grants and returns for 2009/10 however it is envisaged that the fee will be a similar level to the prior year.

This report is addressed to Leeds City Council (the Council) and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Mike McDonagh who is the engagement lead to the Council or Trevor Rees, the national contact partner for all of KPMG's work with the Audit Commission. After this, if you still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. You can contact the Complaints Unit by phone (0844 798 3131), by email ([complaints@audit-commission.gov.uk](mailto:complaints@audit-commission.gov.uk)), through the audit commission website ([www.audit-commission.gov.uk/aboutus/contactus](http://www.audit-commission.gov.uk/aboutus/contactus)), by telephone/minicom (020 7630 0421), or via post to Complaints Unit, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR.



## Headlines

<p><b>Use of Resources</b></p>	<p><b>Use of Resources assessment</b></p>	<ul style="list-style-type: none"> <li>● In May 2010 the government announced that the Comprehensive Area Assessment (CAA) would be abolished. The Audit Commission subsequently confirmed that work related to CAA should cease with immediate effect. This included work for UoR scored assessments at local authorities. However, there is no change to the requirement in the statutory Code of Audit Practice for auditors to issue a value for money (VFM) conclusion.</li> <li>● At the time of the announcement, the vast majority of UoR work for 2010 had already been completed and this therefore informed our 2009/10 VFM conclusion.</li> <li>● Overall the Authority had maintained its performance across the UoR themes with improvements being made where our 2009 assessment flagged areas for development.</li> </ul>
<p><b>Specific risk based reviews</b></p>	<p><b>Specific risk based reviews</b></p>	<ul style="list-style-type: none"> <li>● During the year we have considered the specific use of resources risks around how the Council responded to the recession and the sustainability agenda as set out in our Audit Fee Letter 2009/10.</li> <li>● These risks were considered whilst forming our VFM conclusion.</li> </ul>
<p><b>Our conclusion</b></p>	<p><b>Our conclusion</b></p>	<ul style="list-style-type: none"> <li>● We issued an unqualified VFM conclusion on 29 September 2010. This means that we are satisfied that you have put into place proper arrangements for securing economy, efficiency and effectiveness in your use of resources.</li> </ul>

## Headlines

<b>Financial Statements</b>	<b>Annual accounts</b>	<ul style="list-style-type: none"> <li>• Our audit identified two significant audit adjustments with a total value of £4,324k:             <ul style="list-style-type: none"> <li>• We identified three assets which had been revalued during the year but this revaluation (upwards) had not been reflected in the fixed asset register. Further review of this found two more assets where the same situation occurred. The total value of this was £1,942k which increased the value of the tangible fixed assets and revaluation reserve.</li> <li>• Our review of the restated PFI grants for 2008/09 found one area where government grant had not been correctly transferred from Children's services and re-classified in the government grant line. The value of the difference was £2,400k which affected the Children's Services figure and Government Grants figure within the I&amp;E.</li> </ul> </li> <li>• There were no significant matters which we were required to report to those charged with governance.</li> </ul>
	<b>Annual Governance Statement</b>	<ul style="list-style-type: none"> <li>• No significant adjustments were required to the AGS.</li> </ul>
<b>Recommendations</b>	<b>Our conclusion</b>	<ul style="list-style-type: none"> <li>• We issued an unqualified opinion on your accounts on 29 September 2010. This means that we believe the accounts give a true and fair view of the financial affairs of the Council and of the income and expenditure recorded during the year.</li> </ul>
	<b>Audit</b>	<ul style="list-style-type: none"> <li>• We have raised three medium risk recommendations as a result of our 2009/10 audit work. These relate to the Council Tax reconciliation and Fixed Assets accounting and are summarised in Appendix A.</li> </ul>
	<b>Grants</b>	<ul style="list-style-type: none"> <li>• We have not raised any recommendations as a result of our 2008/09 certification of grants and returns. As work is still ongoing in relation to the certification of grants and returns for 2009/10 a report relating to this work will be issued in February 2011.</li> <li>• During 2008/09 we qualified the Housing and Council Tax Benefit grant due to minor reconciliation differences between the main financial systems and some minor processing errors.</li> </ul>

## Headlines

<b>Fraud</b>	<b>Identification of fraud</b>	<ul style="list-style-type: none"> <li>● There have been no significant fraud issues identified in the course of the audit.</li> </ul>
<b>High profile issues</b>	<b>Economic Downturn and pressure on the public sector</b>	<ul style="list-style-type: none"> <li>● As part of the Audit Commission's National Fraud Initiative, the Authority has identified £137k of savings from detection of fraud during 2009/10.</li> <li>● Following the Comprehensive Spending Review announcement in October 2010, there is now greater clarity on the spending cuts that will affect local government. Local government will face 7.1% annual cuts in government grants, representing 26% real terms reductions over the next four years. Although this is less than many commentators had predicted, this still represents one of the biggest cuts for any part of the public sector. Detailed analysis will be required as further details of these funding cuts are clarified - the real impact will not be known until the government departments produce their business plans in November and the Local Government Finance Settlement is announced which is due in December.</li> <li>● The Authority has been preparing for cuts of this magnitude. Facing up to these challenges will require revolutionary transformation of public sector services, rather than tinkering. Strong leadership from Members and senior management will be essential.</li> <li>● The Council expects grants reductions in excess of £150 million by 2015, including an anticipated £50 million reduction in 2011. In addition to these grant cuts, the Council will need to find further savings to meet service pressures, particularly within Adult Social Care and Children's Services.</li> <li>● As a result 2500 to 3000 councils jobs are expected to go, however Council management believe these will be delivered through natural turnover as far as possible.</li> <li>● The Council is focusing capital expenditure on projects that will save money in the medium to long term and ensuring that their purchasing power is utilised to the maximum, thus limiting the effect on front line services.</li> <li>● It will be important over the coming months and years that the council prepares a resilient, sustainable and achievable Medium Term Financial Strategy and ensure the assumptions and targets contained within this are accurate and reasonable.</li> </ul>

# Headlines

<b>High profile issues</b>	<b>International Financial Reporting Standards (IFRS)</b>
<ul style="list-style-type: none"><li>• The Council is making clear progress in the transition to IFRS and is on target to meet the deadlines as per the Council's IFRS conversion action plan. There are further areas as highlighted through the Audit Commission's IFRS survey and further emphasised by the Audit Commission report 'Progress on the transition to IFRS' that all Local Authorities still need to address. This includes leases and componentisation of assets.</li><li>• Due to the volume of leases in place at the Authority, the exercise of reviewing all leases is still underway, however the Authority feel they have the resources to address this within the given timescales.</li><li>• In relation to the componentisation of fixed assets the Authority believe this will be completed within the required timescales. As this does not affect the restated balance sheet the Authority deem this as a lower priority area to address.</li></ul>	



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## Future audit work

### Changes to next year's value for work programme

- Given the scale of the pressures facing public bodies in the current economic climate, the Audit Commission has reviewed its work programme for 2010/11 onwards. As part of this exercise, the Commission has been discussing possible options for a new approach to local value for money (VFM) audit work with key national stakeholders. From 2010/11 we will therefore apply a new, more targeted and better value approach to our local VFM audit work. This will be based on a reduced number of reporting criteria specified by the Commission, concentrating on:
  - securing financial resilience; and
  - prioritising resources within tighter budgets.
- We will determine a local programme of VFM audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities. We will no longer make annual scored judgements relating to our local VFM audit work. Instead we will report the results of all the local VFM audit work and the key messages for the audited body in our annual report to those charged with governance and in a clear and accessible annual audit letter.

### Future audit arrangements

- In August 2010 the Secretary of State for Communities and Local Government announced proposals to abolish the Audit Commission. The proposed abolition will be from 2012 and the government will seek legislation in this session of Parliament.
- There is no immediate change to the current audit arrangements. We will keep you informed about the future audit programme and any changes to audit arrangements.

## Appendix A: Key Recommendations

This appendix summarises all key recommendations raised in 2009/10.

**Key:**  
 Low Risk L  
 Medium Risk M  
 High Risk H

#	Risk	Issue, Impact and Recommendation	Management Response / Responsible Officer / Due Date
1	M	<p><b>Reconciliation of Council Tax Benefits per the Council Tax system to the Benefits System.</b></p> <p>Our review of Internal Audit's work identified one reconciliation which had not been fully reconciled in the month chosen for sampling. This has already been reported to you by Internal Audit.</p> <p>We have been informed that the difference on the reconciliation was due to a timing difference between the two system reports that has been present since Academy was introduced. This did not affect our work on the financial statements.</p>	<p>The system providers have made a number of amendments in order to help minimise the timing differences in the reports. Throughout the year the largest timing issue recorded on the reconciliation has been £3,396, against a net benefit payment in that quarter of over £49m. The final accounts and the benefit claim are adjusted to account for these minor timing differences.</p> <p>It is not envisaged that the Council will remedy this issue given the small values involved.</p>

## Appendix A: Key Recommendations

This appendix summarises all key recommendations raised in 2009/10.

**Key:**  
 Low Risk L  
 Medium Risk M  
 High Risk H

#	Risk	Issue, Impact and Recommendation	Management Response / Responsible Officer / Due Date
2	M	<p><b>Fixed Asset Disposals</b></p> <p>Our review of Fixed Asset revaluations found there were six properties which were revalued in the year which were included on the fixed asset register which should not have been.</p> <p>Of these, five of the properties had been disposed of in prior years and one asset had been duplicated on the fixed asset register.</p> <p>The value of these properties was £3.2m, this had already been adjusted by the authority in the accounts approved by Committee.</p> <p>We recommend that the Authority reviews all items within the Fixed Asset register which have not been revalued recently to ensure that these assets are still owned by the Council. This indication of control weakness is considered serious but mitigated as the Authority were aware of this prior to our audit.</p>	<p>Agreed.</p> <p>More comprehensive controls on the reconciliation of receipts from the sale of assets and the asset register were introduced in 2007/08. The assets identified as sold related to assets disposed of before this improvement in the control environment. A review of assets which have yet to be revalued since the changes were introduced will be undertaken to ensure all assets are properly accounted for.</p> <p>In addition there will also be a review of the Council's Asset Register for any indication of duplicate assets.</p> <p>Action -Principle Accountant, Corporate Financial Management.</p> <p>Due date –April 2011.</p> <p>We will review progress against this recommendation as part of our audit in 2010/11.</p>

## Appendix A: Key Recommendations

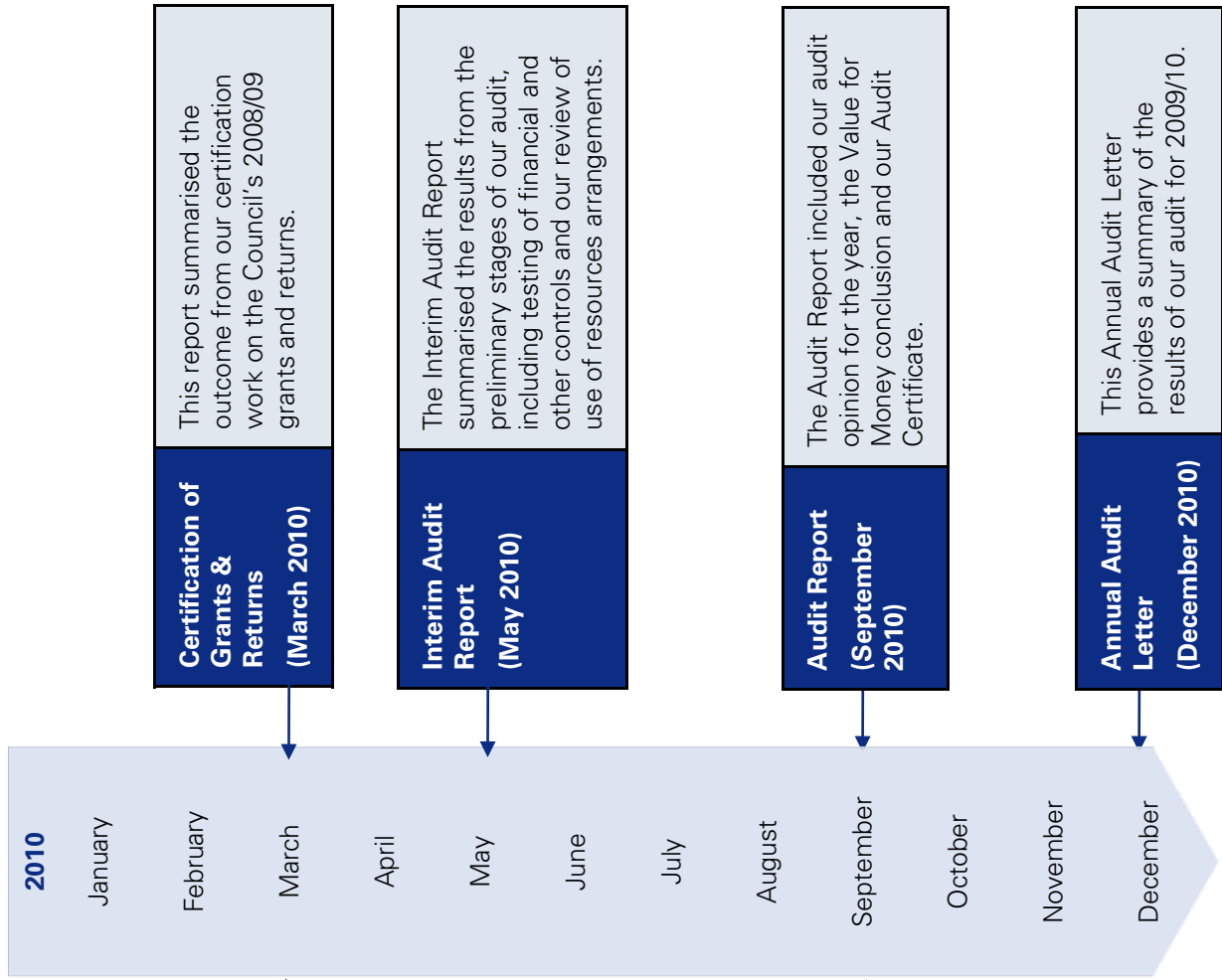
This appendix summarises all key recommendations raised in 2009/10.

**Key:**  
 Low Risk L  
 Medium Risk M  
 High Risk H

#	Risk	Issue, Impact and Recommendation	Management Response / Responsible Officer / Due Date
3	M	<p><b>Fixed Asset Valuations</b>                      During our work we identified three assets which had been revalued during the year, however these revaluations (upwards) had not been reflected in the fixed asset register.</p> <p>Further review found two more assets where the same situation occurred. This has resulted an increase to the Fixed Asset balance in the accounts of £1.942m.</p> <p>The Authority should ensure that all fixed asset valuations are updated to the Fixed Asset Register each year.</p>	<p>Agreed.</p> <p>One definitive list of all asset valuations in year to be agreed between Corporate Financial Management and the Council's valuer. This definitive list will provide a control total for the Asset Register.</p> <p>Action-Principle Accountant, Corporate Financial Management.</p> <p>Due date – immediate</p> <p>We will review progress against this objective as part of our interim audit in 2010/11.</p>

## Appendix B: Summary of Reports issued

This appendix summarises the reports we issued, since our last Annual Audit Letter.



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**Report of the Assistant Chief Executive (Corporate Governance)**

**Corporate Governance and Audit Committee**

**Date: 24 January 2011**

**Subject: Work Programme**

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**Electoral Wards Affected:**

Ward Members consulted  
(referred to in report)

**Specific Implications For:**

Equality and Diversity

Community Cohesion

Narrowing the Gap

---

**1.0 Purpose Of This Report**

1.1 The purpose of this report is to notify members of the Committee of the draft work programme for the current municipal year. The draft work programme is attached at Appendix 1 to this report.

**2.0 Background Information**

2.1 The work programme provides information about future items for the Corporate Governance and Audit Committee agenda, when items will be presented and the which officer will be responsible for the item.

**3.0 Main Issues**

3.1 The draft work programme is attached at Appendix 1.

3.3 Members are requested to consider whether they wish to add any items to the work programme.

**4.0 Implications for Council Policy And Governance**

4.1 There are no implications for Council Policy and Governance.

**5.0 Legal And Resource Implications**

5.1 There are no legal or resource implications

## **6.0 Recommendations**

- 6.1 Members are asked to note the draft work programme and advise officers of any additional items they wish to add.



**CORPORATE GOVERNANCE AND AUDIT COMMITTEE  
WORK PROGRAMME**

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
<b>14<sup>th</sup> February 2011 – 2p.m.</b>		
Corporate Performance Management	<p>To receive a report detailing the wider corporate performance management governance adopted by the authority, that enables early warning of possible severe failure, rather than relying on inspection from external bodies.</p> <p>(Report requested at the meeting held on 17<sup>th</sup> March 2010 following discussion of the Ofsted and care Quality Commission Inspection of safeguarding and looked after Children’s Services in Leeds)</p>	Assistant Chief Executive (Planning, Performance and Improvement) James Rogers
Compliance with Contract Procedure Rules	<p>To receive a report informing the Committee of the Control arrangements in place to ensure compliance with Contract Procedure Rules across Directorates, particularly whether they are fit for purpose, how the arrangements are communicated and what the issues and risks are in terms of the arrangements being embedded.</p> <p>(requested by the Committee at its meeting held on 29<sup>th</sup> September 2010 during discussion of the annual Governance Statement)</p>	Chief Procurement Officer Wayne Baxter
Update on IFRS	To receive a report updating the Committee on the latest International Financial Reporting Standards	Chief Officer Financial Management Doug Meeson
Ongoing Legal Cases	To receive a report detailing the types and value of cases which are currently ongoing against the Council	Chief Officer (Legal, Licensing and Registration) Stuart Turnock
Oversight of claims against the Council	To receive a report detailing the general arrangements for oversight of claims against the Council (including legal claims and insurance claims)	Chief Officer (Legal Licensing and Registration) Stuart Turnock

## CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
Standards Committee current position	To receive a report updating the Committee on developments in the Standards Regime.  (This report was requested by the Chair of the Committee and the Assistant Chief Executive Corporate Governance to clarify the latest position in relation to the Standards regime on 26 <sup>th</sup> July 2010)	Head of Governance Services Andy Hodson
Internal Audit Report	To receive a report presenting the Internal Audit report on current issues  (This is a report brought to the Committee on bi-monthly basis)	Chief Officer (Audit and Risk) Tim Pouncey
<b>21<sup>st</sup> March 2011 – 10a.m.</b>		
Value for Money Arrangements	To receive a report regarding the Council's arrangements in relation to achieving Value for Money.  (Report to be brought to the Committee to gain assurance that value for money is being achieved across the Council)	Chief Officer (Audit and Risk) Tim Pouncey
KPMG report on certification of Grants 2009/10	To receive a report updating the Committee on work undertaken by KPMG in relation to Grants and Returns.  (Annual report prepared by KPMG)	Chief Officer Financial Management Doug Meeson
Information Security Annual Report	To receive a report on the Council's Information Security arrangements.	Chief Officer (Business Transformation) Lee Hemsworth
Financial Statement Audit Plan 2010/11	To receive a report detailing the financial statement audit plan for 2010/11	Chief Officer Financial Management Doug Meeson
<b>18<sup>th</sup> April 2011 – 10a.m.</b>		

## CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
Corporate Governance Statement Action Plan	To receive a report detailing progress made against actions in the Corporate Governance Statement Action Plan.	Head of Governance Services Andy Hodson
Internal Audit Report	To receive a report presenting the Internal Audit report on current issues  (This is a report brought to the Committee on bi-monthly basis)	Chief Officer (Audit and Risk) Tim Pouncey
<b>11<sup>th</sup> May 2011 – 10a.m.</b>		
Annual Report on Community Engagement	To receive a report presenting the annual report on Community Engagement.	Assistant Chief Executive (Planning, Policy and Improvement) James Rogers
Planning Decisions Process	To receive a report to gain assurance of the process by which planning decisions are taken by the Council.  (This report was requested at the meeting held on 12 <sup>th</sup> May 2010 during discussions on the process by which planning decisions are taken by the Council)	Chief Planning Officer Phil Crabtree
KPMG Interim Audit Report	To receive a report from KPMG providing information on progress to date	Chief Officer Financial Management Doug Meeson
<b>June – 2011</b>		
Corporate Governance and Audit Committee Annual Report 2010/11	To receive a report presenting the draft Corporate Governance and Audit Committee Annual Report 2010/11.	Head of Governance Services Andy Hodson

## CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
ALMO Annual Assurance Report	To receive the Annual Assurance report from Strategic Landlord based on the assurances received from the ALMOs.  (To be brought to the Committee in June 2011)	Strategic Landlord John Statham
KPMG Interim report on the Statement of Accounts	To receive a report providing assurance to the Committee on the Statement of Accounts.  (Proposed to be brought to Committee in June 2011)	Chief Officer (Financial Management) Doug Meeson
Internal Audit Report	To receive a report presenting the Internal Audit report on current issues  (This is a report brought to the Committee on bi-monthly basis)	Chief Officer (Audit and Risk) Tim Pouncey
<b>July – 2011</b>		
Annual Monitoring of Key and Major Decisions	To receive a report presenting the outcome of the monitoring process relating to Key and Major decisions.  (The annual report to the Committee to gain assurance that Key and Major decisions are being made in line with procedure)	Head of Governance Services Andy Hodson
Annual Report on Risk Management	To receive a report regarding the Council's risk management arrangements.	Chief Officer (Audit and Risk) Tim Pouncey
<b>Un-scheduled items for 2010/11</b>		

## CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
Impact of Disbanding the Audit Commission	<p>To receive a report on the impact of disbanding the Audit Commission, on how the assurance framework is assessed and reported to the Committee.</p> <p>(requested by the Committee at its meeting held on 26<sup>th</sup> September 2010 during discussion on the disbanding of the Audit Commission)</p>	Chief Officer (Audit and Risk) Tim Pouncey
6 Monthly Update Report on risk Management	<p>To receive a report updating members on the Council's risk management arrangements.</p> <p>(This report is part of the Committee's annual work programme)</p>	Chief Officer (Audit and Risk) Tim Pouncey
Overall External Audit and Inspection Plan 2011/12	To receive a report consulting Members on the content of the External Audit and Inspection Plan 2011/12.	Chief Officer (Audit and Risk) Tim Pouncey
Local Enterprise Partnerships	<p>To receive a report on the governance arrangements for the new Local Enterprise Partnership specifically exploring governance issues contained within the partnership governance toolkit.</p> <p>(requested at the 14<sup>th</sup> December 2010 meeting following a discussion on the Leeds City Region)</p>	Chief Officer (Leeds Initiatives and Partnerships)

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# **Proposed work programme and scales of fees 2011/12**

**Local government, housing and community safety  
consultation document**

December 2010

**The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.**

**Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.**

**As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.**



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# Introduction

## Background

**1** In 2009, the Audit Commission (the Commission) consulted on its draft 2010/11 work programme and scales of fees over the summer. It confirmed its proposals in October 2009.

**2** This year however we have not been in a position to do so as events have overtaken this annual consultation. On 13 August 2010, the government announced its plan to abolish the Commission.

**3** The Commission has a statutory duty to break even taking one year with another. Audit and inspection fees are the principal means by which it finances its activities.

**4** In setting the 2011/12 scales of fees, the Commission Board (the Board) has discussed with the Department for Communities and Local Government (CLG) how the one-off costs that will arise with the abolition of the Commission will be funded. CLG has informed the Commission Board that it has earmarked contingency funding to cover certain additional redundancy costs and lease commitments that cannot be met from the Commission's surplus and which will be funded by the Department. The contingency would be sufficient to cover the range of costs discussed by officials.

**5** CLG will also work with the Commission to develop the best option for the future of the Commission's pension scheme which protects members' accrued rights and delivers best value for taxpayers. CLG has stated that, as a consequence, it is reasonable for the Commission's Board to work on the basis that pension scheme liabilities will not be crystallised.

**6** On the basis of these assurances, the Commission's Board has concluded that it does not need to provide for these costs in setting scales of audit fees for 2011/12.

**7** The Commission therefore proposes to carry through its pre-13 August announcement plans for fees. These were part of a three-year programme to deliver cost cuts of about £70 million (10 per cent per year). The plans involve fee rebates for 2010/11, and lower fees for 2011/12.

## 2010/11 rebates

**8** The impact of stopping Comprehensive Area Assessment (CAA), including the cost of making several hundred staff redundant, has limited the level of rebates the Commission can afford to give bodies in 2010/11.

**9** However, the Commission will rebate 1.5 per cent of the 2010/11 scale fee for district councils, police and fire and rescue authorities, and 3.5 per cent for single-tier and county councils. The rebates will be sent out shortly. The Commission will also not charge inspection fees for work already carried out in this financial year on the managing performance part of the organisational effectiveness assessment. This is because there was no value to the work once CAA ended.

**10** These reductions, and the earlier rebate for the additional audit costs from the transition to International Financial Reporting Standards (IFRS), mean average scale fees for local government bodies subject to the scored use of resources (UoR) assessment have already reduced by 8 to 15 per cent.

**11** The combined financial effect of these changes is to reduce the cost of audit and inspection fees for local government bodies in 2010/11 by £11.6 million (or 12.5 per cent). Appendix 1 sets out these reductions.

## 2011/12 fees

**12** Our proposals for 2011/12 are for reductions in total audit fees. These reflect the new approach to local value for money (VFM) audit work, and reductions in the ongoing audit costs associated with introducing IFRS. Our proposals are:

- no inflationary increase in 2011/12 for audit and inspection scales of fees and the hourly rates for certifying claims and returns;
- a reduction in scale fees resulting from our new approach to local VFM audit work of 2 to 20 per cent; and
- a reduction in scale audit fees of 3 per cent for local authorities, police and fire and rescue authorities, reflecting lower ongoing audit costs after implementing IFRS.

**13** The cumulative effect of these changes is to reduce audit and inspection fees for local government bodies in 2011/12 by a further £7.6 million (or 9 per cent). Appendix 2 sets out these reductions.

**14** For 2011/12, we are proposing to specify the scale fee for each individual audited body, rather than providing a scale fee with fixed and variable elements. We will base the scale fee on the proposed 2010/11 fee, adjusted for the proposals summarised above. This will increase transparency and ensure planned reductions are delivered on the ground.

**15** The Commission can approve proposed variations to the scale fee, to reflect changes in circumstances, before or at the completion of the 2011/12 audit.

## Fees beyond 2011/12

**16** Because of the Secretary of State's announcement, about the proposed abolition of the Commission, we cannot say anything at this stage about audit fees beyond 2011/12. The Commission, with other stakeholders, is working with CLG to help it develop proposals for a new local public audit framework. The new audit arrangements and their implications for audit fees; the timetable for implementing them; and the transitional arrangements have yet to be determined. The new arrangements will need to be reflected in legislation, which CLG is planning to introduce in 2011.

## Conclusion

**17** This document sets out the Commission's proposed 2011/12 work programme and scales of fees. It covers the local government, housing and community safety (including probation trusts) sectors.

**18** We welcome comments from stakeholders on the proposals contained in this document. Please send any comments to [workandfeesconsultation@audit-commission.gov.uk](mailto:workandfeesconsultation@audit-commission.gov.uk) or to Marcine Waterman, Director of Audit Policy and Regulation, at the following address **by Friday 7 January 2011**.

Audit Commission  
1st Floor Millbank Tower  
Millbank  
London  
SW1P 4HQ

**19** We plan to publish the scales of fees for 2011/12 **by the end of February 2011**.

# Chapter 1: Proposed work programme for 2011/12

## Audit

**20** Auditors tailor their work to reflect local circumstances and their assessment of audit risk. They will do this by assessing the significant financial and operational risks facing the body, and the arrangements it has put in place to manage those risks.

**21** Under the *Code of Audit Practice* (the Code), the Commission may specify additional audit work which supplements the local risk-based approach to planning the audit. For 2011/12, the Commission will specify work on Whole of Government Accounts (WGA).

## Late and qualified accounts

**22** In 2011/12, the Commission will again publish a national summary naming those bodies<sup>i</sup> whose accounts or VFM conclusion have been qualified, or whose audited accounts have not been published by 30 September 2012.

## Auditors' local VFM work

**23** The Commission made a commitment in its *Work Programme and Scales of Fees 2010/11*, to review the approach to local VFM audit work, including the UoR assessment. As part of that review, we consulted national stakeholders on the possible options.

**24** The new approach will:

- enable auditors to fulfil their responsibility under the Audit Commission Act 1998 (the Act) relating to an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources;
- be sharper, more focused and less costly than the previous UoR assessment, enabling a reduction in audit work and audit fees; and
- be applied proportionately and, as far as possible, consistently across all sectors of the Commission's regime.

<sup>i</sup> The report will cover local authorities, fire and rescue authorities, police authorities and other local government bodies (larger internal drainage boards, larger town and parish councils, national park authorities, conservation boards, integrated transport authorities, passenger transport executives, waste disposal authorities, and pension authorities).

**25** From 2010/11, auditors of single-tier, county and district councils, fire and rescue authorities and police authorities will apply a new, more focused approach to the VFM conclusion. The new approach is based on two criteria, specified by the Commission, relating to audited bodies' arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

**26** We are introducing a light-touch approach for larger national parks authorities, waste disposal authorities, integrated transport authorities, passenger transport executives and probation trusts. The approach will be based primarily on a review of the annual governance statement or statement on internal control, and will result in less work than is currently undertaken.

**27** The light-touch approach will also apply at joint committees and other miscellaneous local government bodies. But for these bodies, the reduction in work will be much lower, reflecting the small amount of time currently spent on the VFM conclusion.

**28** In 2011/12, we are also removing the requirement for auditors to issue a VFM conclusion at audited bodies with annual income or expenditure of less than £6.5 million.

**29** The Commission's [website](#) contains more detail on how these approaches will apply to different bodies within our audit regime.

## Certification work

**30** In 2011/12, we will not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors will be required to undertake only limited tests will remain at £500,000. Above this threshold, certification work takes account of the authority's overall control environment for preparing the claim or return.

## Assessment and inspection work

**31** Following the cessation of CAA in May 2010, there is no longer any mandatory inspection work. While the Commission will retain its power to carry out inspections, we do not envisage carrying out any inspections in 2011/12, unless specifically directed to do so.

## Studies

**32** In 2011/12, we will only be completing studies that had already begun before the 13 August announcement. Several of these studies are directly supporting the Local Government Group's Place Based Productivity Programme. We will not start any new studies in 2011/12. Details of the Commission's studies programme can be found at [www.audit-commission.gov.uk/nationalstudies](http://www.audit-commission.gov.uk/nationalstudies)

## Chapter 2: Proposed scales of fees for 2011/12

### Scales of audit fees for local government, police and fire and rescue bodies

**33** We have reflected the cost of the work programme in the proposed scales of fees for 2011/12.

**34** The Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work was required than envisaged by the scale fee. The scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.

**35** As the 2011/12 scale fees are based on the fee for 2010/11, they already reflect the auditor's assessment of audit risk and complexity. Therefore, we would only expect variations from the scale fee to occur where these factors are significantly different from those identified and reflected in the 2010/11 fee.

**36** The Commission will obtain final fee information from appointed auditors, and explanations for any proposed variations from the scale fee, after they have completed the 2011/12 audit. The Commission will consider the reasonableness of the explanations provided by auditors before determining the fee.

**37** Auditors will charge any fees for the consideration of objections or special investigations in addition to any variation to the scale fee.

### Scales of audit fees

**38** The proposed scale of fees for each individual audited body can be found at [www.audit-commission.gov.uk/individuallocalgovfees](http://www.audit-commission.gov.uk/individuallocalgovfees).

**39** The fees are based on the proposed 2010/11 fee, adjusted to provide for:

- A reduction in scale fees as a result of our new approach to local VFM audit work of:
  - 2 to 7 per cent for audited bodies previously subject to the scored UoR assessment;
  - 10 per cent for larger national parks authorities, waste disposal authorities, joint committees, integrated transport authorities, passenger transport executives and probation trusts;
  - up to 20 per cent for local government bodies with expenditure of less than £6.5 million; and

- a reduction in scale audit fees of 3 per cent for local authorities, police and fire and rescue bodies to reflect the reduction in the ongoing audit costs arising from the transition to IFRS.

40 Table 1 summarises the proposed percentage reductions to 2011/12 fees.

Table 1: **Proposed reductions in audit fees for 2011/12**

Audited body	Reduction in total audit fee (%)	Audited body	Reduction in total audit fee (%)
London borough councils	10	Passenger transport executives	13
Metropolitan borough councils	10	Waste disposal and regulation authorities	13
Unitary councils	10	National parks authorities with income or expenditure in excess of £1 million but less than £6.5 million	23
County councils	10	National parks authorities with income or expenditure in excess of £6.5 million	13
District councils	5	Parish councils with income or expenditure in excess of £1 million	15
Police authorities	8	Pension fund authorities	23
Fire and rescue authorities	8	Other bodies with income or expenditure in excess of £1 million but less than £6.5 million	18
Probation trusts	10	Other bodies with income or expenditure in excess of £6.5 million	13
Integrated transport authorities	13		

Source: Audit Commission

41 The Commission can approve proposed variations to the scale fee, to reflect changes in circumstances, before or at the completion of the 2011/12 audit.



## Pension fund audits

42 We deferred setting the 2010/11 fee scales for local government pension funds, pending a review of the costs of the 2008/09 audits. We completed our review and, in light of that analysis, approved revised scales of fees for 2009/10 and 2010/11. We intend to keep the scales of fees for pension funds under review and will analyse the costs of 2009/10 audits to determine whether any further changes are required.

43 Table 2 sets out the proposed scales of fees for the pension fund audits for 2011/12 pending the outcome of this review.

Table 2: **Pension funds proposed scales of audit fees**

Local government pension funds	Fixed element (£)	Plus a percentage of 2009/10 audited net assets
Single employer funds	35,000	n/a
Multi-employer funds (previously classified separately as small and large multi-employer funds)	33,300	0.00055

Source: *Audit Commission*

## Certification work

44 The Act requires the Commission to charge fees for certification work that cover the full cost of the work we undertake. We set a schedule of hourly rates for different levels of staff. In practice, auditors may agree a composite sum for certification work.

45 We are not proposing to uplift for inflation the hourly rates for certification work in 2011/12.

Table 3: **Hourly rates for certifying claims and returns**

Staff grade	Maximum £ per hour		
	Standard	SE England	London
Partner/district auditor	325	345	380
Senior manager/manager	180	195	210
Senior auditor	115	125	135
Other staff	85	95	105

Source: Audit Commission

## Scale of inspection fees for local government bodies 2011/12

**46** In 2011/12, any risk-based inspections we are specifically directed to undertake will be charged on the basis of 2010/11 fees.

**47** The cost of inspection activity will no longer be partly funded by CLG grant. All fees will need to be met by the body.

**48** The fee payable by authorities is subject to a 10 per cent premium for authorities located in the South East and a 20 per cent premium for authorities located in London. The exception is for the Greater London Authority (GLA) and its functional bodies, as the premium has already been included in the scale fees.

**49** The following tables set out the 2011/12 standard number of days and proposed fee scales for inspection activity at single-tier, county and district councils, and the GLA and its functional bodies.

Table 4: **Single-tier, county and district councils**

Activity	Standard number of days	Proposed standard fee to authority in 2011/12 (£)
Risk-based inspection activity (Note 1)	40	32,460

Source: Audit Commission

Note 1: For the purposes of inspection charges, the Common Council of the City of London is charged on the same basis as a single-tier council. The 2010/11 standard fee for district councils was £16,230. The removal of the CLG grant funding of 50 per cent for these inspections means the full cost will now be payable by the body.

Table 5: **GLA and its functional bodies**

Activity	Standard number of days	Proposed standard fee to authority in 2011/12 (£)
Risk-based inspection activity	40	38,950

Source: Audit Commission

**50** The standard 40-day inspection model provides an illustration of the cost of a standard risk-based inspection only. Each inspection we are directed to undertake will be scoped to take account of the work undertaken. If a joint inspection is required, a fee will be payable only for the Commission's contribution to the inspection.

### Value added tax (VAT)

**51** All the proposed 2011/12 fee scales exclude VAT, which will be charged at the new rate (20 per cent) on all work done.

## Chapter 3: Next steps

**52** Under section 7 of the Act and section 12 of the Local Government Act 1999, the Commission has a statutory duty to prescribe scales of fees for the audit of accounts and for inspections. Before prescribing scales of fees, the Commission is required to consult relevant representative organisations.

**53** We welcome comments from stakeholders on the proposals contained in this document. Please send any comments to [workandfeesconsultation@audit-commission.gov.uk](mailto:workandfeesconsultation@audit-commission.gov.uk) or to Marcine Waterman, Director of Audit Policy and Regulation, at the following address **by Friday 7 January 2011**.

Audit Commission  
1st Floor Millbank Tower  
Millbank  
London  
SW1P 4HQ

**54** The Commission Board will be asked to approve the 2011/12 work programme and scales of fees at its 16 February 2011 meeting. It will give careful consideration to all responses we receive to this consultation. We will then provide audited and inspected bodies with access to the final document **by the end of February 2011**.

**55** If you have comments or complaints about the way this consultation has been conducted, these should be sent by email to [complaints@audit-commission.gov.uk](mailto:complaints@audit-commission.gov.uk) or by post to Robert Mauler, Public Enquiries Manager, at the following address.

Audit Commission  
Westward House  
Lime Kiln Close  
Stoke Gifford  
Bristol  
BS34 8SR

## Appendix 1 Impact of reductions and rebate on cost to audited bodies in 2010/11

Audited body	Average scale audit fee (£)	Managing performance fee (inspection) (£)	Average total cost to audited body (£)	Average rebate for IFRS (6% of scale audit fee) (£)	Removal of managing performance (£)	Proposed reduction for new approach to VFM (£)	Revised average total cost to audited body (£)	Change to average total cost (%)
London borough councils	414,818	16,630	431,448	-24,889	-16,630	-14,519	374,411	-13
Metropolitan borough councils	378,804	16,630	395,434	-22,728	-16,630	-13,258	342,817	-13
Unitary authorities	325,970	16,630	342,600	-19,558	-16,630	-11,409	295,002	-14
County councils	275,625	16,630	292,255	-16,538	-16,630	-9,647	249,441	-15
District councils	115,868	8,320	124,188	-6,952	-8,320	-1,738	107,178	-14
Police authorities	94,508		94,508	-5,670		-1,418	87,420	-8
Fire and rescue authorities	75,137		75,137	-4,508		-1,127	69,501	-8
Integrated transport authorities	67,923		67,923	-4,076			63,847	-6
Passenger transport executives	89,038		89,038	-5,342			83,696	-6

Audited body	Average scale audit fee (£)	Managing performance fee (inspection) (£)	Average total cost to audited body (£)	Average rebate for IFRS (6% of scale audit fee) (£)	Removal of managing performance (£)	Proposed reduction for new approach to VFM (£)	Revised average total cost to audited body (£)	Change to average total cost (%)
Waste disposal and regulation authorities	47,664		47,664	-2,860			44,804	-6
National parks authorities	23,261		23,261	-1,395			21,866	-6
Pension fund authorities	81,026		81,026	-4,862			76,164	-6
Other bodies (£1m <> £6.5m)	23,535		23,535	-1,412			22,123	-6
Other bodies (>£6.5m)	54,151		54,151	-3,249			50,902	-6

Probation trusts transitioned to IFRS in 2009/10 and parish councils are not subject to IFRS.

## Appendix 2 Impact of reductions on 2011/12 audit fees

Audited body	2010/11 Average planned audit fee (£)	2011/12 Average reduction in planned audit fee (£)	2011/12 Average scale audit fee (£)	Change to average audit fee (%)
London borough councils	403,571	-40,357	363,214	-10
Metropolitan borough councils	375,107	-37,511	337,596	-10
Unitary authorities	332,750	-33,275	299,475	-10
County councils	268,850	-26,885	241,965	-10
District councils	117,717	-5,886	111,831	-5
Police authorities	92,950	-7,436	85,514	-8
Fire and rescue authorities	78,522	-6,282	72,241	-8
Probation trusts	31,880	-3,188	28,692	-10
Integrated transport authorities	52,779	-6,861	45,918	-13
Passenger transport executives	91,270	-11,865	79,405	-13
Waste disposal and regulation authorities	50,042	-6,506	43,536	-13
National parks authorities (£1m <>£6.5m)	23,144	-5,323	17,821	-23
National parks authorities (>£6.5m)	25,113	-3,265	21,848	-13
Parish councils (>£1m)	12,337	-1,850	10,487	-15
Pension fund authorities	77,500	-17,825	59,675	-23

Audited body	2010/11 Average planned audit fee (£)	2011/12 Average reduction in planned audit fee (£)	2011/12 Average scale audit fee (£)	Change to average audit fee (%)
Other bodies (£1m <= £6.5m)	12,123	-2,122	10,001	-18
Other bodies (>£6.5m)	26,695	-3,470	23,225	-13



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**Audit Commission**

1st Floor

Millbank Tower

Millbank

London

SW1P 4HQ

Telephone: **0844 798 3131**

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946

**[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)**