



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Wednesday, 15th June, 2011
at 2.00 pm

MEMBERSHIP

Councillors

G Driver (Chair)	C Campbell	W Hyde	J Elliott
P Grahame	G Kirkland	C Fox	
N Taggart			
A Lowe			
T Hanley			
G Hussain			

Co-opted Member

G Tollefson
(Chair of Standards Committee)

A G E N D A

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

Item No	Ward	Item Not Open		Page No
3			<p>LATE ITEMS</p> <p>To identify items which have been admitted to the agenda by the Chair for consideration.</p> <p>(The special circumstances shall be specified in the minutes)</p>	
4			<p>DECLARATION OF INTERESTS</p> <p>To 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>APOLOGIES FOR ABSENCE</p> <p>To receive any apologies for absence from the meeting.</p>	
6			<p>MINUTES OF THE PREVIOUS MEETING</p> <p>To confirm as a correct record the minutes held on 17th April 2011.</p>	1 - 4
7			<p>FUTURE OF LOCAL PUBLIC AUDIT; CONSULTATION RESPONSE</p> <p>To receive a report of the Director of Resources discussing the future of Local Public Audit the report highlights the main issues and concerns in the paper 'Future of Local Public Audit' published on 30th March 2011 by Communities and Local Government (CLG).</p>	5 - 18
8			<p>RISK MANAGEMENT AND THE BUDGET PROCESS</p> <p>To receive a report of the Director of Resources providing an assessment on the robustness of the 2011/12 budget risks assessments included in the Director of Resources report 'Revenue Budget and Council Tax 2011/12' presented to Executive Board on 11th February 2011.</p>	19 - 28

Item No	Ward	Item Not Open		Page No
9			<p>THE ACCURATE RECOGNITION OF ASSETS ON THE COUNCIL'S BALANCE SHEET</p> <p>To receive a report of the Director of Resources which considers how new procedures will minimise the risk that sold or demolished assets will still be recognised on the Council's Balance Sheet.</p>	29 - 32
10			<p>ANNUAL INTERNAL AUDIT REPORT</p> <p>To receive a report of the Director of Resources providing the Committee with the annual audit opinion on the internal control environment.</p>	33 - 68
11			<p>PLANNING DECISIONS PROCESS</p> <p>To receive a report of the Chief Planning Officer giving assurance of the process by which planning decisions are taken at the Council.</p>	69 - 84
12			<p>ANNUAL REPORT ON COMMUNITY ENGAGEMENT</p> <p>To receive a report of the Assistant Chief Executive (Planning, Policy and Improvement) detailing the Council's ability to support residents' involvement in decision making and the development of services.</p>	85 - 94
13			<p>STANDARDS COMMITTEE - ANNUAL REPORT 2010/11</p> <p>To receive a report of the Director of Resources to inform the Committee of the Standards Committee Annual Report 2010/11.</p>	95 - 110
14			<p>WORK PROGRAMME</p> <p>To receive a report of the Director of Resources notifying and inviting comment from the Committee upon the work programme.</p>	111 - 118

Agenda Item 6

Corporate Governance and Audit Committee

Monday, 18th April, 2011

PRESENT: Councillor G Driver in the Chair
Councillors C Campbell, G Kirkland,
A Lowe, J Elliott, P Harrand, W Hyde,
J Lewis and T Hanley

Co-optee G Tollefson

Apologies Councillors P Grahame, N Taggart and
S Smith

116 Appeals Against Refusal of Inspection of Documents

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

117 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

118 Late Items

There were no late items submitted to the agenda for consideration excepting an updated version of the KPMG Report - Value for Money Audit Approach 2010/11 (see Agenda item 7.)

119 Declaration of Interests

There were no declarations of interest made.

120 Apologies for Absence

Apologies for absence were received for Councillors N Taggart, P Grahame and S Smith.

121 Minutes of the Previous Meeting

The minutes of the Corporate Governance and Audit Committee meeting held on 21st March 2011 were approved as a correct record.

122 Matters Arising

The Head of Governance Services informed the Committee, in relation to Minute 110, from 21st March 2011, Minutes of the Standards Committee, and the request for further information on any outstanding actions following the Ethical Audits in 2006 and 2007, that there are no other outstanding actions to be completed.

123 KPMG report - Value For Money Audit approach 2010/11

The Chief Officer Financial Management presented a report of the Director of Resources informing the Committee of KPMG's approach for the audit of the Council's Value for Money arrangements. The updated KPMG report, circulated after the despatch of the final agenda, highlighted the risk based approach to the audit and the main risks they have identified for 2010/11. The significant risks identified by KPMG are 'managing for less', the early leavers initiative and waste management.

Steve Clarke and Sam Bradford from KPMG were also in attendance.

Members discussed the need to ensure that the work carried out by KPMG as our external auditor complemented the Council's engagement with the future direction of public sector audit. Members also questioned the KPMG representatives in relation to:

- the work KPMG will undertake on the Early Leavers Initiative, particularly as in excess of two thirds of the target 1500 staff reduction by the end of 2011/12 have already left the employment of the council by 31/03/11; and
- the omission of references to the very specific demand led challenges relating to Adult Social Care and Children's Services.

RESOLVED – The Committee resolved to note the external audit approach to assessing the Council's arrangements for securing value for money.

(Councillor Campbell entered the meeting at 10:14 am during the discussion of this item)

124 Value For Money Arrangements

The Chief Officer (Audit and Risk) presented a report updating the Committee on progress that has been made in ensuring that the Council delivers value for money. The report also provided an assurance about the value for money arrangements at the Council and highlighted key activities where further progress could be made.

Members of the Committee discussed the report in detail, particularly considering the definition of value for money and how best this can be achieved by the Council. Discussion also took place in relation to economy,

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efficiency, and effectiveness of using in-house services and procuring venue hire external to the council.

Members also discussed the procurement process as a key area for achieving value for money.

RESOLVED – The Committee resolved to;

- note the assurance that the Council has sound arrangements for securing value for money; and
- request future case studies looking into value for money of the hire of venues and procurement of goods and services.

125 The Accounts & Audit (England) Regulations 2011.

The Chief Officer (Audit and Risk) presented a report of the Director of Resources. The report updated Members on the main changes to the Accounts and Audit Regulations 2011 following the consultation exercise reported to the Committee on 14th February 2011.

RESOLVED – The Committee resolved to note the new Accounts and Audit Regulations 2011.

126 Leeds Initiative Partnership and City Planning

The Head of Leeds Initiative and International Partnerships presented a report of the Assistant Chief Executive (Planning, Policy and Improvement). The report updated the Committee on progress made with the review of the Leeds Initiative Partnership arrangements and the associated planning and performance management arrangements in the City.

Members discussed the report in detail particularly focusing on the membership of the Leeds Initiative Board and that this should be reviewed to consider both the representation of the smaller political parties and also an increase in private sector representation, specifically the financial services sector upon which the Leeds economy greatly depends. Members also highlighted the need for more strategic thinking specifically around how the partnerships will help benefit both local communities and the city as a whole.

RESOLVED – The Committee resolved to:

- note the contents of the report; and
- request a report further to update the Committee on progress made.

127 Report Writing Guidance

The Head of Governance Services presented a report of the Director of Resources. The report sought comments from the Committee on the revised report writing guidance and template, attached at Appendix 1 of the report. It

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was proposed that the revised guidance and template come into effect from the start of the 2011/12 municipal year.

Members noted an excellent paper and considered that the new template would be of benefit to the Council.

As a result of deliberations of the Committee the Head of Governance Services undertook to;

- Strengthen references to Value for Money considerations into the report writing guidance;
- emphasise the need for reports to incorporate a short précis in the forthcoming briefing sessions; and
- report back to the committee on the introduction of the new arrangements.

RESOLVED – The Committee Resolved to note the contents of the report and the undertakings given by the Head of Governance Services.

128 Work Programme

The Director of Resources submitted a report notifying Members of the draft work programme.

The Committee reviewed its forthcoming work programme and noted that the next meeting of the Committee would be on June 15th 2011.

The Chair of the Committee thanked Members and officers for their hard work during throughout the 2010/11 municipal year.

RESOLVED – The Committee resolved to note the draft work programme.



Originator:	Tim Pouncey
Tel:	74224

Report of the Director of Resources

Corporate Governance and Audit Committee

Date: 15th June 2011

Subject: Future of Local Public Audit; Consultation Response

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

Communities and Local Government (CLG) published a consultation paper on the Future of Local Public Audit on 30th March 2011. The consultation paper sets out the vision for the future of local audit. This vision is based on four principles. The first of these is localism. When reforms are complete the Council will be free to appoint their own independent external auditors from a competitive and open market. The second is transparency; the Council will become increasingly accountable for their spending decisions to the people who ultimately provide their resources. The third is to remove the overheads charged by the Audit Commission to service the central government machine. At a time when action is being taken to reduce the deficit, it is important that the framework for public audit reduces the overall cost of audit to Councils. The fourth principle is high standards of auditing. The intention is that audit will remain both robust and efficient and that the new framework will follow the established principles of public audit.

In the consultation document, CLG have asked a series of questions about the regulation of local public audit, commissioning audit services and the scope of audit services. Attached as appendix A to this report is a suggested response to CLG and Members are invited to comment on the draft response.

In summary, the consultation proposes that Councils will be able to appoint their own external auditors. This task is currently undertaken by the Audit Commission. It is envisaged that this will reduce the cost of audit. As a result of these proposals, there are a number of other proposals upon which CLG are consulting. These proposals are, in some degree, as a consequence of Councils appointing their own auditors and are aimed at safeguarding the independence of external auditors.

There are also proposals about changes to the scope of the external audit. Currently a statutory code of practice determines that, in summary, the scope of the audit will be an

opinion on the financial statements and a conclusion on whether there are proper arrangements for securing value for money. Options include abolishing the requirement to provide a conclusion on arrangements for securing value for money, adding a requirement to provide a conclusion on arrangements for ensuring regularity and propriety and adding a requirement to provide an assurance on a proposed new requirement for Councils to publish an annual report. Such changes are not contingent on the abolition of the Audit Commission but are presented as part of the same 'package' of changes.

The consultation document also proposes changes to the role and composition of the audit committee. Proposals include mandating an audit committee and requiring that the committee made up of a majority of members independent of the Council, including an independent chair and vice-chair. This proposal is, to a large extent, aimed at countering claims that appointing your own auditors would undermine the independence of external auditors and this essential safeguard. In short, Councils will be able to appoint their own auditors but those recommending to the Council the appointment (or removal) of a given firm would be independent of the Council.

Members are requested to note this report and comment on the draft response to the consultation. Members' comments will then be incorporated and the Council's response sent to CLG. Members are requested to ask for an update report when CLG have considered all responses.

Update from CLG dated 2nd June 2011

We have recently received an update from CLG and to help ensure Members are kept informed of development, a summary is included here.

Councils have been updated on Governments plans to secure a value for money transfer of the Audit Commission's in-house practice to the private sector. Ministers' initial view is that the best value option is to outsource all the audits currently undertaken by the Commission's in-house practice to the private sector and have asked the Commission to design a procurement process for outsourcing the 2012/13 audits. It is envisaged in-house bids from a new employee owned mutual will be possible.

1.0 Purpose Of This Report

- 1.1 CLG are consulting on some fundamental changes to the local public audit regime. This paper attempts to highlight the main issues and concerns and allows Members the opportunity to shape and influence the Council's response to the consultation exercise.

2.0 Background Information

- 2.1 On 13th August 2010 the Secretary of State for CLG announced that the Audit Commission is to be disbanded. A report was presented to Corporate Governance and Audit Committee on 29th September 2010 that highlighted the main issues as the ending of the Audit Commission's responsibilities for overseeing and delivering local audit and inspection, an ending of the Audit Commission's research activities, moving the Audit Commission's provider arm into the private sector and allowing Councils to appoint their own auditors. The consultation paper is, in part, a response to the implications of disbanding the Audit Commission.

3.0 Main Issues

Regulation of local public audit

- 3.1 Since it was established in 1983, the Audit Commission has acted as regulator, commissioner and provider of audit services. The Audit Commission prepares, for approval by Parliament, codes of practice that prescribe the way in which auditors carry out their functions. Under the new arrangements, the National Audit Office (NAO) would assume responsibility for the codes but they would continue to be approved by Parliament. Registration of auditors and monitoring and enforcement of standards would be undertaken by the accountancy professional bodies under the supervision of the Financial Reporting Council. Given the impending demise of the Audit Commission, such arrangements appear reasonable.

Commissioning

- 3.2 A key consideration in determining how audit services should be commissioned is ensuring there are measures to safeguard the independence of the auditor. The consultation suggests an approach whereby the auditors are appointed by full Council, having regard to the advice of the audit committee and having regard to the electorates input to the deliberations. There is also a suggestion that Councils should co-operate to ensure wide competition for external audit contracts and work together to procure external auditors.
- 3.3 External auditors' independence would be maintained by requiring that the majority of audit committee members are independent of the Council. This could potentially create issues for the audit committee at Leeds because the Corporate Governance and Audit Committee have a wider remit than a traditional audit committee that oversees the relationship with the external auditors. The wider remit of this committee has resulted in a more proactive approach to maintaining a robust and appropriate control environment and can be evidenced by the range of assurances gathered in support of the annual governance statement and the improvement action plan that results from any year's statement. These wider arrangements (and indeed the relatively straight forward task of appointing external auditors) should be undertaken by a committee of the Council with the constitutional power, delegated authority and democratic mandate to perform such a function. It is difficult to envisage why such functions should be undertaken by a committee in which elected members are in the minority.

Role of the Audit Committee

- 3.4 The consultation envisages providing in legislation a role for the audit committee in appointing and maintaining the independence of external auditors. It also suggests that any legislation would not limit the scope of the audit committee to such activities. It is suggested that the audit committee could receive and evaluate any bids. This would appear impractical; the role of the audit committee ought to be approving the evaluation criteria against which bids will be judged and requiring officers, under existing and well established arrangements, to let the contract.
- 3.5 The consultation paper provides two options for the role of the audit committee. One option provides a narrow role on engaging and resignation or removal of the auditor and the second option provides a more detailed mandatory role on managing the relationship with the external auditor. The role of the audit committee should not preclude local options to include within the terms of reference the wider, 'value added' role of the Corporate Governance and Audit Committee around improvements to the control environments, the annual governance statement and the significant role undertaken by Internal Audit in providing evidence based opinions on the control environment.
- 3.6 The consultation suggests that the public ought to have the opportunity to make representations to the audit committee on the firms selected to submit tenders to become the external auditors. It is unclear at this stage what issues CLG had in mind that the public might want to make representations about. Indeed, it could be argued that elected members are best placed to represent the views of the electorate and there is no need to legislate for direct public involvement in post-appointment representation. Such a position might be different if CLG legislate for independent audit committees with elected members being in the minority.

Scope of audit and the work of auditors

- 3.7 The consultation presents 4 options for the scope of the audit
- A reduced scope; giving an option on whether the accounts present a true and fair view and a review of other information presented with the accounts
 - Retain the current scope, that is, giving an option on whether the accounts present a true and fair view and a review of other information presented with the accounts and a conclusion on whether there are proper arrangements in place to secure value for money
 - As the second option but, additionally, a requirement to provide a conclusion on regularity, propriety and financial resilience
 - an option on whether the accounts present a true and fair view, a review of a new requirement to produce an annual report of the Council's activities and an assurance on the annual report.
- 3.8 There are a number of factors to take into account when determining the preferred option. There is a clear risk that extending the scope of the external auditors will increase the fee; it is unclear whether the additional fee would eliminate the savings that are envisaged by CLG in disbanding the Audit Commission and promoting competition. Assurances on regularity, propriety and financial resilience are currently provided to the Corporate Governance and Audit Committee from a number of different sources but most notably from Internal Audit. Councils with good, statutory Code of

Practice compliant Internal Audit functions, will already be getting these assurances but the question remains, is there any added value from paying for wholly independent external audit assurance on these matters?

- 3.9 The requirement for the Council to produce an annual report of the key business activities is an interesting development. In principle, the idea of producing a single document on, presumably, successes and challenges in any given year, has some merits. It could be argued that the Council currently produces such reports, but not in single concise document produced for the electorate.

Arrangements for smaller bodies

- 3.10 CLG propose different arrangements for smaller bodies (likely to be defined as bodies with income or expenditure less than £6.5m). In large part, arrangements for smaller bodies are a matter for such smaller bodies to determine; Leeds City Council clearly not being a smaller body. Moreover, the consultation proposes that principal bodies, like Leeds City Council, could be responsible for appointing independent examiners of smaller bodies in their area. In this context, smaller bodies could be town councils or large parish councils. Independent examiners are the equivalent of auditors for smaller bodies but the review is proportionate to the size of the organisation and the review a 'lighter touch'. The proposed response is that the Council would not wish to take on the function of audit (or independent examiner) commissioners for smaller bodies.

4.0 Implications For Council Policy And Governance

- 4.1 At this stage, the implications for governance are unclear, particularly if the proposal to require a majority of independent members on the audit committee gains favour. The issues are discussed in section 3 of this report.
- 4.2 The Audit Commission appointed auditors to the Council are KPMG. The term of their appointment concludes with the audit of the 2011/12 accounts. On the assumption that Councils will be able to appoint their own auditors, a contract will need to be let in 2011/12 to commence with the audit of the 2012/13 accounts in mid-2013.
- 4.3 The risks arising from this consultation will be identified when there is a clear indication of the results of the consultation.
- 4.4 This report does not contain any exempt information.
- 4.5 This report does not relate to a key decision and seeks members input to a consultation process and is therefore not subject to call-in.
- 4.6 The purpose of the report is to seek members input to a consultation process and therefore at this stage, does not have any constitutional or legal implications at this stage.
- 4.7 There are no equality and diversity, nor cohesion and integration issues arising from this report.

5.0 Legal And Resource Implications

- 5.1 Letting a contract for the provision of an external audit service will be a time consuming task. Once the position is clearer, and nearer the time, the Council will need to explore opportunities for collaboration, not least in terms of a specification and tender evaluation criteria. That said, one of the stated intentions of the reforms is to reduce the cost of audit. The fee for 2011/12 is £513,000 (excluding grant claims) and early

estimates vary but some commentators suggesting savings of up to 20%. Conversely, the Audit Commission is warning that in some Councils, the cost may rise.

6.0 Conclusions

- 6.1 Given that the Audit Commission is to be disbanded, CLG need to put in place arrangements to discharge the functions of the Audit Commission. Many of the arrangements about the practicalities of appointing auditors can be readily managed by Councils acting on their own or in collaboration with others. In short, the details can be worked out and implemented. There are however concerns about audit committees discharging their current and proposed new responsibilities when independent members are in the majority, we would not wish any 'democratic deficit' to be further increased in this manner. Democratically elected back bench members (i.e. those not part of the executive or scrutiny function) can readily discharge the new and old responsibilities of an audit committee.
- 6.2 In addition, the case for a Council annual report has not been firmly established but does, on the face of it, have some merits. It is debatable whether such a requirement should be introduced on the back of arrangements for Councils to appoint their own auditors but an annual report of this nature could assist in engaging the public and promoting transparency.
- 6.3 Members are requested to note this report and comment on the draft response to the consultation. An introductory section has been added to the pro forma consultation response that outlines the good work being done by this committee. It therefore proposed that CLG are invited to Leeds to see that work first hand and offers the Council's assistance in formulating proposals. Following consideration of the draft, Members' comments will be incorporated and the Council's response sent to CLG. Members are requested to ask for an update report when CLG have considered all responses.

7.0 Recommendations

- 7.1 Members are requested to note this report and comment on the draft response to the consultation. Members' comments will then be incorporated and the Council's response sent to CLG. Members are requested to ask for an update report when CLG have considered all responses.

8.0 Background Papers

8.1 Background Documents Used

Future of Local Public Audit, consultation (CLG, 30th March 2011). The full document was previously circulated to Members of Corporate Governance and Audit Committee and can be accessed from the following link:

<http://www.communities.gov.uk/documents/localgovernment/pdf/1876169.pdf>

Consultation on Future of Local Public Audit

Name of consultee Leeds City Council – **DRAFT RESPONSE**

Leeds City Council welcomes the opportunity to respond to the consultation on the future of local public audit. The Council recognises the significance and implications of the issues upon which we are being consulted. Accordingly, the Council's response has been debated at both the Corporate Leadership Team (Chief Executive and Directors) and the Corporate Governance and Audit Committee. At Leeds, we consider that we have a highly effective audit committee that considers a wide range of corporate governance issues. This isn't just our view, our auditors, KPMG, endorse the view.

The Corporate Governance and Audit Committee actively seeks assurance that key policies and procedures are up to date, fit for purpose, effectively communicated, routinely complied with and monitored. We also do the more 'traditional' audit committee activities such as challenge and approve the accounts and oversee the Council's relationship with our auditors. The focus of the committee is very much on receiving evidence based assurances on the control environment and improvement of the Council's corporate governance arrangements. A key factor in making this approach work is a firm understanding of the entire control environment and an annual work programme that requires evidence based assurance and improvement action plans. Assurance are sought in a number of areas, for example, risk management arrangements, procurement procedures to support the deliver of value for money and budgeted savings, bi-monthly reports on the activity of Internal Audit and the transparency of decision making arrangements to name a few. We would like to extend an invitation to CLG to come and see how Corporate Governance and Audit Committee operates and engage with Councillors and officers to work on proposals following the consultation exercise. Contact details are at the end of the response.

We would also be happy to share some of our experiences. We would be willing to help specify the councillor training on effective audit committees to which we refer in the answers below. Similarly we would be happy to work with all partners to develop proposals so that the wider local government community can work with and support 'weaker' audit committees as part of a mentoring scheme. There is a role for NAO in developing a contract specification; we would be willing to offer our assistance.

We look forward to seeing the results of the consultation but would express concern that there are far too many questions. For the consultation exercise to be effective, CLG need to carefully reflect on whether a nil response indicates consent to the proposal or whether Councils have prioritised and responded only to those questions that relate to matters of principle, rather than detail.

1. Have we identified the correct design principles? If not what other principles should be considered? Do the proposals in this document meet these design principles?

The design principles are correct but there are a number of inconsistencies that need to be addressed, particularly the relationship between the principle of transparency and localism. Localism would suggest that Leeds (like any other Council) is best placed to determine the functions of an audit committee that would best suit local needs. We should be able to determine the audit committee role in receiving regular assurances, improving

the control environment and adding value. We accept that you may wish to 'legislate' for the audit committee role in appointing external auditors.

The consultation rightly identifies localism as a design principle but also mentions appropriate safeguards to the independence of the appointed auditors. We consider that the proposed safeguard (i.e. requiring a majority of independent members on the audit committee) is disproportionate and consequently cancels out the localism principle. We are firmly of the view that localism and democracy go hand in hand; locally, democratically elected Councillors are well placed to undertake this function. Arrangements involving independent audit committee members makes the process much less transparent.

Please note, there will be a requirement to amend the functions and responsibilities regulations - these regulations specify what are council functions and are therefore not functions of the executive.

2. Do you agree that the audit of probation trusts should fall within the Comptroller and Auditor General's regime?

We are not sufficiently familiar with the issues affecting probation trusts and would defer to the view of probation trusts on this question.

3. Do you think that the National Audit Office would be best placed to produce the Code of audit practice and the supporting guidance?

Yes, as long as there is appropriate consultation with local government and the NHS on the Codes.

4. Do you agree that we should replicate the system for approving and controlling statutory auditors under the Companies Act 2006 for statutory local public auditors?

Yes, but we are concerned about the lack of clarity in the consultation document about the resources and expertise within the Financial Reporting Council (FRC) and indeed the desire of the FRC to undertake this role. Who would administer any such system in the event of the FRC being unable or unwilling to do so?

5. Who should be responsible for maintaining and reviewing the register of statutory local public auditors?

It is difficult to determine who should be responsible when the distinction between approving and controlling and maintaining and reviewing the register is unclear.

6. How can we ensure that the right balance is struck between requiring audit firms eligible for statutory local public audit to have the right level of experience, while allowing new firms to enter the market?

The correct level of experience is crucial and we would insist that the specification for the service should have robust experience requirements.

7. What additional criteria are required to ensure that auditors have the necessary experience to be able to undertake a robust audit of a local public body, without restricting the market?

Please see previous comments about experience of complex public sector audit. The presumption is that the criteria applied by the Audit Commission worked well in practice. It is possible that the Audit Commission would have a clearer view on whether they would introduce any new criteria were they not being disbanded but we would require the

appropriate experience. We would be very reluctant to take the risk of awarding a contract currently worth £600,000 per annum to any organisation that did not have relevant previous experience. It might be possible to allow firms to enter the market on smaller and less complex engagements so that they have build up experience and, over time, take on more complex commissions.

8. What should constitute a public interest entity (i.e. a body for which audits are directly monitored by the overall regulator) for the purposes of local audit regulation? How should these be defined?

Is it the case that this role is currently undertaken by the Audit Commission? If this is the case, would this role pass to the NAO as the organisation charged with developing the respective Codes of Practice?

9. There is an argument that by their very nature all local public bodies could be categorised as 'public interest entities.' Does the overall regulator need to undertake any additional regulation or monitoring of these bodies? If so, should these bodies be categorised by the key services they perform, or by their income or expenditure? If the latter, what should the threshold be?

Would probably agree that all local public bodies should be encompassed by these arrangements if they are spending public money.

10. What should the role of the regulator be in relation to any local bodies treated in a manner similar to public interest entities?
11. Do you think the arrangements we set out are sufficiently flexible to allow councils to cooperate and jointly appoint auditors? If not, how would you make the appointment process more flexible, whilst ensuring independence?

Yes. Jointly appointing auditors would be encouraged if there was made available a national specification that ensures compliance with the Code of Practice. Such a specification should then allow locally agreed variations (as long as they did not detract from CoP compliance). This strikes us as the most efficient approach, could the NAO be required to produce a framework specification?

12. Do you think we have identified the correct criteria to ensure the quality of independent members? If not, what criteria would you suggest?

In part but any comment on this question must start by stating that we do not consider that independent members should be in the majority. There are sufficient backbench, democratically elected members that are independent of both the executive and scrutiny function and representatives of their communities to undertake this role. The criteria are acceptable as far as they go, but there should be an expectation that they have some link to the area if they are meant to be representing the general public, over an above the role of members. In addition, it is unclear why members or officers from one authority would not make good independent members of another authority's audit committee.

13. How do we balance the requirements for independence with the need for skills and experience of independent members? Is it necessary for independent members to have financial expertise?

It is essential to have the experience and knowledge of working with a public body and reasonable to expect they should have a good understanding of finance.

14. Do you think that sourcing suitable independent members will be difficult? Will remuneration be necessary and, if so, at what level?

Potentially, non-executive directors of PLCs are rewarded for their role.

15. Do you think that our proposals for audit committees provide the necessary safeguards to ensure the independence of the auditor appointment? If so, which of the options described in paragraph 3.9 seems most appropriate and proportionate? If not, how would you ensure independence while also ensuring a decentralised approach?

The suggestion that there should be a majority of independent members on the audit committee seems to underestimate the ability and role of back bench members to be objective and to safeguard the interests of the wider public. Perhaps the parallel in the private sector is the non-executive director. In reality the non-executive director is precisely that, non-executive, that doesn't make that individual independent per se, just independent of the executive. Backbench elected members are similarly independent of the executive and can and should undertake this role. It also seems to place undue importance on the selection of the auditor, surely the reality is going to be that any auditor selected will need to be independent, and I assume this as now will continue to be a part of their code of practice.

In allowing democratically elected councillors to undertake this role, a further safeguard could be introduced. All members of a Council's audit committee must undertake positive training on the role and, like with planning committees, should be excluded to undertaking the role until the training has been successfully completed.

16. Which option do you consider would strike the best balance between a localist approach and a robust role for the audit committee in ensuring independence of the auditor?

We would generally support a wide role for the audit committee, but would suggest that would best operate with knowledgeable and experienced back bench members with a democratic mandate, rather than one where a majority of the audit committee is made up of independent members

17. Are these appropriate roles and responsibilities for the Audit Committee? To what extent should the role be specified in legislation?

Would tend to avoid being over prescriptive but encourage a wider role in receiving assurances on the Council's entire control environment and adding value by holding officers to account in making the necessary improvements.

18. Should the process for the appointment of an auditor be set out in a statutory code of practice or guidance? If the latter, who should produce and maintain this?

Probably, but once again, would suggest that there is a need to avoid being over prescriptive. In terms of who, the NAO.

19. Is this a proportionate approach to public involvement in the selection and work of auditors?

No, it is difficult to see the 'added value' for such public involvement. Elected members are mandated as representatives of the people and can readily undertake this role.

20. How can this process be adapted for bodies without elected members?

We would defer to such bodies to answer this question.

21. Which option do you consider provides a sufficient safeguard to ensure that local public bodies appoint an auditor? How would you ensure that the audited body fulfils its duty?

Option 1, it is difficult to envisage a situation in which, even when directed to do so, a Council would determine not to appoint an auditor.

22. Should local public bodies be under a duty to inform a body when they have appointed an auditor, or only if they have failed to appoint an auditor by the required date?

Only if they fail to appoint.

23. If notification of auditor appointment is required, which body should be notified of the auditor appointment/failure to appoint an auditor?

It would seem sensible to notify the 'regulator', presumably the NAO.

24. Should any firm's term of appointment be limited to a maximum of two consecutive five-year periods?

Yes, this makes sense and there is a parallel with the private sector.

25. Do the ethical standards provide sufficient safeguards for the rotation of the engagement lead and the audit team for local public bodies? If not, what additional safeguards are required?

Yes

26. Do the proposals regarding the reappointment of an audit firm strike the right balance between allowing the auditor and audited body to build a relationship based on trust whilst ensuring the correct degree of independence?

In part, we would agree that the performance of the external audit should be monitored and are aware that the annual reappointment is mirrored by practices in the private sector. However, firms are likely to price their bids on the basis that the contract will be for a term of (say) 5 years. The risk that a firm would not be reappointed (even on the basis of quality failures) is likely to be a risk that will be priced and mitigate potential savings.

27. Do you think this proposed process provides sufficient safeguard to ensure that auditors are not removed, or resign, without serious consideration, and to maintain independence and audit quality? If not, what additional safeguards should be in place?

In part, the consultation is silent on the factors that would cause a Council to remove these auditors (and negate any contract). It is similarly unclear on what constitutes 'serious consideration'. Who would arbitrate in such circumstances? The NAO? Would their determination be binding on both parties?

28. Do you think the new framework should put in place similar provision as that in place in the Companies sector, to prevent auditors from seeking to limit their liability in an unreasonable way?

Yes, our auditors should have a wealth of experience and we would wish to exploit and learn from their experiences. We would not wish the extent to which we can exploit their knowledge and experience to be reduced by the auditors taking a risk adverse approach that limits their liability.

29. Which option would provide the best balance between costs for local public bodies, a robust assessment of value for money for the local taxpayer and provides sufficient assurance and transparency to the electorate? Are there other options?

Based on the premise that there is some merit in the requirement for Councils to produce an annual report for the public (i.e. transparency and accountability), option 4 is the preferred option. However, has any consideration been given to extending the scope of the annual governance statement to include reporting on the key business activities? It would seem sensible to have only one such statement/report, albeit the character of the current annual governance statement would need to change to engage members of the public.

30. Do you think local public bodies should be required to set out their performance and plans in an annual report? If so, why?

Yes, this would improve accountability to the public and help engage the public in the wide range of services provided by the Council. Measures would be needed to help ensure that any annual report reaches its intended audience; this is a challenge for most Councils.

31. Would an annual report be a useful basis for reporting on financial resilience, regularity and propriety, as well as value for money, provided by local public bodies?

It would be difficult to engage the public on such matters and the annual report should concentrate on key business activity. Financial resilience, regularity, propriety and VfM are currently well served by the annual audit letter and the annual governance statement and we are not aware of any public pressure for that to change. However, there could well be an opportunity to bring all such matters together into one public-facing report. It must be acknowledged that this is an additional burden that, if adequately resourced, has some merit.

32. Should the assurance provided by the auditor on the annual report be 'limited' or 'reasonable'?

33. What guidance would be required for local public bodies to produce an annual report? Who should produce and maintain the guidance?

In respect to question 30 to 33; this is all about whether we should be producing some form of annual report which is an issue that has been floating around for a while. There is a clear parallel with the private sector, and it does seem difficult to argue against principle that there should be some form of reporting. However, all the evidence does seem to suggest that there is little real appetite amongst the public for this type of report. Central and local government would need to work together to bring about the cultural change that results in there being an appetite for such a report.

Would the annual report replace the annual governance statement or, in the event of a requirement to produce an annual report, would there remain a requirement to produce an annual governance statement in accordance with the newly revised Accounts and Audit Regulations?

34. Do these safeguards also allow the auditor to carry out a public interest report without his independence or the quality of the public interest report being compromised?

There would seem to be sufficient safeguards but we would be interested in knowing whether external auditors consider the safeguards sufficient.

35. Do you agree that auditors appointed to a local public body should also be able to provide additional audit-related or other services to that body?

Yes, within limits.

36. Have we identified the correct balance between safeguarding auditor independence and increasing competition? If not, what safeguards do you think would be appropriate?

Yes, in all likelihood, the market will respond positively to the larger contracts (like Leeds). It is unclear what the market response will be so smaller, less lucrative contracts will be.

37. Do you agree that it would be sensible for the auditor and the audit committee of the local public body to be designated prescribed persons under the Public Interest Disclosure Act? If not, who do you think would be best placed to undertake this role?

Probably but this needs careful consideration. It is apparent that the auditors, like the Audit Commission before them, could undertake this role but it is less clear how this role can be undertaken by a committee.

38. Do you agree that we should modernise the right to object to the accounts? If not, why?

Yes

39. Is the process set out above the most effective way for modernising the procedures for objections to accounts? If not, what system would you introduce?

40. Do you think it is sensible for auditors to be brought within the remit of the Freedom of Information Act to the extent of their functions as public office holders? If not, why?

Interesting this one, sounds sensible, but one wonders as to how easy it is to separate out their public audit activity from other work.

41. What will be the impact on (i) the auditor/audited body relationship, and (ii) audit fees by bringing auditors within the remit of the Freedom of Information Act (to the extent of their functions as public office holders only)?

An excuse to increase fees, as they are likely to see this as a new risk and assign a price to that risk.

42. Which option provides the most proportionate approach for smaller bodies? What could happen to the fees for smaller bodies under our proposals?

Undoubtedly option 2, we would not wish to assume responsibility for appointing independent examiners to other organisations.

43. Do you think the county or unitary authority should have the role of commissioner for the independent examiners for smaller bodies in their areas? Should this be the section 151 officer, or the full council having regard to advice provided by the audit committee? What additional costs could this mean for county or unitary authorities?

Definitely not.

44. What guidance would be required to enable county/unitary authorities to:

- a) Appoint independent examiners for the smaller bodies in their areas?
 - b) Outline the annual return requirements for independent examiners?
- Who should produce and maintain this guidance?

We would not wish to make appointments to other, independent smaller bodies; this is a matter for them.

45. Would option 2 ensure that smaller bodies appoint an external examiner, whilst maintaining independence in the appointment?

We would not wish to make appointments to other, independent smaller bodies; this is a matter for them.

46. Are there other options given the need to ensure independence in the appointment process? How would this work where the smaller body, e.g. a port health authority, straddles more than one county/unitary authority?

47. Is the four-level approach for the scope of the examination too complex? If so, how would you simplify it? Should the threshold for smaller bodies be not more than £6.5m or £500,000? Are there other ways of dealing with small bodies, e.g. a narrower scope of audit?

48. Does this provide a proportionate, but appropriate method for addressing issues that give cause for concern in the independent examination of smaller bodies? How would this work where the county council is not the precepting authority?

This is more appropriately a matter for those smaller bodies and would defer to them on this question.

49. Is the process set out above the most appropriate way to deal with issues raised in relation to accounts for smaller bodies? If not, what system would you propose?

This is more appropriately a matter for those smaller bodies and would defer to them on this question.

50. Does this provide a proportionate but appropriate system of regulation for smaller bodies? If not, how should the audit for this market be regulated?

This is more appropriately a matter for those smaller bodies and would defer to them on this question.

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Report of the Director of Resources

Report to Corporate Governance & Audit Committee

Date: 15 June 2011

Subject: Council Budget 2011/12 Risk Assessment

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

1. At the request of the Chair of this Committee, the Risk Management Unit (RMU) was asked to review the robustness of the 2011/12 budget risk assessments included in the Director of Resources' report, 'Revenue Budget and Council Tax 2011/12', that was presented to Executive Board on 11 February 2011.
2. Our report shows that throughout the Council there is an excellent understanding of the key budget risks. Monthly monitoring and reporting of them will aid in reducing the probability of these risks materialising if necessary actions are taken quickly and cohesively. Despite some issues around the consistency and scoring mechanism within the budget risk registers (which will be reviewed by the RMU and Corporate Financial Management in the coming weeks), the budget risk assessments included in the Director of Resources' report to Executive Board are comprehensive, based on a number of budget documents (including budget action plans) and, as such, can be considered rigorous. This is supported by good controls around the capital programme and a significant increase in our level of reserves, an increase carried out in recognition of the increased level of risk in the budget.
3. Whilst this puts us in as good a position as possible to deliver the 2011/12 budget, there remain significant risks due to the challenging targets and assumptions we have had to set and make and continued increases in demand-led services. Also, there are other knock-on risks to consider: we may come in within budget this year, but this will have an effect on our staffing/workforce planning, service continuity/delivery and future years' budgets. Officers and members therefore need to ensure that they continue to consider these wider risks when taking decisions on the 2011/12 budget and when developing the medium-term financial plan. At the moment that 3-year medium-term financial plan is not in place but officers are actively working on it.

4. The Committee may wish to replicate this budget risk review by requesting further specific reports on the robustness of other monitoring arrangements as part of its work programme. These may include, but are not limited to, the performance monitoring dashboard, the basket of indicators that enable an early warning system for budget monitoring and the arrangements for monitoring capital receipts' forecasts.

1.0 Purpose of this Report

- 1.1 This report has been prepared to provide an assessment to Corporate Governance and Audit Committee on the robustness of the 2011/12 budget risk assessments included in the Director of Resources' report, 'Revenue Budget and Council Tax 2011/12' presented to Executive Board on 11 February 2011. This is in line with this Committee's role to review the adequacy of the Council's corporate governance arrangements, including risk management.
- 1.2 The Risk Management Unit (RMU) has focused on the processes used to draw up, maintain and report on the revenue budget risks at directorate and corporate levels and also widened the scope to incorporate the capital programme risks.
- 1.3 The RMU has not carried out an audit of the financial systems and data extracted from these as assurance is provided to members through the external audit of the authority's financial statements. The Unit has also not assessed the strength of any controls described by the Director of Resources in his reports or that it has identified itself through this review. Neither has the Unit assessed the risks identified in the Finance reports nor that it has identified itself in terms of the probability and impact of the risks materialising.

2.0 Background Information

- 2.1 The report has been prepared in response to a request from the Chair of this Committee for the RMU to review the robustness of the 2011/12 budget risk assessments drawn up for all Council directorates. These were included in the *Revenue Budget and Council Tax 2011/12* report presented by the Director of Resources to Executive Board on 11 February 2011. Executive Board resolved at that meeting to recommend that Council approve the 2011/12 Revenue Budget which it subsequently did on 23 February.
- 2.2 As well as reviewing this report, the RMU analysed the earlier related report on Initial Budget Proposals discussed at Executive Board on 15th December 2010. Further, given the links between the revenue and capital budgets, the RMU expanded the scope of its work to cover the risks relating to the 2011/12 Capital Programme and so also reviewed the Capital Programme Update 2010–2014 taken to the same 11 February Executive Board meeting.
- 2.3 Having reviewed the reports in detail, the RMU met with the Chief Officer (Financial Management), Chief Officer (Financial Development) and Head of Finance (Corporate Services) in the Resources Directorate to explore the budget risk assessment and risk management processes undertaken corporately. The RMU then met with the Heads of Finance in Adult Social Care, Environments & Neighbourhoods and Resources Directorates to gain a better understanding of how these processes are enacted at a directorate level. It also held discussions with a small number of non-Finance senior managers. Several documents were provided by these members of staff which the Unit also reviewed. Finally, the Unit discussed this briefly with the Chief Executive and Council Leader through its meetings with them on other areas of risk work.

- 2.4 Following these discussions and document reviews, the RMU mapped out the processes, risks and controls around:
- Setting the revenue budget and how the directorate and corporate budget risk registers are used,
 - The monthly budget monitoring processes at corporate and directorate levels and how the directorate and corporate budget risk registers are used; and
 - The contingency fund process and how it is called upon during the year.
- 2.5 From this work, the RMU identified several areas for possible improvement in the processes which are now being considered by Corporate Finance staff.

3.0 Main Issues

Revenue Budget 2011/12: the Risk Processes

- 3.1 In response to the Chair's specific request to review how robust the 2011/12 directorate budget risk assessments were as reported by the Director of Resources, it is of note that all were based on existing comprehensive budget information and issues arising from the routine budget monitoring processes; none just 'appeared'. All were extracted from the directorate budget risk registers maintained by directorate Heads of Finance and reported to Corporate Financial Management on a quarterly basis (moving to monthly in 2011/12). These risk registers use a standard template and scoring mechanism to assign a probability and impact score which, combined, produce a risk rating.
- 3.2 However, there are issues with the impact scoring mechanism and the quality and consistency of information within the directorate and corporate budget risk registers. The quality and consistency of the 'in-year' budget action plans and those that are developed before the start of the new financial year also varies. With the exception of one directorate the RMU reviewed, there appears to be little or no cross-referencing of the budget risk information with the variety of other budget monitoring and action planning documents which could lead to duplication or gaps in the management of key risks. The corporate budget risk register is simply an amalgamation of all the directorate budget risk registers and so contains more than 90 risks making it difficult to identify the most significant and cross-cutting risks and focus attention and allocation of resources on their management. The various budget documents are reviewed by a number of different officer groups which is resource-intensive both for the members of staff who produce this information and for those who attend the meetings. Also, the corporate review processes are centred on a small number of experienced staff, which gives rise to other risks around capacity in terms of their workload and succession planning.
- 3.3 The RMU has discussed its findings with the Chief Officer (Financial Management) and he has requested that the RMU works with his team next quarter to review the budget risk register processes and impact assessments.

Revenue Budget 2011/12: the Risks

- 3.4 At section 8.3 of the Director of Resources' report, he outlines the key risks to the 2011/12 revenue budget. These all correlate with the directorate risk assessments included in the appendix to that report and, as noted above, these in turn are based on existing comprehensive budget information as documented in directorate budget risk registers and directorate budget action plans. The risks are detailed below in the order they appeared in the Executive Board report with additional commentary added by the RMU in italics:

- (a) 'The level of demand and activity, within the children's social care and looked after children budgets. The reconfiguration and integration of services at a locality level, wrapped around universal services such as schools and children's centres, is a key part of the whole system strategy which is designed to manage the increase in demand and referrals.'

The financial risk could be exacerbated if we significantly underestimate such demand-led areas as looked-after children (LAC) and referrals as has happened in prior years. Also, the process of building effective and integrated locality working centred on at-risk children will take time and so the budget savings that will be achieved by reducing the numbers of referrals and LAC may not be achieved in 2011/12.

- (b) 'Assumptions around additional income from the trading of certain functions with schools are not realised.'

This is managed through ongoing review of income budgets. However, any shortfall in income would have to be offset by savings elsewhere.

- (c) 'Volatility of demand led budgets within Adults Social Care and the magnitude of price reductions to be negotiated for residential and nursing placements.'

Key controls to manage this include working with suppliers to negotiate their pricing structures and working with staff to ensure that the most appropriate levels of care for service users are prescribed. However, as with a number of these risks, if these price reductions cannot be achieved, this increases the risk both for the 2011/12 and future years' budgets.

- (d) 'Inflation and pay awards greater than anticipated.'

Directorate Heads of Finance are very conscious of the inflation risk, and, in Environments & Neighbourhoods for example, sensitivity analysis has been carried out on the cost of fuel. However, it is difficult to accurately account for future price increases in the budget. Though the pay award risk for 2011/12 is low at the moment as increases are currently frozen, it may be increased again should there be significant changes to staff's terms and conditions as a result of workforce planning arrangements which may lead to new job evaluation and pay and grading reviews.

- (e) 'Interest rate changes greater or sooner than anticipated'

Treasury Management within Corporate Financial Development undertakes significant sensitivity analysis of this risk but, in terms of risk probability, this remains beyond the control of the Council.

- (f) 'Failure to restrict capital spending results in additional debt costs.'

There are a number of key controls in place to manage this risk through the capital programme (see the next section of this report). However, the 'people' element may increase the risk as we rely on programme/project boards and managers and also members undertaking effective programme/project risk management. This may include stopping some projects, authorising others to proceed, revising scopes and re-allocating resources.

- (g) 'Uncertainty over the economic climate which may have a continuing impact on income budgets and the cost of borrowing.'

There appears to be a good level of control within the Financial Development Capital Section over the capital programme. Close links between the Capital and Treasury Management section allows an effective monitoring of the capital programme and its debt costs. There also seems to be a good appreciation of

the challenges facing the capital programme with less pressure to commit to undertaking schemes which are not fully justified in the current financial climate.

- (h) 'Challenging efficiency targets across the Council including reducing staffing numbers and generating significant procurement savings.'

Given the scale of the challenge in securing £25m procurement savings, there is a real possibility that we won't achieve this in 2011/12 which may well make this one of the most significant risks to delivering this year's and future years' budgets. Other efficiency targets include rationalisation of our building portfolio and reducing energy usage by 12.5% which are also very challenging and may take time to deliver. Though £0.8m has been included in the budget as part of the 'invest to save' initiative to help deliver the efficiency savings (for example, by reconfiguring services), this may not be enough.

If there are delays in implementing efficiency savings' measures, this will result in lower levels of savings than anticipated, which is brought out in the individual directorate risk assessments.

Should the savings be delayed or not achieved in 2011/12, this has implications not just for the setting of the 2012/13 budget and the medium-term financial plan will require additional savings to be identified in year, which will not be easy.

Any reduction in staffing numbers, whether through planned and voluntary means or not, leads to knock-on risks for those staff who remain (less capacity to potentially do more work and loss of skills/knowledge/contacts from those who have left the organisation) and therefore for the continuity of the services the Council delivers. These workforce planning risks are currently being reviewed by the RMU with Corporate HR and directorate staff.

- (i) 'Review of the use of legal services will require changes to working practices. May also expose the Council to certain risks in that legal opinion will not always be requested for certain decisions and actions.'

The implications of not seeking legal advice may give rise to the knock-on risk of leaving the Council open to legal challenge. This is particularly relevant at a time of changes to the way the Council directly or indirectly provides services, for example in social care, which may give rise to more test cases being brought against the local authority .¹

- (j) 'Risk to Council buildings if essential maintenance work cannot be contained within the reduced budget.'

This risk equally applies to other Council assets such as fleet and highway maintenance which, if they are not kept in a reasonable condition, could give rise to increased insurance claims made against the authority and also reduce their asset value in the balance sheet, both of which will impact on the budget. The medium-term financial plan also needs to take into account that reducing the budgets for building, fleet and other asset maintenance is only a short-term measure: extra budget will be needed in 2-3 years' time to 'catch up' with maintenance, repair and replacement.

- (k) 'The probability of a major ICT incident impacting on service delivery has increased.'

In February 2011 this risk was escalated to the Council's corporate risk register in recognition of its significance and detailed action plans have been drawn up to

¹ A current example is that of Birmingham City Council against whom the High Court ruled on 20/4/11 on the grounds that its business plan failed to comply with Section 49a of the Disability Discrimination Act. This was in relation to its plans to limit council-funded adult social care to those whose needs had been assessed as 'critical'. Following an appeal by the Council, the decision was upheld. Birmingham is now revising its plans and undertaking another round of consultation.

help mitigate it. Effective management of this risk relies both on ICT and on services themselves to have robust business continuity arrangements in place.

- 3.5 Other identified key risks for the 2011/12 budget which were not detailed in this section of the report may include:
- One or more programmes and major projects significantly overspending, for example through unforeseen costs arising.
 - Decisions not taken forwards, revised or delayed – for example, to stop, reduce or change some services and close buildings.
 - External providers being unable to pick up the reductions the Council is passing on to them, especially if their funding has also been cut. A £100k ‘hardship fund’ has been established to help address this but this may be insufficient.
 - Linked to the previous point, section 2.6 of the Executive Board report refers to the Council reducing costs through better partnership working with the Health Service. However, given the major changes the NHS may experience, there is no guarantee yet of reducing costs. These changes in Health, alongside other changes on the horizon such as the Localism Bill, are being considered though in developing the Medium Term Financial Plan.
- 3.6 As reported by the Director of Resources at section 8.6 of his report, the scale of this year’s grant reductions to the Council are unprecedented. At a time of huge demand pressures in social care in particular, the Director is clear that ‘the budget does contain a higher level of risk than in previous years’. If the Council’s expenditure exceeds the resources it has, he, as the Responsible Financial Officer, would have to issue a Section 114 notice which would effectively prevent us from entering into any new agreements that would involve incurring expenditure until members have agreed a range of effective actions within 21 days to rebalance the budget. Such a notice has never been issued in Leeds.
- 3.7 To mitigate this risk, the Director has detailed several very important controls at section 8.6 which are summarised below:
- The level of our reserves has been significantly increased from last year and is in line with the risk-based reserves strategy. The reserves policy requires directorates to maintain a budget action plan detailing how they will manage in-year variations up to 2%.
 - Members and officers recognise that rigorous recording and monitoring of the budget, budget action plans, targets and risk registers is essential in order to give as much warning as possible of emerging risks and issues. Budget monitoring takes place monthly at various levels within the Council and it has now been agreed to enhance reporting to the Executive Board from quarterly to monthly.
 - CLT will focus particularly on the challenging targets and actions within the budget and, at the time of writing, the Director therefore felt that they were ‘reasonable and achievable.’
 - Quick action was taken in 2010/11 to enhance the 2011/12 budget position: for example, through the early leavers initiative, a freeze on recruitment for the majority of posts and through restricting the authorisation of orders to Chief Officers and Heads of Service.
- 3.8 These are supplemented by additional controls throughout the monitoring and reporting processes.

3.9 The key risk in developing and managing the overall programme is that insufficient resources are available to fund the programme, leading to delays or stoppages of some schemes. A number of controls are in place to manage this risk which are included at section 7.1 of the Executive Board report, *Capital Programme Update 2010-14*, presented on 11 February 2011 and included below in full:

- 'In developing the capital programme, risk assessments are carried out both in relation to individual projects and in formulating the overall programme.
- Monthly updates of capital receipt forecasts prepared by the (Acting) Director of City Development;
- The use of a risk based approach to forecasting of capital receipts;
- Monthly monitoring of overall capital expenditure and resources forecasts alongside actual contractual commitments;
- Quarterly monitoring of the council's VAT partial exemption position to ensure that full eligibility to VAT reclaimed can be maintained; • Ensuring written confirmation of external funding is received prior to contractual commitments being entered into;
- Provision of a contingency within the capital programme to deal with unforeseen circumstances;
- Promotion of best practice in capital planning and estimating to ensure that scheme estimates and programmes are realistic;
- Compliance with both financial procedure rules and contract procedure rules to ensure the Council's position is protected;
- The introduction of new schemes into the capital programme will only take place after completion and approval of a full business case and identification of the required resources;
- All Leeds funded schemes are subject to individual review at the point at which the client service seeks spending approval
- No new injections to the programme can be made without first identifying additional resources or substituting for an existing scheme
- No capital receipts assumed to fund the programme can be diverted to other projects or initiatives without identifying alternative resources that will be available within the same year.'

3.10 Through its review, the RMU found some additional controls in the close links and reporting arrangements between the Capital and Treasury Management sections of Financial Development and in the experience, qualifications and competencies of staff within those sections. When developing and monitoring the capital programme, the Council follows the Prudential Code for Capital Finance and CIPFA's Code for Practice for Treasury Management in Local Authorities. New unsupported borrowing is generally only used to fund projects which generate savings in excess of the cost of borrowing with other capital investment ideally funded by external sources or receipts from the sale of assets. There are also business case reviews by stakeholder groups (e.g. officer boards, Strategic Investment Board, Asset Management Group). While risk assessments of individual projects are undertaken by project boards, the RMU is aware through its day-to-day work that the quality and consistency of these can vary.

4.0 Implications for Council Policy and Governance

- 4.1 The revenue budget risk assessments and how they are mitigated contribute to the effective management of 5 of the Council's most significant risks as recorded in the corporate risk register: this year's budget; the medium-term budget; capital programme; Children's Services' budget and Adult Social Care budget.
- 4.2 This report aids Corporate Governance & Audit Committee in fulfilling its role to review the adequacy of the Council's risk management arrangements, incorporating the corporate and supporting budget risk registers.

5.0 Legal and Resource Implications

- 5.1 The Risk Management Unit and Financial Management team will shortly review the budget risk register processes and impact assessments. This will be done within existing staffing resources.

6.0 Conclusions

- 6.1 Throughout the Council there is an excellent understanding of the key budget risks. Monthly monitoring and reporting of them will aid in reducing the probability of these risks materialising if necessary actions are taken quickly and supported by senior managers and members who act cohesively and take collective 'One-Council' organisational responsibility. Despite some issues around the consistency and scoring mechanism within the budget risk registers, the budget risk assessments included in the Director of Resources' report to Executive Board are comprehensive, based on a number of budget documents (including budget action plans) and, as such, can be considered rigorous. This is supported by good controls around the capital programme and a significant increase in our level of reserves, an increase carried out in recognition of the increased level of risk in the budget.
- 6.2 However, whilst this puts us in as good a position as possible to deliver the 2011/12 budget, there remain risks due to the challenging targets and assumptions we have had to set and make, and continued increases in demand-led services and the reduced levels of contingency. Also, there are other knock-on risks to consider: we may come in within budget this year, but this will have an effect on our staffing/workforce planning, service continuity/delivery and future years' budgets. Officers and members therefore need to ensure that they continue to consider these wider risks when taking decisions on the 2011/12 budget and when developing the medium-term financial plan. At the moment that 3-year medium-term financial plan is not in place but officers are actively working on it.
- 6.3 In conclusion, we refer to Paragraph 8.6 of the Director of Resources' report to Executive Board and Council in which he notes that he, 'can only consider the proposed budget for 2011/12 as robust and that the level of reserves are adequate with a clear understanding of the following:-
- 'the level of reserves is in line with the risk based reserves strategy, and is a significant increase from the previously determined minimum level of reserves.
 - budget monitoring and scrutiny arrangements are in place which include arrangements for the identification of remedial action, and reporting arrangements to members will be enhanced
 - the budget contains a number of challenging targets and other actions, these are clearly identified, and will be subject to specific monitoring by the Council's Corporate Leadership Team, and as such, are at this time considered reasonable and achievable.

- budget reporting to members will be enhanced - risks are identified, recorded in the budget risk register and will be subject to control and management.
- as part of the Council's reserves policy directorates are required to have in place a budget action plan which sets out how they will deal with variations during the year up to 2%.
- early actions have been taken to reduce spending including an early leavers initiative
- there is a clear understanding of the duties of the Council's statutory Financial Officer and that the service implications of them being exercised are fully understood by members and senior management alike.'

6.4 Finally, we would say that this has been a useful exercise and one which the Committee may wish to replicate through reviewing the robustness of other monitoring arrangements as part of its 11/12 work programme. These arrangements may include the performance monitoring dashboard, early warning systems for budget monitoring and the means by which capital receipts' forecasts are monitored.

7.0 Recommendations

7.1 The RMU recommends that Corporate Governance & Audit Committee notes the contents of this report.

7.2 We also recommend that the Committee requests further specific reports on the robustness of other monitoring arrangements as part of its work programme. These may include, but are not limited to, the performance monitoring dashboard, the basket of indicators that enable an early warning system for budget monitoring and the arrangements for monitoring capital receipts' forecasts.

8.0 Background Papers

- General Fund Risk Based Reserves Strategy 2010/11
- Financial Health Monitoring 2010/11 – Half Year Report, 3 November 2010. Report of the Director of Resources to Executive Board (EB)
- Initial Budget Proposals report, 15 December 2010. Report of the Director of Resources to EB
- Provisional Local Government Settlement report, 5 January 2011. Report of the Director of Resources to EB
- Revenue Budget and Council Tax report and subsequent minutes, 11 February 2011. Report of the Director of Resources to EB
- Capital Programme Update 2010-2014, 11 February 2011. Report of the Director of Resources to EB

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Originator: C Blythe

Tel: x74287

Report of the Director of Resources

Report to Corporate Governance & Audit Committee

Date: 15th June 2011

Subject: The accurate recognition of assets on the Council's balance sheet

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

1. In response to the issues raised by KPMG and members, a review of the process for recognising the sale or demolition of assets in the Fixed Asset Register has been undertaken.
2. The review identified a number of weaknesses in the control process and the report highlights the improvements that have now been implemented to address these weaknesses.
3. The original process for determining the number and value of fixed assets recognised on the balance sheet identified twenty two assets, with a combined value of £3.0m, which should not have recognised in the Fixed Asset Register. The subsequent review has identified a further two assets with a combined value of £0.6m which should not have been recognised in the Fixed Asset Register. These amendments represent less than one, one thousandth of a percent of the Council's fixed assets (£4.2bn). The resulting amendments have now been incorporated into the 2010/11 financial statements.
4. Only assets deemed to have a material impact on the readers understanding of the accounts are required to be included in the Fixed Asset Register. Assets which are currently excluded from the register on the grounds that their operational value is not material can be sold in later years for a much higher market value. Such assets would be added to the Fixed Asset Register in the year they are sold.

1.0 Purpose Of This Report

- 1.1 It was resolved at the Corporate Governance and Audit Committee held on the 21st March 2010, that members should receive a report on how new procedures will minimise the risk that sold or demolished assets will still be recognised on the Council's Balance Sheet.

2.0 Background Information

- 2.1 The Council maintains a Fixed Asset Register of all material assets held by the Council. The register currently recognises over 58,000 Council Houses and over 2,400 other assets, with a total value of over £4.2bn (valuation as at 31st March 2010). These assets are revalued on a five year rolling programme, except where there has been significant capital expenditure on the asset or there is an indication that the asset value has fallen significantly. In these cases the asset is revalued in year.
- 2.2 As part of their ISA 260 report on the Statement of Accounts, KPMG reported that the Authority had "identified five assets which were to be revalued in year which turned out to be no-longer owned, despite these being on the fixed asset register. In addition the Authority also found one further asset which had been duplicated incorrectly on the asset register The value of these six properties was £3.2m." KPMG recommended that the Council reviewed it's Fixed Asset Register to ensure all the assets were owned by the Authority.
- 2.3 Officers response to the KPMG recommendation was to agree to tightening the control procedures for removing assets from the database and to review the Fixed Asset Register to ensure that all assets currently recognised on the Balance Sheet are owned by the Council.

3.0 Main Issues

- 3.1 Prior to the review of the procedures, the Fixed Asset Register was updated via a number of sources:
- 3.1.1 The Capital Accounting & Programming system which identifies all capital expenditure incurred in the year. This provides information on new acquisitions and all significant extensions and improvements which would impact on the value of the assets held on the balance sheet.
- 3.1.2 The Capital Receipts Schedule, which identifies the assets sold in the year, is reconciled to the actual capital receipts recorded in the financial ledger. This reconciled list is then used to remove assets from the Fixed Asset Register.
- 3.1.3 In respect of the recording of demolitions, there are a number of sources of data:
- Strategic Landlord provide a list of Council House's demolished in year.
 - Asset Management provide an update of any demolitions they have been informed of.
 - The capital programme also provides information on any significant costs relating to demolitions. This information is then used to capture any demolitions not included in the data from other sources.
 - Asset Management, Directorates and the Insurance section are asked to identify any impairment of the Council's assets. This impairment data is used to identify asset impaired due to demolition or fire.
- 3.1.4 The five year rolling programme of valuations undertaken by Asset Management, which verifies that the Council still has the asset and its current value.

3.2 A review of these data gathering procedures has been completed and the following weaknesses were identified:

- A full reconciliation of the capital receipts from the sale of assets to the Fixed Asset Register has been in place since 2007/08. Prior to this time, a full reconciliation of capital receipts to the Fixed Asset Register was not undertaken and assets could have potentially been sold and still be included in the register.
- Whilst most demolitions are identified via the processes described in para 3.1.3 above, it is clear from the audit evidence that some demolitions are not being reported. The demolition of Council Houses is reconciled back to the original decisions but this is not always the case for General Fund assets.
- Assets which are not material and therefore not included in the Fixed Asset Register are often sold when they can generate a significant capital receipt due to their value to a third party. This is usually small parcels of land which have no operational value but are adjacent to areas which are being developed by a third party. These assets therefore only appear on the Council's Fixed Asset Register once they are declared available for sale as they are valued at their higher market value.

3.3 Improvements introduced for 2010/11:

- Closer liaison with Corporate Property Management has been introduced to ensure all decisions on demolitions are forwarded onto Financial Management for recognition on the Fixed Asset Register.
- Overall the process of revaluing all assets over a five year period will eventually identify any assets wrongly included in the Fixed Asset Register. However, as there are recognised weaknesses in the reconciliation of asset sales to capital receipts prior to 2007/08, a review has been carried out on all assets which were last revalued in 2006/07 or earlier.
- For 2010/11 a review is to be carried out on the Valuation Office Business Rates listings for Council owned properties. Any additions, significant falls or removal of Business Rate valuations will be investigated to check whether they are due to sales, purchases or demolitions.

3.4 In respect of assets which do not have a material value, they will continue to be excluded from the Fixed Asset Register. The Council is only required to account for those assets which have a material value based on their current operation role and not their potential market value. Such assets will only therefore be recognised when they are available for sale and their value becomes material.

3.5 The original procedures identify the following assets incorrectly recognised on the Fixed Asset Register:

- One primary school (£1.16m) which was demolished in 2006/07 as part of the EASEL project.
- Three asset not included in the Fixed asset Register but identified through significant in year capital programme works. These assets had a combined value of £1.12m.
- Three small assets (combined value of £0.27m) had been sold as part of a larger group of assets and not recognised as such when reconciled to the Capital Receipts Schedule.
- Fifteen small miscellaneous Housing Revenue Account assets (with a combined value of £0.45m) which have been sold prior to 2005/06.

These assets will be removed from the Fixed Asset Register as part of the 2010/11 closedown process.

- 3.6 After the introduction of the new procedures, the following additional assets were also identified as incorrectly recognised on the Fixed Asset Register:
- Two assets, a school (£385k) and a Community Centre (£260k), which were sold in 2006/07.
- 3.7 Members should note that whilst every effort is made to ensure that assets are correctly recorded on the Council's Balance Sheet, the value of the inaccuracies identified above are less than one, one thousandth of a percent of the Council's fixed assets.

4.0 Implications For Council Policy And Governance

- 4.1 This report specifically identifies the approach taken to mitigate the risk that the Council's assets are materially misstated in the published accounts.
- 4.2 The report contains no exempt or confidential information and the recommendation in this report do not relate to a key decision and therefore prior notification on the Forward Plan is not necessary.

5.0 Legal And Resource Implications

- 5.1 The amendments required to the financial statements only impact on Balance Sheet classifications and do not impact on the Council's bottom line. The review and the consequent improvements have been implemented within current resources.

6.0 Conclusions

- 6.1 The procedures introduced in 2007/08 and the improvements implemented for 2010/11 have identified a number of assets which should not be included in the Fixed Asset Register. All of the assets identified on the register have now been reviewed and the new procedures should ensure that assets sold or demolished are removed from the Council's balance sheet in a timely manner.

7.0 Recommendations

- 7.1 Members are asked to note the improvements in the process for minimising the risk that sold or demolished assets are recognised on the Council's Balance Sheet.

8.0 Background Papers

- 8.1 September 2010 Corporate Governance & Audit Committee - 2009/10 KPMG ISA 260 report.



Originator: Neil Hunter

Tel: 74214

Report of the Director of Resources

Corporate Governance and Audit Committee

Date: 15th June 2011

Subject: Annual Internal Audit Report 2010/11

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

On behalf of the Corporate Governance and Audit Committee and the Director of Resources, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

The terms of reference of the Corporate Governance and Audit Committee require that the Committee considers the Council's arrangements relating to internal audit. This specifically includes considering the annual report and the opinion on the control environment contained in that report and monitoring the performance of internal audit.

From the work undertaken in the year, Internal Audit is of the opinion that the internal control environment, including the key financial systems, is well established and continues to operate well in practice. Reports issued did make a number of recommendations to further improve the systems of control but at the time of writing this report there are no outstanding, significant, issues that are not being addressed arising from the audit coverage.

1.0 Purpose Of This Report

- 1.1 In addition to providing the Committee with the annual audit opinion on the internal control environment, this report also provides the approach and a list of reviews that together form the basis of this opinion.
- 1.2 The proposed Internal Audit Operational Plan for 2011/12 is also included as part of this report and has been challenged and agreed by the Director of Resources.
- 1.3 By reviewing, challenging and monitoring such reports the Committee itself is demonstrating sound governance arrangements and enables it to take appropriate action if needed. It should be noted that Internal Audit will also issue interim reports to the Committee if any significant matters arise which would warrant immediate attention.

2.0 Main Issues

- 2.1 The report contains a summary of completed jobs along with their individual opinions and outlines the basis for the overall assurance for 2010/11.
- 2.2 The report also includes the 2011/12 Audit Plan. The Government's Spending Review presents a very significant challenge to the Council, the impact of which has already been felt by internal audit, particularly in terms of available resources and the type of work undertaken. The total resources available have been reduced and additional days allocated to value for money type work to meet demand from the organisation. These increasing pressures continue to compress those days available for compliance work. The 2011/12 Plan shows 8280 days of resource being allocated across assurance blocks but it is unlikely this level of resource will be available. This necessitates a thorough and ongoing re-evaluation the internal audit operational plan which will be subject to constant review throughout the financial year to ensure that audit resources are prioritised and continually directed towards the areas of highest risk.
- 2.3 Progress against the plan will be monitored throughout the year and key issues reported to the Director of Resources and the Chief Officer (Audit & Risk). The Head of Audit will report key issues arising from this work to the CG&AC in the bi-monthly and annual reports.
- 2.4 Internal Audit will continue to undertake a follow up audit where the impact has been determined as either 'Major' or 'Moderate' to ensure the revised controls are operating well in practice.

3.0 Implications For Council Policy And Governance

- 3.1 The terms of reference of the Corporate Governance and Audit Committee require the Committee to review the adequacy of the Council's corporate governance arrangements. This report forms part of the suite of assurances that provides this evidence to the Committee.

4.0 Legal And Resource Implications

- 4.1 None.

5.0 Conclusions

- 5.1 There are no issues identified by Internal Audit that would necessitate direct intervention by the Corporate Governance & Audit Committee.

6.0 Recommendations

- 6.1 That the Corporate Governance and Audit Committee receives the Annual Internal Audit Report 2010/11 and notes the assurances given.
- 6.2 That the Corporate Governance and Audit Committee approves the Internal Audit Operational Plan for 2011/12.

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LEEDS CITY COUNCIL

INTERNAL AUDIT ANNUAL REPORT AND OPINION

2010/11

The Annual Internal Audit Report 2010/2011

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2. REVIEW OF INTERNAL CONTROL AND OPINION

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Section 1

INTRODUCTION

1.1 The Annual Reporting Process

Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Corporate Governance & Audit Committee (CG&AC) and the Director of Resources, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

Internal Audit is part of the Audit & Risk Division of the Resources Directorate. This report is the culmination of the work during the course of the year and seeks to provide an opinion on the adequacy of the control environment and report the incidence of any significant control failings or weaknesses. The report also gives an overview of audit performance during the year and outlines the proposed risk based Internal Audit Plan for 2011/12 for approval by the CG&AC.

1.2 Requirement for Internal Audit

The organisation has a duty to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. This role is complemented by initiatives aimed at promoting effective corporate governance.

In 2006, CIPFA published a revised Code of Practice for Internal Audit in Local Government in the UK. The guidance accompanying the Accounts and Audit Regulations 2003 referred to this code as representing "proper internal audit practices". The Code defines the way in which the internal audit service should be established and undertaken, encompassing organisational and structural aspects.

The Accounts and Audit (England) Regulations 2011 which came into force on the 31st March 2011 and revoke the Accounts and Audit Regulations (England) 2003 maintain the requirement for relevant bodies to have a sound system of internal control and conduct a review at least once a year of the effectiveness of the system of internal control.

The 2011 regulations require bodies to conduct, at least once a year, a review of the effectiveness of their internal audit to consider this as part of the consideration of the system of internal control by a committee of the body, or by the body as a whole.

Section 2

REVIEW OF INTERNAL CONTROL AND OPINION

This section sets out the opinion on the adequacy and effectiveness of the control environment, how internal control is reviewed and the basis for the assurance provided in the opinion. It also provides a summary of completed audit reviews.

2.1 Opinion 2010/2011

The Code of Practice for Internal Audit in Local Government in the UK 2006 states that the Head of Audit must provide a written report to those charged with governance timed to support the Statement on Internal Control (now the Annual Governance Statement). This report must include an opinion on the overall adequacy and effectiveness of the organisation's control environment, presenting a summary of how that opinion is derived including reliance placed on work by other assurance bodies.

The internal control environment, including the key financial systems, is well established and continues to operate well in practice.

At the time of writing this report there are no outstanding significant issues arising from the work undertaken by internal audit.

However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

2.2 How Internal Control is reviewed

Internal Audit continues to embrace the risk assessment approach to audit. During the course of the year the risk map of the Authority has been continually challenged and used to form the basis of Internal Audit's operational plan for the coming year. The review process draws on key indicators of risks to the organisation and attempts to ensure that suitable audit time and resources are devoted to review the more significant areas. The Corporate Risk Register is used as a key source of information during this process. The audit plan contains a contingency provision that is utilised during the year in response to unforeseen work demands that arise. This risk based approach to audit planning results in a comprehensive range of

audits that are undertaken during the course of the year to support the overall opinion on the control environment.

Examples of reviews undertaken include:

- Risk based reviews of all fundamental financial systems that could have a material impact on the accounts (e.g. payroll, creditors);
- Internal Control and Compliance reviews;
- Risk based reviews of departmental systems;
- Fraud strategy work, responsive fraud and irregularity investigations;
- Procurement audit;
- Audits of Council establishments (e.g. schools, Social Services establishments, leisure centres.)

There are three elements to each internal audit review. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables internal audit to give an assurance on the control environment.

However, controls are not always complied with which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

Finally, where there are significant control environment weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses.

To improve consistency in audit reporting, the following definitions of audit assurance are used for all systems and governance audits completed.

Definitions of Audit Assurance

Control Environment Assurance		
Level		Definitions
1	SUBSTANTIAL ASSURANCE	There are minimal control weaknesses that present very low risk to the control environment.
2	GOOD ASSURANCE	There are minor control weaknesses that present low risk to the control environment.
3	ACCEPTABLE ASSURANCE	There are some control weaknesses that present a medium risk to the control environment.
4	LIMITED ASSURANCE	There are significant control weaknesses that present a high risk to the control environment
5	NO ASSURANCE	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance		
Level		Definitions
1	SUBSTANTIAL ASSURANCE	The control environment has substantially operated as intended although some minor errors have been detected.
2	GOOD ASSURANCE	The control environment has largely operated as intended although some errors have been detected.
3	ACCEPTABLE ASSURANCE	The control environment has mainly operated as intended although errors have been detected.
4	LIMITED ASSURANCE	The control environment has not operated as intended. Significant errors have been detected.
5	NO ASSURANCE	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational impact is reported as either Major, Moderate or Minor. Any reports with major organisational impacts are reported to Corporate Leadership Team along with the appropriate directorate's agreed action plan and then to CG&AC as part of the bi-monthly report.

Organisational Impact		
Level		Definitions
1	MAJOR	The weaknesses identified during the review have left the council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
2	MODERATE	The weaknesses identified during the review have left

		the council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
3	MINOR	The weaknesses identified during the review have left the council open to low risk. This could have a minor impact on the organisation as a whole.

The merging of the Business Process Re-engineering (BPR) team into the Section during May 2010 has provided the opportunity to undertake a number of business analysis/efficiency reviews in addition to more traditional value for money (VFM) work. These types of review are in high demand within the authority, particularly with the need for real innovation across the public sector.

The VFM approach used by External Audit includes responsibilities for audited bodies to put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources. This approach endorses the use of business process re-engineering techniques to improve processes and structures as an example of one of the characteristics of proper arrangements to improve efficiency and productivity.

Work done on Business Analysis and VFM in Leeds needs to both drive lean systems and give assurances on the control environment. The aim is to achieve four generic outcomes from each review:

- An 'as is' picture of the current system and processes. To include understanding and agreeing key outcomes and reviewing the policies and procedures that drive the culture, eligibility etc.;
- The 'to be' stage. A lean, efficient system where resources are geared towards achieving agreed outcomes and management controls are timely and effective;
- Understanding the sensitivity of change, such as demand, and the service's ability to both achieve agreed outcomes and budget;
- An assurance on the Internal Control Environment. Then internal audit can compliance check key controls.

To ensure this work adds value to the level of overall assurance, it is essential that the team is working on areas of key risk to the organisation.

2.3 Basis of Assurance

The annual opinion on the adequacy and effectiveness of the control environment for 2010/11 is based on the findings and assurance provided by the schedule of reviews undertaken throughout the year (details of each area of assurance are given below and the summary of completed audit reviews section includes a table of reports issued in the period on which the opinion is based.)

For each area of assurance, there have been instances where the control environment was not strong enough or complied with sufficiently to prevent risks to the organisation. In these cases, Internal Audit has made recommendations to further improve the systems of control and compliance.

Although significant to the control environment in place for the individual system areas that have been audited these weaknesses are not material enough to have a significant impact on the overall opinion on the adequacy of the Council's control environment at the year end.

Further reviews in each area where limited assurance has been given are scheduled to be completed to ensure that the recommendations have been adopted and the suggested controls are working well in practice.

2.3.1 Key Financial Systems

An annual review of each of the authority's key financial systems is undertaken to provide evidence supporting the internal audit opinion on the adequacy of the organisation's control environment.

As in previous years, the key financial systems subject to audit were agreed in advance with the authority's external auditors KPMG as they review this work and use this as a key source of assurance on the organisation. KPMG have reviewed internal audit's work on key financial systems in 2010/11 and have confirmed that it fully meets their requirements in terms of timeliness, quality and supporting evidence. KPMG reported that they:

"have been able to place full reliance on the work undertaken which reduces the impact on other officers at the Authority. We did not identify any significant issues with internal audit's work and are pleased to report that we are again able to place full reliance on internal audit's work of the key financial systems"

Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that, in the main, these controls continue to work well in practice although there are some areas where improvements are necessary. The level of assurance provided for the all key

financial systems reviews was acceptable or higher and in all cases an action plan has been agreed with the appropriate officers that, if implemented, will give substantial control environment assurance.

2.3.2 Cross Cutting Assurances

Internal audit has reviewed a number of key corporate functions which give cross cutting assurances in their own right. These are areas such as procurement, performance management, monitoring of key partnerships, financial management and human resources. These reviews included assessing the arrangements to ensure that their policies and procedures are:

- up to date;
- fit for purpose;
- effectively communicated;
- routinely complied with across the organisation;
- monitored

These reviews provide evidence based assurance on the key policies and procedures that underpin the control environment. Where weaknesses were identified, action plans were agreed with the appropriate officers to improve the level of assurance provided. There were no significant issues highlighted in these areas.

2.3.3 Internal Control and Compliance

Internal audit work on internal control and compliance is fundamental to the assurance framework as it provides assurance (via a series of compliance checks) on whether key policies and procedures are being complied within practice across all Directorates and is therefore a key element of the annual opinion on the overall adequacy and effectiveness of the control environment.

2.3.4 Schools

It is important that each school has an appropriate set of organisational and financial controls in place that Governors can place reliance upon in their responsibility for the financial management of schools. Assurance is required for the Authority that the arrangements in individual schools are adequate and operating effectively.

Internal audit can not review each school every year so a sample of visits are undertaken based on a risk assessment for audit coverage including a number of factors such as time since previous audit.

The reviews provide assurance that schools are operating financial procedures which are in line with current guidelines as set out in Schools' Financial Regulations,

Contract Procedure Rules, Audit Commission and OFSTED reports and best practice.

The reviews focus on specific key controls which should be in place to provide assurance that the systems are sound and can be relied upon.

2.3.5 Unannounced visits

A sample of visits covering different types of establishment are carried out each year. These provide assurance over the adequacy of income and cash controls.

2.3.6 Contract Audit

Internal audit provides assurance on individual contracts that contract conditions and objectives/outcomes are being met, value for money is being achieved, contracts are delivered on time, within budget and meet stakeholders' expectations.

2.3.7 Business Analysis/VFM

This area of work involves defining more efficient systems in addition to giving assurances on the internal control environment where possible.

It also provides assurance that there are arrangements within the Authority to improve efficiency and productivity.

During the year, business analysis reviews have been undertaken within Resources, Environment and Neighbourhoods, and Adult Social Care Directorates.

These have identified opportunities for improvements to business processes and provided details of associated potential efficiency savings.

2.3.7 Anti Fraud and Corruption

The anti fraud and corruption work undertaken includes both proactive anti fraud and corruption work (fraud strategies) and reactive work (investigations.)

In addition, internal audit review the Authority's fraud and corruption arrangements to ensure they are in line with best practice. There is a Counter Fraud and Investigations team strategy and Counter Fraud and Corruption Action Plan for proactive and reactive fraud work that includes details of resource implications and prioritises work accordingly to ensure the risk of fraud is managed effectively with available resources. Proactive fraud exercises, duplicate payments work and participation in the National Fraud Initiative (NFI) provide assurance that the Authority is making every effort to detect potential fraud and prevent its recurrence.

This area of audit work also provides assurance on the ethical framework within the Council which seeks to improve standards of conduct. This, combined with staffing policies, should therefore reduce the likelihood of fraud.

2.3.8 Annual Governance Statement (AGS)

In June 2007 CIPFA, in conjunction with the Society of Local Authority Chief Executives (SOLACE), published *Delivering Good Governance in Local Government: Framework*. The Department for Communities and Local Government has determined that this guidance represents proper practice.

Consequently, the CG&AC should seek assurance that this guidance has been followed to compile the AGS.

Internal Audit reviews the corporate governance evidence framework (Leeds Governance Framework - LGF) to confirm that there is evidence to indicate that policies, procedures and systems are in place for corporate governance to be effective within the Council. Internal Audit has not yet undertaken the review of the LGF but will complete this piece of work shortly.

2.4 Summary of Completed Audit Reviews

This section provides a summary of all reports issued since 1st June 2010. The audit reviews completed from 1st April 2010 to 31st May 2010 were reported to the CG&AC in the Internal Audit Annual Report for 2009/10.

Further reviews in each area where limited assurance has been given are scheduled to be completed to ensure that the recommendations have been adopted and the suggested controls are working well in practice.

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
Key Financial Systems					
Business Support Centre - Central Payments	Substantial Assurance	Substantial Assurance	Minor	Resources	03/06/2010
Central & Corporate Functions - Sundry Income	Acceptable Assurance	Acceptable Assurance	Moderate	Resources	08/06/2010
Creditors - Adult Social Care	Good Assurance	Acceptable Assurance	Minor	Adult Social Care	15/06/2010
Creditors - City Development	Substantial Assurance	Good Assurance	Minor	City Development	15/06/2010
General Computer Controls – Financial Management System, SAP, Academy, Powersolve & Income Management System	Substantial Assurance	Substantial Assurance	Minor	Resources	22/06/2010

The Annual Internal Audit Report 2010/2011

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
Financial Management — Central Controls	Substantial Assurance	Substantial Assurance	Minor	Resources	08/07/2010
Capital Programme Controls	Acceptable Assurance	Acceptable Assurance	Moderate	Resources	09/07/2010
Bank Reconciliation and Cashbook Audit	Substantial Assurance	Substantial Assurance	Minor	Resources	20/07/2010
Community Care Homecare – East North East Area Wedge	Acceptable Assurance	Limited Assurance	Major	Adult Social Care	09/08/2010
Creditors	Substantial Assurance	Acceptable Assurance	N/A	Education Leeds	25/08/2010
Income Management System	Substantial Assurance	N/A	Minor	Resources	17/12/2010
Housing Benefits Assessment and Payments	Substantial Assurance	N/A	Minor	Resources	01/03/2011
Housing Rents	Good Assurance	Good Assurance	Minor	Environment and Neighbourhoods	28/03/2011
Resources Sundry Income	Acceptable Assurance	Acceptable Assurance	Moderate	Resources	26/04/2011
Central Sundry Income	Substantial Assurance	N/A	Minor	Resources	05/05/2011
Business Support Centre - Payroll Services	Good Assurance	Good Assurance	Good	Resources	05/05/2011
Non Domestic (Business) Rates	Substantial Assurance	N/A	Minor	Resources	12/05/2011
Business Analysis and VFM					
HR Disciplinary Process	N/A			Resources	21/07/2010
Streetscene Performance Related Pay Process	N/A			Environment & Neighbourhoods	09/11/2010
Housing Options	Acceptable Assurance	N/A	Minor	Environment & Neighbourhoods	14/12/2010
Streetscene Performance Related Pay Process Follow Up	N/A			Environment & Neighbourhoods	22/12/2010
Review of IT Equipment Purchasing & Disposal	N/A			Resources	03/02/2011
Changing The Workplace Environment and Neighbourhoods Face to Face Customer Access Merrion House – Service Readiness	N/A			Environment & Neighbourhoods	28/02/2011
Changing the Workplace: Face to Face Customer Access - Education Leeds School Admissions Service Readiness	N/A			Education Leeds	13/04/2011
Purchase to Pay	N/A			Resources	13/04/2011
Revenues and Benefits Systems Thinking Review	N/A			Resources	19/04/2011
Adult Social Care As-is Analysis: <ul style="list-style-type: none"> • Adults Reviewing Team • Assistive Technology • Care Communications Centre • Finance 	N/A			Adult Social Care	April 2010 – March 2011

The Annual Internal Audit Report 2010/2011

The Annual Internal Audit Report 2010/2011

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
<ul style="list-style-type: none"> Financial Assessment and Benefits Team Safeguarding Unit 					
Internal Control and Compliance					
Children and Young People's Social (CYPSC) Care Service - Placement Payments	Limited Assurance	N/A	Moderate	Children's Services	08/06/2010
Adult Social Care - purchase orders	N/A	Acceptable Assurance	Minor	Adult Social Care	17/06/2010
Environment & Neighbourhoods - purchase orders	N/A	Acceptable Assurance	Minor	Environment and Neighbourhoods	17/06/2010
Adult Social Care Budget Pressures ¹	Acceptable Assurance	Limited Assurance	Major	Adult Social Care	26/06/2010
Chapelton Children's Centre	Good Assurance	Acceptable Assurance	Minor	Children's Service	28/06/2010
Taxi and Private Hire Licensing Compliance Audit	Limited Assurance	Good Assurance	Moderate	Chief Executive	13/07/2010
Area Committees	Good Assurance	N/A	Minor	Environment and Neighbourhoods	15/07/2010
Suffolk Court care Home for Older People follow up	Acceptable Assurance	Limited Assurance	Minor	Adult Social Care	23/07/2010
Environmental Audit System — Systems Based Audit	Substantial Assurance	Substantial Assurance	Minor	City Development	28/07/2010
Leeds Early Years/Integrated Youth Support Service— Follow up Audit	Acceptable Assurance	N/A	N/A	Children's Service	28/07/2010
Local Enterprise Growth Initiative Performance Indicator	Acceptable Assurance	Limited Assurance	Minor	City Development	04/08/2010
Claims and Compliance Section — Follow Up Review	Acceptable Assurance	N/A	N/A	Environment and Neighbourhoods	04/08/2010
National Indicator 131 – Delayed transfers of care from hospitals	Acceptable Assurance	Acceptable Assurance	Minor	Adult Social Care	05/08/2010
Rents and Leases	Good Assurance	Acceptable Assurance	Minor	City Development	06/08/2010
National Indicator 145 - Adults with learning disabilities in settled accommodation.	Acceptable Assurance	Limited Assurance	Minor	Adult Social Care	14/09/2010
Members' Allowances	Substantial Assurance	Substantial Assurance	Minor	Chief Executive	15/09/2010
Major adaptations (Private Homes) Follow Up Review	Good Assurance	Substantial Assurance	Minor	Environment and Neighbourhoods	25/10/2010
Key Performance Indicator NI61 - timeliness of placement for adoptions follow up Audit	Good Assurance	Good Assurance	N/A	Children's Service	09/11/2010
Care Ring Follow Up Review	Limited Assurance	Limited Assurance	Minor	Environment and Neighbourhoods	09/11/2010
Children's Services – Key Performance Indicators Review	Acceptable Assurance	Acceptable Assurance	Minor	Children's Service	07/12/2010
Human Resources File Review	Good Assurance	Limited Assurance	Moderate	Resources	08/12/2010

¹ Reported to CG&AC in the Internal Audit Annual Report 2009/10

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
Financial Monitoring of Direct Payments and personalised budgets	Good Assurance	N/A	Minor	Adult Social Care	11/02/2011
Corporate Property Management Services - Repairs and Maintenance	Limited Assurance	Limited Assurance	Minor	Resources	21/03/2011
Central Interpretation and Translation Unit	Acceptable Assurance	N/A	Minor	Chief Executive	05/05/2011
Key & Major Decisions follow up Audit	Good Assurance	N/A	Minor	Resources	11/05/2011
Contract Audit					
Beeston Phase 5 Group Repairs Audit	Good Assurance	Acceptable Assurance	Minor	Environment and Neighbourhoods	03/06/2010
Review of Swarcliffe Private Finance Initiative	Acceptable Assurance	Acceptable Assurance	Moderate	Environment and Neighbourhoods	08/06/2010
East Leeds Link Road Contract Audit	Good Assurance	Acceptable Assurance	Moderate	City Development	20/08/2010
Open Book Review Youth Services Provider	Limited	No Assurance	Moderate	Children's Services	05/04/2011
Cross Cutting Assurances					
Procurement Unit Central Controls	Acceptable Assurance	Acceptable Assurance	Moderate	Chief Executive	04/08/2010
Central Monitoring of Key Partnerships.	Good Assurance	N/A	N/A	Chief Executive	24/08/2010
Annual Governance Statement	Good Assurance	N/A	Minor	Chief Executive	01/09/2010
Framework for developing central Human Resources & Employment Policies and Procedures	Good Assurance	Acceptable Assurance	Minor	Resources	20/01/2011
ICT					
Orchard & PS Team System General Computer Controls	Substantial Assurance	Good Assurance	Minor	Environment and Neighbourhoods	22/06/2010
Unannounced Visits					
Temple Newsam Tearooms	Acceptable Assurance	Good Assurance	Minor	City Development	01/06/2010
South Leeds Athletics and Bowls Centre	Good Assurance	Good Assurance	Moderate	City Development	06/07/2010
Aireborough Leisure Centre	Good Assurance	Acceptable Assurance	Moderate	City Development	06/07/2010
Rothwell Leisure Centre	Good Assurance	Acceptable Assurance	Moderate	City Development	06/07/2010
Bewerley Croft Audit Report	Acceptable Assurance	Acceptable Assurance	Minor	Adult Social Care	26/07/2010
Knowle Manor Audit Report	Good Assurance	Acceptable Assurance	Minor	Adult Social Care	12/11/2010
Middleton Leisure Centre	Good Assurance	Good Assurance	Minor	City Development	17/11/2010

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
Kirkland House Home for Older People	Good Assurance	Acceptable Assurance	Minor	Adult Social Care	25/11/2010
Schools					
Thorner Church of England Voluntary Controlled Primary School	Acceptable Assurance	Acceptable Assurance	Minor	Education Leeds	08/06/2010
Roundhay School Technology and Language College	Substantial Assurance	Substantial Assurance	Minor	Education Leeds	08/06/2010
Gildersome Primary School Internal Audit follow-up review	Good Assurance	Substantial Assurance	Minor	Education Leeds	15/06/2010
Mill Field Primary School	Acceptable Assurance	Good Assurance	Minor	Education Leeds	26/06/2010
Swinnow Primary School	Good Assurance	Acceptable Assurance	Minor	Education Leeds	26/06/2010
Harewood Church of England Voluntary Controlled Primary School	Good Assurance	Good Assurance	Minor	Education Leeds	13/07/2010
Broadgate Primary School	Good Assurance	Acceptable Assurance	Minor	Education Leeds	13/07/2010
Lower Wortley Primary School	Good Assurance	Good Assurance	Minor	Education Leeds	19/07/2010
Lady Elizabeth Hastings' Church of England Primary Thorp Arch	Good Assurance	Substantial Assurance	Minor	Education Leeds	20/07/2010
Bramhope Primary School	Good Assurance	Good Assurance	Minor	Education Leeds	27/07/2010
Low Road Primary	Good Assurance	Good Assurance	Minor	Education Leeds	13/09/2010
Ingram Road Primary School	Good Assurance	Acceptable Assurance	Minor	Education Leeds	21/09/2010
Woodkirk High School	Good Assurance	Good Assurance	Minor	Education Leeds	21/09/2010
Micklefield Church of England Voluntary Controlled Primary	Good Assurance	Good Assurance	Minor	Education Leeds	22/09/2010
Bruntcliffe High School	Good Assurance	Good Assurance	Minor	Education Leeds	24/09/2010
Parkland Girls' High Follow Up	Acceptable Assurance	Substantial Assurance	N/A	Education Leeds	23/11/2010
Moor Allerton Primary School	Substantial Assurance	Good Assurance	Minor	Education Leeds	20/01/2011
Cookridge Holy Trinity	Substantial Assurance	Good Assurance	Minor	Education Leeds	11/02/2011
Primrose High School Follow Up	Acceptable Assurance	Acceptable Assurance	N/A	Education Leeds	16/03/2011
Blackgates Primary School Audit & School Voluntary Funds Audit	Good Assurance	Acceptable	Minor	Education Leeds	08/04/2011
Boston Spa School	Good Assurance	Good Assurance	Minor	Education Leeds	16/05/2011
Financial Management Standard in Schools Visits					
Allerton Bywater Primary School	Pass	Pass	N/A	FMSIS Education Leeds	08/06/2010

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
Shadwell Primary School	Pass	Pass	N/A	FMSIS Education Leeds	08/06/2010
Swillington Primary School	Pass	Pass	N/A	FMSIS Education Leeds	08/06/2010
Gildersome Primary School	Pass	Pass	N/A	FMSIS Education Leeds	08/06/2010
Mount St Mary's Primary Closing Audit	Fail	Fail	N/A	FMSIS Education Leeds	08/06/2010
Rothwell CoE Voluntary Controlled Primary	Pass	Pass	N/A	FMSIS Education Leeds	23/06/2010
BESD SILC — Elmete Central Follow Up	Pass	Pass	N/A	FMSIS Education Leeds	23/06/2010
Bramham Primary School	Pass	Pass	N/A	FMSIS Education Leeds	23/06/2010
Bruntcliffe High School	Conditional Pass	Conditional Pass	N/A	FMSIS Education Leeds	24/09/2010
Lawnswood High School	Pass	Pass	N/A	FMSIS Education Leeds	25/11/2010
Drighlington Primary School	Pass	Pass	N/A	FMSIS Education Leeds	25/11/2010
Bruntcliffe High School	Pass	Pass	N/A	FMSIS Education Leeds	25/11/2010
Strategic Landlord Assurance Framework Reviews					
Key Performance Indicators	Acceptable Assurance	Acceptable Assurance	Minor	Environment and Neighbourhoods	12/10/2010
Lettings Enforcement	Good Assurance	N/A	Minor	Environment and Neighbourhoods	14/10/2010
Aire Valley Homes Leeds – Procurement	Limited Assurance	Limited Assurance	Moderate	Environment and Neighbourhoods	25/10/2010
West North West Homes Leeds – Key Policies — Rent Arrears	Good Assurance	Good Assurance	Minor	Environment and Neighbourhoods	02/11/2010
Key Policies: Rent Arrears	Good Assurance	Acceptable Assurance	Minor	Environment and Neighbourhoods	09/11/2010
Belle Isle Tenancy Management Organisation (BITMO) Leeds Q1 and Q2	N/A	Limited Assurance	Moderate	Environment and Neighbourhoods	09/11/2010
Asset Management Responsive Repairs — BITMO	Acceptable Assurance	Good Assurance	Minor	Environment and Neighbourhoods	11/11/2010
Rent Arrears — BITMO	Acceptable Assurance	Acceptable Assurance	Minor	Environment and Neighbourhoods	16/11/2010
East North East Homes Leeds Q1 and Q2	N/A	Good Assurance	Minor	Environment and Neighbourhoods	18/11/2010

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
Aire Valley Homes Leeds	Good Assurance	Good Assurance	Minor	Environment and Neighbourhoods	19/11/2010
Procurement Quarter 1 BITMO	Acceptable Assurance	Limited Assurance	Moderate	Environment and Neighbourhoods	03/12/2010
West North West Homes Leeds Q1 and Q2	N/A	Limited Assurance	Moderate	Environment and Neighbourhoods	07/12/2010
Key Performance Indicators — BITMO	Good Assurance	Good Assurance	Minor	Environment and Neighbourhoods	15/12/2010
Asset Management Consultation — Belle Isle Tenant Management Organisation	Good Assurance	N/A	Minor	Environment and Neighbourhoods	21/12/2010
Aire Valley Homes Leeds (AVHL) Lettings	N/A	Limited Assurance	Moderate	Environment and Neighbourhoods	23/12/2010
Key Policies Aire Valley Homes Rent Arrears	Acceptable Assurance	Acceptable Assurance	Minor	Environment and Neighbourhoods	18/01/2011
Asset Management Consultation West North West Homes	Good Assurance	N/A	Minor	Environment and Neighbourhoods	20/01/2011
Key Performance Indicators West North West Homes	Good Assurance	Good Assurance	Minor	Environment and Neighbourhoods	20/01/2011
East North East Homes	Acceptable Assurance	Acceptable Assurance	Minor	Environment and Neighbourhoods	26/01/2011
Gas Strategic East North East Homes	Acceptable Assurance	Limited Assurance	Moderate	Environment and Neighbourhoods	15/02/2011
Asset Management Gas Servicing West North West Homes	Good Assurance	Acceptable Assurance	Moderate	Environment and Neighbourhoods	15/02/2011
West North West Homes - Tenancy Enforcement	N/A	Good Assurance	Minor	Environment and Neighbourhoods	17/02/2011
Safeguarding BITMO	Good Assurance	N/A	Minor	Environment and Neighbourhoods	22/02/2011
Tenancy Enforcement BITMO	N/A	Acceptable Assurance	Minor	Environment and Neighbourhoods	22/02/2011
East North East Homes Procurement	Good Assurance	Acceptable Assurance	Minor	Environment and Neighbourhoods	21/03/2011
East North East Homes Management Consultation	Acceptable Assurance	N/A	Minor	Environment and Neighbourhoods	21/03/2011
Aire Valley Homes Tenancy Enforcement	N/A	Acceptable	Minor	Environment & Neighbourhoods	04/04/2011
East North East Homes Assurance Framework Keystones	Acceptable Assurance	Good Assurance	Minor	Environment & Neighbourhoods	26/04/2011
Procurement Q3 Aire Valley Homes	Acceptable Assurance	Good Assurance	Minor	Environment & Neighbourhoods	04/05/2011
Aire Valley Homes Corporate Governance	Good Assurance	N/A	Minor	Environment & Neighbourhoods	04/05/2011

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
BITMO Procurement Q3	Acceptable Assurance	Acceptable Assurance	Moderate	Environment & Neighbourhoods	04/05/2011
East North East Homes Key Policies Safeguarding	Good Assurance	N/A	Minor	Environment & Neighbourhoods	09/05/2011
East North East Homes Lettings Q3&4	N/A	Good Assurance	Minor	Environment & Neighbourhoods	11/05/2011
Education Leeds					
Corporate Governance Review	Good Assurance	N/A	N/A	Education Leeds	26/06/2010
Education Leeds – Creditors	Substantial Assurance	Acceptable Assurance	N/A	Education Leeds	04/04/2011
Education Leeds - Payroll Systems	Substantial Assurance	Good Assurance	N/A	Education Leeds	26/04/2011

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Section 3

**AUDIT PERFORMANCE AND ADDED VALUE
2010/2011**

3.1 ENSURING QUALITY

Internal Audit is committed to delivering a quality product to the highest professional standards that adds value to our customers. We actively monitor our performance in a number of areas and encourage feedback from customers.

All our work is undertaken in accordance with our quality management system; we have now been ISO accredited for over fourteen years.

A customer satisfaction questionnaire (CSQ) is issued with every audit report. The questionnaires ask for the auditees opinion on a range of issues and asks for an assessment ranging from 5 (for excellent) to 1 (for poor). The results are based on the percentage of those assessments that are 3 (satisfactory) or above. The results of the questionnaires are reported to the Audit Management Team and used to determine areas for improvement and inform the continuing personal development training programme for Internal Audit staff. The results are also benchmarked with other core cities who have adopted the same questionnaire.

Also shown in the table are the percentage scores of 4 or above (good and excellent) to further identify marginal areas for improvement.

Table 4 - Results from Customer Satisfaction Questionnaires

Question	Actual 2009/10 % Score 3 or above	Actual 2009/10 % Score 4 or above	Actual 2010/11 % Score 3 or above	Actual 2010/11 % Score 4 or above
Notice	100	98	100	95
Scope	98	82	98	83
Understanding	96	85	93	81
Efficiency	100	98	100	90
Consultation	98	91	98	90

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Question	Actual 2009/10 % Score 3 or above	Actual 2009/10 % Score 4 or above	Actual 2010/11 % Score 3 or above	Actual 2010/11 % Score 4 or above
Professional/Objective	100	100	98	95
Accuracy of Draft	96	85	95	87
Opportunity to comment	100	94	98	93
Clarity & Conciseness	96	95	95	90
Recommendations	96	91	95	78
Final Report – Prompt	94	85	97	80
Added Value	94	83	98	78

Feedback from customer satisfaction questionnaires continues to be very positive. These results are again extremely encouraging, particularly as the nature and complexity of work undertaken by Internal Audit continues to change. The Council is continually developing more robust systems for identifying and evaluating the significant risks to their objectives. Internal Audit is expected to give a number of assurances on the internal control environment to both internal and external clients not just on financial but operational, service and reputational risks. The staffing skills and resources within Internal Audit are continually adapting to these changes.

Internal audit is a professional discipline and as such it is desirable that all staff should have an appropriate professional qualification or be under training contracts to gain such a professional qualification. A high percentage of our staff are professionally qualified or under professional training contracts. This professional training approach is being actively enhanced by both in-house training and individual officers undertaking Continuing Professional Development in their own time. This investment in staff will continue to result in even better audit performance in future years, ensuring that the Section will be able to react positively to the changing demands being placed on the audit profession.

Internal audit has been part of the core cities benchmarking club for over ten years – consistently being a high performer across a whole range of key cost and quality measures. Examples include cost per audit day and percentage of productive time as well as customer questionnaires and perceptions of added value.

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Internal audit has a portfolio of work won in open competition. This includes partners wholly owned by the organisation, such as ALMOs, as well as other public sector service providers.

During the year the Section again completed the key reviews necessary to enable KPMG to rely upon internal audit work for opinion purposes. KPMG concluded that:

"We have a strong working relationship with the Internal Audit team at the Authority and again have been able to place full reliance on the work undertaken which reduces the impact on other officers at the Authority. We did not identify any significant issues with internal audit's work and are pleased to report that we are again able to place full reliance on internal audit's work of the key financial systems. We particularly noted improvements in terms of the quality of system documentation"

3.2 QUALITY STANDARD ACCREDITATION

During January 2011 an independent review was undertaken of Internal Audit's quality system to ensure compliance with the new ISO 9001:2008 standard. The review team conducted a process-based audit, focusing on significant aspects/risks/objectives required by the standard. The review team concluded that;

"The section has established and maintained its management system in line with the requirements of the standard and demonstrated the ability of the system to systematically achieve agreed requirements for products and services within the scope and the organisation's policy and objectives"

The next review visit is due on the 14th July 2011.

3.3 CONTINUING PROFESSIONAL DEVELOPMENT

In a rapidly changing environment it is important that all Internal Auditors are kept abreast of the latest audit and accounting methodologies, changes in legislation and best practice as well as changes to the public sector arena so they have the necessary skills and knowledge to perform their role to a high standard. This is done via Continuing Professional Development (CPD) which the Section continues to support and promote via in-house training courses and external CPD events such as CIPFA seminars. Much of this CPD is done in officers own time showing a personal commitment to continual improvement of the Team.

The Code of Practice for Internal Audit in local Government in the UK 2006 states that Internal Audit staff have a personal responsibility to undertake a programme of CPD to maintain and develop their competence. At Leeds, evidence of professional

training and development activities must be retained and individual/group training needs identified.

3.4 WHISTLE BLOWING

Internal Audit continues to act as the custodians of the Council's Whistleblowing Policy. In 2010/11, Internal Audit dealt with a total of 113 (91, 2009/10) potential irregularity referrals. All reported irregularities were risk assessed by Internal Audit and where appropriate an audit investigation undertaken. Where it was more appropriate to do, the matter was referred to directorates and follow up was undertaken.

To further demonstrate the Council's commitment to safeguarding public funds internal audit externally publicises an email address (concerns@leeds.gov.uk) where potential irregularities can be reported. This will continue to be undertaken via the Council's internet site and inclusion in the 'Your Money' supplement of the Leeds newspaper.

3.5 CONTRACT PROCEDURE RULES

Internal Audit has continued to be pro-active in offering advice to officers on the application of Contract Procedure Rules (CPR). When these rules cannot be fully complied with a waiver is sought and through this process Internal Audit provides clear, risk based recommendations to Directors, advising on how to progress that particular procurement. More importantly, we work with departmental officers to examine ways to prevent re-occurrence and secure both best value and transparency.

Advice has been given on procurements during the year ranging from only a few thousand pounds to multi-million pound contracts. This type of timely advice has reduced the risk to which the Council has been exposed when procuring goods and services.

3.6 OPEN BOOK REVIEWS

Internal audit has once again had success in open book reviews of the Council's suppliers in 2010/11. This success has been a driver in prompting the section to examine ways that resources can be used to create a 'hub of excellence' that not only undertakes its own open book reviews but also works with other officers in the Council to improve this important skill. A number of days have been included in the internal audit operational plan for procurement, monitoring and improvement within which it is hoped that internal audit will be able to continue this important area of work.

Section 4

AUDIT PLAN 2011/2012

4.1 Background

The Head of Audit must provide an annual opinion on the overall adequacy and effectiveness of the organisation's entire control environment. To support this internal audit must deliver a risk based plan that includes an appropriate and comprehensive range of work, sufficiently robust to confirm that all assurances provided can be relied upon by the CG&AC.

To develop this plan, there must be a sound understanding of the risks facing the Council. The Corporate Risk Register is used as a key source of information during this process as is the internal audit risk assessment of the Authority which is updated during the year and used to form the basis of the internal audit plan.

The audit plan has been reviewed and challenged by Audit Management Team, the Chief Officer (Audit and Risk) and the Director of Resources & Deputy Chief Executive and revised where necessary.

4.2 The Annual Plan

Internal audit has developed a comprehensive list of potential review areas across the organisation.

There are a number key systems that are considered of sufficient risk to be automatically included in the audit plan each year. These systems are agreed in advance with KPMG and are used as the basis by which KPMG are able to place reliance upon Internal Audit work. These systems are generally the ones that have the highest financial risk.

There are also a number of areas where the cumulative risks are assessed as having a level of in year risk that dictates they must be included in the Plan. These are generally establishment based reviews, for example schools or areas such as procurement. Again, resources are automatically allocated to these areas to ensure there is some coverage in the year.

As highlighted in the February 2011 Internal Audit Report, the impact of the Government's Spending Review – in terms of reduction in government funding and significant cost pressures in setting budgets - has already been felt by internal audit, particularly in terms of available resources and the type of work undertaken. In response to the changing environment additional days have been allocated to value for money (particularly business analysis) type work within the 2011/12 audit plan,

which has resulted in a planned 2178 days being allocated in the plan for this area of work. This includes resources from the BPR staff who transferred across to the Section during May 2010.

The planning process for 2011/12 has necessitated a thorough evaluation of the appropriate level and scope of coverage required to give stakeholders, including the CG&AC, an appropriate level of assurance on the control environment of the Council. More importantly, an on-going re-evaluation of this will be required throughout the year. On a quarterly basis, the audit plan will be re-assessed and resources re-prioritised towards the areas of highest risk. This will be reported to the CG&AC as part of the bi-monthly reporting process.

4.3 How assurance can be given

The following section provides details of the key areas of the audit plan for 2011/12:

4.3.1 Internal Control and Compliance

The 2011/12 audit plan includes internal control and compliance work which is fundamental to the assurance framework as it provides assurance across all Directorates and therefore underpins the Head of Internal Audit opinion on the overall adequacy and effectiveness of the Council's control environment.

This area of work involves a series of internal control and compliance checks across the organisation to provide assurance on whether key policies and procedures are being complied with in practice.

4.3.2 Cross Cutting Assurances

Internal audit will also review a number of key corporate functions, which will also give 'cross cutting' assurances to the CG&AC. These are areas such as: procurement, performance management, monitoring of key partnerships, and human resources. These reviews will include assessing the arrangements to ensure that their policies and procedures are:

- up to date;
- fit for purpose;
- effectively communicated;
- routinely complied with across the organisation;
- and monitored.

These reviews will provide an evidence based assurance on those key policies and procedures that underpin the control environment.

4.3.3 Key Financial Systems

This is the traditional area of internal audit work and very much focuses on providing the Section 151 officer assurance that “the Council has made arrangements for the proper administration of its financial affairs”. This will cover key expenditure systems such as payroll and creditors and income areas such as council tax and rents. These reviews also give an opinion as to the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.

4.3.4 Business Analysis and Value for Money

This is an area with increasing demand across the organisation with Directorates seeking ways to improve efficiency and productivity. Business analysis and vfm reviews seek to gain an understanding of the current systems and processes within a specific service and produce proposals for leaner, more efficient systems where resources are geared towards achieving agreed outcomes and management controls are timely and effective, whilst understanding the sensitivity of change, such as demand and how this would impact on a service’s ability to achieve agreed outcomes within budget.

The aim is also for business analysis review to provide an assurance on the internal control environment, where appropriate, which internal audit can use to compliance check key controls.

The time allocated in the audit plan for 2011/12 for this area will include business analysis reviews and value for money reviews. These types of reviews will continue to be in demand as the Council addresses the impact of staff reductions and continues to embed the VFM culture. Business analysis projects have already been planned in the following areas:

- Children’s Services
- Adult Social Care
- Changing the Workplace: Customer Access
- Projects included within Business Transformation work programmes such as Electronic Document and Records Management System (EDRMS)

Underpinning this must be a team of auditors equipped with the necessary skills and competencies that will allow stakeholders to rely upon their work. In addition, the Head of Audit must be satisfied that any other assurances taken into account are the result of a robust process and evidence based. For most assurances this will require an internal audit review.

4.4 Conclusion

The 2010/11 audit plan has, as a base, used the tried and tested risk based approach to prioritising internal audit work.

Progress against the plan will be monitored throughout the year and key issues reported to the Director of Resources, and the Chief Officer (Audit & Risk). The Head of Audit will report key issues arising from this work to the CG&AC in the bi-monthly and annual reports as a minimum.

The proposed 2011/12 annual audit plan is attached below that details the individual review areas planned.

Given the constantly changing environment, this plan will be subject to continuous review as changes in relative priorities of jobs already included and risks emerging throughout the year will need to be addressed. On a quarterly basis, changes to the audit plan from the re-prioritisation of resources and audit reviews will be reported to the CG&AC. For example, in the first quarter audit work is underway in both Adult Social Care, Childrens Services and Procurement.

INTERNAL AUDIT OPERATIONAL PLAN 2011/12

Summary by Assurance Block

Assurance Block	Days	% of total assurance days
Financial Systems	805	10%
Contingency	770	10%
Fraud and Corruption	922	12%
Head of Audit Assurances	54	1%
ICT and Data Mining	530	7%
Internal Control and Compliance	1400	18%
Policies and Procedures	52	1%
Procurement, Monitoring and Improvement	915	12%
Schools	140	2%
Unannounced Visits	100	1%
Business Analysis and VFM	2178	28%
Total Assurance Days	7866	

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In addition to the days allocated for the assurance blocks listed above, the audit plan also includes days for the following:

Audit Area	Days
Total Corporate Working Groups	90
Total External Contracts	324

Internal Audit Operational Plan 2011/12 - Detailed Reviews by Type

Audit		Assurance Block	Directorate
Contingency			
Councillor Queries	10	Contingency	Contingency
Follow-ups	100	Contingency	Contingency
General Contingency	600	Contingency	Contingency
Jobs less than 0.5 day	60	Contingency	Contingency
Total Contingency	770		
Counter Fraud and Corruption			
Counter Fraud Strategies	200	Counter Fraud and Corruption	Cross- Cutting
Ethical Standards Framework	50	Counter Fraud and Corruption	Cross- Cutting
Fraud and Corruption Return	5	Counter Fraud and Corruption	Cross- Cutting
Fraud Flashes/Warning Bulletins	5	Counter Fraud and Corruption	Cross- Cutting
Fraud Investigations	600	Counter Fraud and Corruption	Contingency
Money Laundering	10	Counter Fraud and Corruption	Cross- Cutting
National Fraud Initiative	40	Counter Fraud and Corruption	Cross- Cutting
Police Enquiries/Liaison	10	Counter Fraud and Corruption	Cross- Cutting
RIPA Queries/Liaison	2	Counter Fraud and Corruption	Cross- Cutting
Total Counter Fraud and Corruption	922		
Financial Systems			
Bank Reconciliation & Cash Book	25	Financial Systems	Central and Corporate Functions
Capital Programme Controls	20	Financial Systems	Central and Corporate Functions
Community Care	50	Financial Systems	Adult Social Care
Council Tax	30	Financial Systems	Central and Corporate Functions
Creditors	90	Financial Systems	Central and Corporate Functions
Housing Benefits	90	Financial Systems	Central and Corporate Functions
Housing Rents	25	Financial Systems	Environment and Neighbourhoods
Income Management System	25	Financial Systems	Central and Corporate Functions
Integrity of Accounts	30	Financial Systems	Central and Corporate Functions
Key Financial Systems - General Computer Controls	20	Financial Systems	Central and Corporate Functions

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Audit		Assurance Block	Directorate
Key Financial Systems - Year - End Reconciliations	40	Financial Systems	Central and Corporate Functions
Non Domestic Rates	25	Financial Systems	Central and Corporate Functions
SAP Payroll	110	Financial Systems	Cross- Cutting
Sundry Income	80	Financial Systems	Cross- Cutting
Treasury Management & Bankline	25	Financial Systems	Central and Corporate Functions
Directorate Financial Management	100	Financial Systems	Cross- Cutting
Financial Management Central Controls	20	Financial Systems	Central and Corporate Functions
Total Financial Systems	805		
Head of Audit Assurances			
Annual Governance Statement (AGS) - Report	3	Head of Audit Assurances	Cross- Cutting
Further Education	5	Head of Audit Assurances	Cross- Cutting
Interreg	1	Head of Audit Assurances	Adult Social Care
Leeds City Region	5	Head of Audit Assurances	Central and Corporate Functions
Lord Mayors Charity	10	Head of Audit Assurances	Central and Corporate Functions
Money Laundering - Report	3	Head of Audit Assurances	Central and Corporate Functions
Other Assurances Contingency	20	Head of Audit Assurances	Cross- Cutting
West Yorkshire Pension Fund	5	Head of Audit Assurances	Central and Corporate Functions
West Yorkshire Integrated Transport Authority	2	Head of Audit Assurances	Central and Corporate Functions
Total Head of Audit Assurances	54		
ICT and Data Mining			
Data Matching (Formerly Data Driven Intelligence)	400	ICT and Data Mining	Cross- Cutting
ICT Central Health Check	50	ICT and Data Mining	Resources
ICT Key Projects	80	ICT and Data Mining	Resources
Total ICT and Data Mining	530		
Internal Control and Compliance			
Compliance Visits - Contingency	800	Internal Control and Compliance	Cross- Cutting
Strategic Landlord/ALMO Partnership Assurance Programme	600	Internal Control and Compliance	Environment and Neighbourhoods
Total Internal Control and Compliance	1400		
Policies and Procedures			
Anti Fraud and Corruption Policy	2	Policies and Procedures	Cross- Cutting
Contracts Procedure Rules Update	5	Policies and Procedures	Cross- Cutting
Corporate Governance Central Controls (Leeds Evidence Framework)	20	Policies and Procedures	Cross- Cutting
Financial Procedure Rules Update	5	Policies and Procedures	Central and Corporate Functions
HR Policies and Procedures Central Controls	10	Policies and Procedures	Central and Corporate Functions
VFM Policy Update	5	Policies and Procedures	Central and Corporate Functions

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Audit		Assurance Block	Directorate
Whistleblowing Policy Update	5	Policies and Procedures	Cross- Cutting
Total Policies and Procedures	52		
Procurement, Monitoring and Improvement			
Assurances on Partnerships	20	Procurement, Monitoring and Improvement	Cross- Cutting
Central Monitoring of Key Partnerships	20	Procurement, Monitoring and Improvement	Central and Corporate Functions
Corporate Procurement Unit Central Controls	50	Procurement, Monitoring and Improvement	Central and Corporate Functions
Current Contract Audit	100	Procurement, Monitoring and Improvement	Cross- Cutting
Exceptions to Contracts Procedure Rules	70	Procurement, Monitoring and Improvement	Cross- Cutting
Performance Management Central Controls	10	Procurement, Monitoring and Improvement	Central and Corporate Functions
Procurement Contract Monitoring	600	Procurement, Monitoring and Improvement	Cross- Cutting
Duplicate Payments	20	Procurement, Monitoring and Improvement	Cross- Cutting
Strategic Landlord Strategic Client	25	Procurement, Monitoring and Improvement	Environment and Neighbourhoods
Total Procurement, Monitoring and Improvement	915		
Schools			
Visits to Schools - High (including Sixth Form Funding)	50	Schools	Children's Services
Visits to Schools - Primary and Special	90	Schools	Children's Services
Total Schools	140		
Unannounced Visits			
Unannounced Visits (Cash Ups)	100	Unannounced Visits	Cross- Cutting
Total Unannounced Visits	100		
Business Analysis and VFM			
Business Analysis and VFM	2178	Business Analysis and VFM	Cross- Cutting
Coverage determined on risk, but including;			
- Children's Services			
- Adult Social Care			
- Changing the Workplace: Customer Access			
- Electronic Document and Records Management			
Total Business Analysis and VFM	2178		
Total Assurance Block Days	7866		
Corporate Working Groups	90		
External Contracts	324		

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Audit		Assurance Block	Directorate
Operational Plan Total Days for 2011/12	8280		

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Report of the Chief Planning Officer

Corporate Governance and Audit Committee

Date: 15th June 2011

Subject: Assurances of the process by which planning decisions are taken by the Council

<p>Electoral Wards Affected:</p> <p>All – City wide</p> <p><input type="checkbox"/> No Ward Members consulted (referred to in report)</p>	<p>Specific Implications For:</p> <p>Equality and Diversity <input checked="" type="checkbox"/></p> <p>Community Cohesion <input checked="" type="checkbox"/></p> <p>Narrowing the Gap <input checked="" type="checkbox"/></p>
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Executive Summary

1. This report responds to the request of the Corporate Governance and Audit Committee to set out the arrangements in respect of planning decision taken by the Council in 2010-11 and will provide assurances to the Committee as to the operation of the arrangements and processes that are in place, ensuring they are up to date, accountable, transparent, have integrity, and are effective and inclusive.
2. There is a commitment to a programme of improvement activity in all areas of planning decision making and over the past year a number of changes have been implemented to ensure that the decision making process is more robust and there is continued confidence in the judgments being made. Considerable emphasis this year has been on officer training in conjunction with legal services. Session on report writing has ensured that reports are transparent and clearly demonstrate that proper consideration has been giving to all relevant issues. Guidance for robust reports has been provided and is embedded and complied with by all officers.
3. There has been a through review of the chief planning officer’s delegation scheme ensuring it is up to date and fit for purpose and continuous review of the decisions of the Plans Panels takes place to ensure that decision making is fair, transparent, effective and impartial. The number of decisions taken that are contrary to the officers recommendation has decreased substantially over the last few years, demonstrating that members and officers are working effectively together, ensuring there is public confidence in the decision making process.
4. Importance is placed on learning from results of complaints and Ombudsman cases to minimise the risk of complaints arising on the same grounds and there is tangible evidence of progress in the form of fewer complaints, fewer local settlements and continued good performance in the number of dismissed appeals. However, there have been a number of high profile appeals on phase two and three green field housing sites

in the last year, where the Planning Inspectorate have found for the appellants, which have been financially costly to the authority.

5. This report provides assurance that the service places considerable emphasis on good governance and quality assurance.
6. There is firm evidence to show that progress continues to be made as there are fewer complaints and local settlements, a reduction in the number of appeals made and a reduction in the number of those upheld. The green field housing appeals and public inquiries have somewhat overshadowed the overall performance on appeals and the arising cost awards.
7. A number of changes have made the decision making process more robust, consistent, transparent and to ensure there is confidence in the judgments being made. The chief planning officer's delegation scheme has been revised to reflect more accountable decision making. Publicity on applications has been reviewed to ensure that the process is as transparent and inclusive as possible. However, the service is not complacent and customer surveying shows where there is the need for improvement and the Committee can be assured that these issues will be addressed in the 2011-13 service plan.

1.0 Purpose of this Report

- 1.1 At its meeting on 12th May 2010, the Corporate Governance and Audit Committee requested a report to gain assurance of the process by which planning decisions are taken by the Council.
- 1.2 This report outlines the arrangements that are in place to underpin the decision making process within the remit of the Chief Planning Officer:
 - Planning decisions taken by officers under delegated authority
 - Planning decisions taken by the Plans Panels
- 1.3 It aims to provide assurances to the Committee as to the operation of the arrangements that are in place, confirming they are accountable, transparent, have integrity and are effective and inclusive.
- 1.4 Consideration is also given to the risk of challenge and the measures in place to mitigate potential risk and the programme of continuous improvement to ensure that processes take account of best practices.

2.0 Background Information

- 2.1 The regime for dealing with planning decisions are statute based as described in the Planning and Compulsory Purchase Act 2004¹. Planning law controls the development or use of land and local planning authorities (LPAs) exercise this control in line with their Development Plan. Local Development Framework documents comprise the LPAs specific policies for the development and use of land in its area.
- 2.2 All decisions on applications should be made in accordance with the Development Plan unless material considerations indicate otherwise and within the context of published national planning policy and guidance. National planning guidance, such as Planning Policy Statements, Minerals Policy statements and Circulars are material considerations.
- 2.3 In 2010-11, Planning Services made 4,196 planning decisions compared with 4200 in 2009-10.

¹ HMSO Planning and Compulsory Purchase Act 2004

3.0 Main issues

3.1 Decision making framework

3.1.1 This section looks at the framework within which decision-making occurs - by the Plans Panels or under the Council's delegation scheme.

3.2 Plans Panels

3.2.1 There are three Plans Panels - East, West and City Centre which are authorised to discharge functions within a geographical area. Each Panel comprises a number of council members from across all political parties, in proportion to the make up of the Council. Each Plans Panels meets on a monthly cycle and their terms of reference are included as appendix 1.

3.2.2 Under the Chief Planning Officer's Delegation scheme there are a number of types of applications which would normally be considered by the Plans Panels. These are usually the most controversial, most sensitive and strategically important applications, as well as those which would signify a departure from the Development Plan.

3.2.3 Ward members are able to request that an application comes to the Plans Panel for determination. However, such requests must be made in writing, within a 21 day deadline which is the statutory advertisement deadline for receipt of representations, after which time a decision could be legally made. Additionally, the reason for a request for referral to Panel must be based on material planning considerations and must give rise to concerns affecting more than just immediate neighbouring properties.

3.2.4 During 2010-2011, the Plans Panels made 225 decisions on individual applications, (5.3% of all decisions made in the year). This is an increase on the number of decisions made by the Panel in 2009-10, when 150 decisions were made (3.3% of all decisions that year).

3.2.5 Compliance with the Council's own Code of Practice for the Determination of Planning Matters is monitored and reviewed for any breaches. In 2010-11 there were no complaints made about breaches of the Code.

3.3 Delegation Scheme

3.3.1 The chief planning officer is authorised to carry out functions on behalf of the council and the delegation scheme forms part of the constitution. All applications are considered to be covered by the delegation scheme unless they fall within the "exceptions" section of the scheme, which lists the functions that the chief planning officer is not authorised to discharge.

3.3.2 The exceptions are set out in appendix 2. The Chief Planning Officer's delegation scheme was reviewed in early 2011. Members were consulted and proposed a number of amendments to the scheme. The report went to General Purposes Committee and then to Full Council in February 2011 where it was finally approved.

3.4 Sub Delegation scheme

3.4.1 The scheme sets out which functions have been sub-delegated by the Chief Planning Officer (CPO) to other officers and any terms and conditions attached to the authority sub delegated by the CPO. The sub-delegation scheme ensures that decision making is undertaken at an appropriate level of seniority and experience.

3.4.2 In 2010-11, 3,973 of decisions were made under the delegation scheme. Good practice suggests that authorities should delegate more than 90% of planning

decisions², giving the Plans Panels more time to focus on complex and the most controversial applications. In Leeds the delegation rate is 94.7% and is comparable to the Core Cities where the delegation rate is between 93.0% and 97.4%.

- 3.4.3 There is a clear process in place for the determination of an application, which is adhered to by officers. This ensures a consistent, accountable and transparent approach is taken on all applications.
- 3.4.4 Case officer reports are robust, clear and address all the issues arising, relevant policies that have been taken into account and address consultee responses and representations which have been made by the public. All decisions made by officers are publicly available and accessible. A recent customer satisfaction survey however has shown that there is an issue about some customers feeling that their comments have not been taken fully into account by the planning officer in reaching their decision. This has been addressed in some recent training and will also be covered in the 2011-13 service improvement plan to provide greater transparency and accountability in decision making and minimise the risk of complaints or challenge being made on similar grounds.
- 3.4.5 Each report is reviewed by a senior officer to ensure that there is a clear basis for a decision and reports can only be signed off by principal planner level (PO4) or above. In the case of major applications, these can only be signed off by area planning managers or above, ensuring that the decision is being taken at a sufficiently high level and that the appropriate level of experience and scrutiny is applied. No officer can sign off their own application which means there is robust scrutiny of the proposal and recommendation before the final decision is made.

3.5 **Officer review process**

- 3.5.1 There is a procedure in place where a ward member who is concerned about a possible recommendation to approve an application for a house extension, where there has been objections from neighbours, can request that the application is reviewed by a senior officer. The senior officer, usually the lead officer for the Plans Panel, will also consider whether it is appropriate that the application is determined under delegated powers or referred to the Plans Panel. The final decision where the application is determined under delegated powers is made jointly by the chair of the appropriate Plans Panel and lead officer, with reasons for the decision clearly set out.

3.6 **Officer conflicts of interest**

- 3.6.1 Officers must follow the employees code of conduct and any other rules or requirements in relation to personal conflicts of interest, which apply to them. All decision-makers are required to complete a register of interests.
- 3.6.2 Decision making officers are aware of the need to ensure there can be no suggestion of bias in their decision making. Decision makers and case officers are not involved in any applications where there could potentially be a conflict of interest. This is to minimise the risk of a challenge to the decision making process.
- 3.6.3 Any application for planning permission from a development management officer is dealt with by the Plans Panel as an exception in the chief planning officers delegation scheme to mitigate the potential for challenge on the grounds of bias or partiality.

² Planning Advisory Service Making your mind up- improving planning decision making. 2008

3.7 Ensuring best practice

- 3.7.1 Planning services recognises the importance of ensuring that the arrangements in place for decision making are accountable, transparent and effective. We adopt best practice wherever possible and the section below describes measures put in place to provide these assurances:
- 3.7.2 Every officer is appraised annually and has a ½ yearly review. As part of the appraisal, a development plan is drawn up to identify areas for officers where training or learning is needed in order to enhance their personal effectiveness and to ensure high quality decision making is maintained and enhanced. In 2010-11, 100% of staff in planning services have received their appraisal.
- 3.7.3 Planning officers need to keep up to date with legislation and the implications of changes on service provision and dealing with applications. This is achieved through a mixture of planning specific training from external providers and in-house briefings. Many planning officers are members of the Royal Town Planning Institute (RTPI), and receive professional updates and information on a regular basis from their professional body. Planning Officers are responsible for their own continuing professional development (CPD) and membership of the RTPI requires officers to undertake regular CPD. Additionally, a Planning Services Leadership Team (PSLT) meets on a regular basis to review performance, discuss legislative and other changes, share good practices and ensure consistency across the service. The advent of the Localism Bill which could radically reform the planning system means there is even more necessity for keeping up to date and officers have already received training on the content and progress of the Bill.
- 3.7.4 Work over the last few years seeks to ensure there are high quality presentations at the Plans Panels which provide full and clear explanations of planning applications and their implications to assist in enabling quality decision making.
- 3.7.5 A legal officer and the head of planning services attends all Plans Panel meetings. This ensures consistency of decision making across the city and to highlight common issues and areas for improvement. The legal officer provides legal advice where necessary and ensures that probity and propriety of the planning and decision making process is observed.
- 3.7.6 Members on the Plans Panels attend two compulsory training sessions each year - a planning update session to receive guidance in relation to regulation and procedures and a governance and conduct session providing guidance on declaration of personal and prejudicial interests. This helps to ensure more informed and transparent decision making with the reasons for each decision clearly articulated and communicated. Failure to attend both of these sessions may mean that a member will be unable to sit on the relevant Panel until the training has been undertaken.
- 3.7.7 The Chief Planning Officer's delegation scheme was revised and amendments agreed by Full Council in February 2011. The scheme took account of Member comments and concerns and has been amended accordingly. A guidance note to explain some of the processes is being produced for Members to provide further clarity and support for Members carrying out their role on the Plans Panels. New Panel members also receive an initial induction from the lead officer and are offered further support if required.

3.8 Continuous improvement and quality of service

- 3.8.1 The service is committed to continuous improvement and seeks to ensure that the decision making process is transparent, high quality, fit for purpose and robust. The council's service planning process ensures that improvement is integral to the services' operation. The emerging service plan for 2011-13 will be a useful

improvement tool, assisting the service to ensure that all practices and arrangements are accountable, transparent, have integrity, are effective and inclusive.

- 3.8.2 A Joint Member Officer Working Group, comprising members from all parties, was set up in 2007 following an in depth review of the workings of the Plans Panels and this group still meets regularly and is an essential forum for continuous improvement.
- 3.8.3 A planning officers checklist has been produced which clearly sets out the process and information needed in the process of determining a planning application. The checklist aims to provide a consistent approach across the service and to minimise errors to give greater confidence in the process and outcomes.
- 3.8.4 Planning officers have recently undertaken training in conjunction with legal services on report writing and Section 106 and use of conditions. Officer reports should be easy to comprehend and demonstrate transparency and the reasons why decisions are reached. The training highlighted the need for clarity and demonstrating that the relevant considerations have been taken into account and what weight has been given to them. In the event of a challenge an officer report would form a key part of the evidence in proceedings. The training on Section 106 and use of conditions ensures there is a consistent approach taken by officers in deciding which approach should be taken and in the technical wording of conditions, again to ensure consistency and transparency.
- 3.8.5 A Planning Performance Agreement (PPA) survey was undertaken in 2010 with developers and agents who had entered into an agreement with planning services. The results of the survey highlighted that there was room for improvement. The PPA process needs to be applied much more consistently by officers across the service in order to ensure confidence in the process and the judgments being made. This will be addressed in the service plan for 2011-13.
- 3.8.6 The Town and Parish Council Charter adopted in 2009 was reviewed in the summer of 2010 and was found fit for purpose at that time. The Charter clarified arrangements and relationships between planning services and Town and Parish Councils. The Charter seeks to promote greater community engagement so that local people feel more engaged in the planning process. This will become increasingly important with the advent of the Localism Bill which will give neighbourhood communities power to shape the way that the areas in which they live, develop and grow.
- 3.8.7 A report went to the Scrutiny Board (City Development) in September and provided a comprehensive description of the purpose, justification and management of Section 106/ 278 Agreements. Members were given reassurances that the system for Section 106 and 278 agreements was robust, up to date and in line with statutory regulations. On the request of the Board, a plain English guide on Section 106/ 278 was prepared for Members, Town and Parish Councils and the community to explain the process clearly and transparently.
- 3.8.8 A Scrutiny Inquiry on how applications are publicised and consultation takes place was undertaken in 2010. The Board made 13 recommendations in its final report which have been implemented by the service. Update reports on the progress have gone periodically to the Board and a final update report is likely to be presented soon. The service improvements provide rigour to the process of publicity and notification of planning applications through the adoption of a code of practice for publicity, which provides a clear and robust framework. Applicants, the public and members can have confidence that the advertising process for all applications is fair, proportionate and transparent. Neighbour notification letters, site notices and other correspondence has been reviewed to ensure they are in plain English and accessible. New information for communities involved in pre-application consultation has also been produced which clearly describes the purpose and process of pre-application consultation and facilitates a more inclusive approach, providing transparency to the process.

3.9 Monitoring and Review

3.9.1 We have a number of internal processes to ensure that there is sufficient rigour and consistency in the quality of decision making. We monitor the number of appeals, complaints, upheld complaints and decisions made contrary to the officer's recommendation and these are described below.

3.10 Appeals

3.10.1 The number of appeals per se should not necessarily be seen as an indication of the quality of decision making as all applicants have the right to appeal to the Planning Inspectorate against a refusal of planning permission. Applications can be refused where the considerations are finely balanced and there is a subjective element - in such cases a different decision could be made by another decision maker. However, where appeals are brought, the appellant can apply for costs against the council where the council has acted unreasonably and the appellant has incurred costs as a result.

3.10.2 The number of appeals resulting from planning refusal has decreased from 235 in 2008-09 to 183 in 2010-11. The number of appeals should be seen in the context of the total number of decisions. 4,196 decisions were made in 2010/11 so the number of appealed decisions represents only 4.3% of the total number of decisions in that year.

3.10.3 Importantly, there has been steady improvement in the number of appeals being dismissed. The chart below shows the improving performance over the last three years.

Year	Number of appeals	Dismissed
2008-09	235	69%
2009-10	233	74%
2010-11	183	73.3%

3.10.4 In 2010-11 19 decisions have been made on cost claims made against the Council - 8 were allowed and 11 dismissed.

3.10.5 During 2010-11 the service saw 7 high profile appeals take place on phase 2 and 3 green field housing sites. The strategic position in Leeds has been to promote brown field sites for development first and protect green field sites. However in all green field housing appeals the Planning Inspectorate have found for the appellants.

3.10.6 Five of these were allowed with costs, three with full costs and two with partial costs. The total cost of the claims is not known yet but will have a significant impact on the budget.

3.10.7 Of those applications determined by Plans Panel in 2010-11, which were contrary to the officer's recommendation, 3 have resulted in an appeal which have not yet been determined yet.

3.10.8 Appeal outcomes are regularly reviewed by the head of planning services to see if there are any common themes arising and to identify where improvements need to be made.

3.10.9 There is the possibility of Judicial Review proceedings being brought to challenge any decision of the LPA on the basis of illegality, irrationality or unfairness or procedural impropriety. There have been no Judicial Review proceedings brought in 2010-11 against decisions of the LPA although there was one action brought in the case of Leeds Girls High School before a decision was taken and this was dismissed by the High Court.

3.11 Complaints

- 3.11.1 In 2010-11 the service received 144 complaints, however this should be seen in the context of a total of 4,196 decisions made by the LPA in that year.
- 3.11.2 This is a decrease in numbers of complaints received in 2009-10, 148. There has been a slight increase in the number of complaints that were upheld - 24% in 2010-11 compared with 17% in 2009-10.
- 3.11.3 A dedicated team deals with the complaints and provides PSLT with regular reports on complaints performance and an analysis of the complaints. Learning points and areas for improvement are discussed and implemented to mitigate the risk of the complaint arising again. The main reasons for complaints are around lack of communication, lack of case management and incorrect officer reports. Work is on going in an attempt to reduce the complaints through improvements in customer care, including the training on report writing mentioned at 6.4 above, and changes in process and procedures.

3.12 Ombudsman and local settlements

- 3.12.1 Planning Services receives most cases from the Ombudsman where there has been a refusal of planning permission or where a decision has been taken that it is not expedient to take enforcement action. There were 27 Ombudsman complaints in 2010-11, compared with 21 cases in 2009-10. 17 decisions have been made by the Ombudsman and of these decisions, over half of the cases have been closed by the Ombudsman showing no maladministration.
- 3.12.2 There were four local settlements in 2010-11 compared with six in 2009-10. Two of the cases were cash settlements, one for £100 and the other of approximately £12,000, although this has still to be finally determined. The other two local settlements consisted of an apology and a home visit to resolve any outstanding issues. There were no common themes emerging for the cases but each complaint is the subject of a management review to reduce the likelihood of a reoccurrence.

3.13 Decisions not in accordance with officers recommendation

- 3.13.1 Officers make recommendations in their reports which go to the Plans Panels for consideration. Members sometimes make decisions which are contrary to the officers recommendation. Although there may be differences of opinion, especially if an application is finely balanced, it could give the perception that officers and Members are not working well together and a potential risk of a lack of confidence in the planning system from the development industry and the public.
- 3.13.2 Therefore, work over the last few years has addressed this and there has been a steady reduction in the number of decisions taken contrary to the officer's recommendation. The table below shows that performance has improved considerably between 2006-07 where 24% of decisions were contrary to the officers recommendation to 2010-11 where only 6% were contrary to the officer's recommendation. This improvement has been achieved through better quality reports and presentations by officers, greater knowledge and understanding of the issues by Plans Panel members and monitoring by the head of planning services of commonly arising issues which have been addressed with members and officers.

Year	Decisions	Decisions not in accordance with officers recommendation	% of overall decisions
2006-07	305	72	24%
2007-08	230	28	12%
2008-09	238	44	18%
2009-10	150	18	12%
2010-11	223	14	6%

3.13.3 Clear and accurate reporting of reasons why decisions have been taken are recorded and are in the public domain to minimise any risk of claims of unfairness or impartiality.

4.0 Implications For Council Policy And Governance

- 4.1 The Corporate Governance and Audit Committee makes sure the council's corporate governance requirements are adequate.
- 4.2 Regular reviews and reports, such as this one, providing assurances on the process by which planning decisions are taken, provides an opportunity for testing the measures currently in place and as a basis for continuous improvement.

5.0 Legal And Resource Implications

- 5.1 The legal implications of ensuring that the system is fair and lawful is the potential reduction in the number of legal challenges, complaints resulting in financial settlements and cost awards on appeals. The challenge of appeals is costly in both staff resources and financially in some cases.
- 5.2 There are no financial and resource implications arising from this report.

6.0 Conclusions

- 6.1 This report provides assurance that the service places considerable emphasis on good governance and quality assurance.
- 6.2 There is firm evidence to show that progress continues to be made as there are fewer complaints and local settlements, a reduction in the number of appeals made and a reduction in the number of those upheld. The green field housing appeals and public inquiries have somewhat overshadowed the overall performance on appeals and the arising cost awards.
- 6.3 A number of changes have made the decision making process more robust, consistent, transparent and to ensure there is confidence in the judgments being made. The chief planning officer's delegation scheme has been revised to reflect more accountable decision making. Publicity on applications has been reviewed to ensure that the process is as transparent and inclusive as possible. However, the service is not complacent and customer surveying shows where there is the need for improvement and the Committee can be assured that these issues will be addressed in the 2011-13 service plan.

7.0 Recommendations

7.1 Members are asked to:

- i. note the contents of this report and the robust assurance that it provides in terms of the methodology used in taking planning decisions at the Council ;
- ii. receive a report on planning decision making on an annual basis

8.0 Background Papers

HMSO Planning and Compulsory Purchase Act 2004

Planning Advisory Service Making your mind up- improving planning decision making 2008

Leeds City Council Constitution, Part 3 Chief Planning Officers Delegation Scheme

Leeds City Council Constitution, Part 5 Codes and Protocols (m) Code of Corporate Governance <http://democracy.leeds.gov.uk/mqConvert2PDF.aspx?ID=55590>

Leeds City Council Constitution, Part 5b) Employees Code of Conduct

Leeds City Council Code of Corporate Governance

Plans Panels

The Plans Panels are authorised¹ to discharge² the following functions³

1. all Council (non-executive)⁴ functions relating to:
 - (a) town and country planning and development control⁵;
 - (b) safety certificates for sports grounds and fire certificates⁶;
 - (c) common land or town and village greens⁷;
 - (d) street works and highways⁸;
 - (e) public rights of way⁹;
 - (f) the protection of hedgerows and the preservation of trees¹⁰; and
 - (g) high hedges¹¹
2. in respect of any approval, consent, licence, permission, or registration which they may grant:
 - (a) to impose conditions limitations or restrictions;
 - (b) to determine any terms;
 - (c) to determine whether and how to enforce any failure to comply;
 - (d) to amend, modify, vary or revoke; and/or
 - (e) to determine whether a charge should be made or the amount of such charge.
3. to discharge any licensing function¹², where full Council has referred a matter to the panel.

¹ Each Plans Panel is authorised to discharge functions in respect of its own geographical area as indicated on the plan attached (A larger scale more detailed copy of the plan is maintained by the Chief Planning Officer)

² With the exception of any licensing function under the Licensing Act 2003, the Panels and the Council may arrange for any of these functions to be discharged by an officer – the functions for the time being so delegated are detailed in Section 2 of Part 3 of this Constitution.

³ 'Functions' for these purposes shall be construed in a broad and inclusive fashion and shall include the doing of anything which is calculated to facilitate or is conducive or incidental to the discharge of any of the specified functions

⁴ Local Authorities (Functions and Responsibilities)(England)Regulations 2000 as amended

⁵ Items 5-31, Para. A of Schedule 1 of the 2000 Regulations

⁶ Items 26 and 27 of Para B of Schedule 1 of the 2000 Regulations

⁷ Items 37, 38 and 72 of Para B and Items 51-53 of Para I of Schedule 1 of the 2000 Regulations

⁸ Items 41,46A to 55 of Para B of Schedule 1 of the 2000 Regulations

⁹ Part I of Para I of Schedule 1 of the 2000 Regulations

¹⁰ Items 46 and 47 of Para I of Schedule 1 of the 2000 Regulations

¹¹ Item 47A of Para. I of Schedule 1 of the 2000 Regulations

¹² (section 7 (5) (a) of the Licensing Act 2003) The matter must relate to:

- a licensing function of the licensing authority and
 - a function which is not a licensing function
- Unless the matter is urgent, the Panel must consider a report of the Licensing Committee in respect of the matter before discharging the function concerned (Section 7 (6))

Chief Planning Officer

With the exception of those matters where an appropriate Executive Member³ has directed that the delegated authority should not be exercised and that the matter should be referred to the Executive Board for consideration⁴ the Chief Planning Officer⁵ is authorised to discharge any function⁶ of the Executive:

- (a) in relation to the authority's role as local planning authority⁷;

With the exception of those matters where

- (i) an appropriate Executive Member⁸ or the Director of City Development has directed that the delegated authority should not be exercised and that the matter should be referred to the Executive Board for consideration⁹; or
- (ii) the Director of City Development has directed that the delegated authority should not be exercised and that the matter be referred to him/her for consideration,

the Chief Planning Officer¹⁰ is authorised¹¹ to discharge any function¹² of the Executive in relation to:

- (b) building control (whether under the Building Act 1984 or otherwise);
- (c) safety at sports grounds; and
- (d) street naming and numbering.

³ An "appropriate Executive Member" is the Leader or other appropriate portfolio-holding Member of the Executive Board.

⁴ The Chief Officer may consider in respect of any matter that the delegated authority should not be exercised and that it should be referred for consideration to the Executive Board

⁵ The fact that a function has been delegated to the Chief Planning Officer does not require the Chief Planning Officer to give the matter his/her personal attention and the Chief Planning Officer may arrange for such delegation to be exercised by an officer of suitable experience and seniority. However the Director remains responsible for any decision taken pursuant to such arrangements.

⁶ "Function" for these purposes is to be construed in a broad and inclusive fashion and includes the doing of anything which is calculated to facilitate or is conducive or incidental to the discharge of any of the specified functions. The delegation also includes the appointment of the Director as "proper officer" for the purpose of any function delegated to him/her under these arrangements.

⁷ Save where any such functions are exercisable by a Plans Panel, the discharge of all **Council functions** relating to town and country planning and development control has been delegated to the Chief Planning Officer. No such **Council functions** will be exercisable by the Director of City Development

⁸ See footnote 1 above

⁹ See footnote 2 above

¹⁰ See footnote 3 above

¹¹ The Chief Officer must consult the Director of City Development before taking any key or major decision in relation to functions (b) to (c).

¹² See footnote 4 above

Chief Planning Officer

SECTION 1

With the exception of those matters where the Director of City Development has directed that the delegated authority should not be exercised and that the matter should be referred to him/her or the relevant committee for consideration and, subject to the exceptions listed below (in Section 3), the Chief Planning Officer¹³ is authorised to discharge the following Council (non-executive) functions:

Town and Country Planning and Development Control

(a)	To issue, amend or replace safety certificates (whether general or special) for sports grounds	The Safety of Sports Grounds Act 1975
(b)	To issue, cancel, amend or replace safety certificates for regulated stands at sports grounds	Part II of the Fire Safety and Safety of Places of Sport Act 1987

SECTION 2

Subject to the exceptions listed below (in Section 3), the Chief Planning Officer¹⁴ is authorised to discharge the following Council (non-executive) functions:

Town and Country Planning and Development Control

(c)	To determine application for planning permission	Sections 70(1)(a) and (b) and 72 of the Town and Country Planning Act 1990
(d)	To determine applications to develop land without compliance with conditions previously attached	Section 73 of the Town and Country Planning Act 1990
(e)	To grant planning permission for development already carried out	Section 73A of the Town and Country Planning Act 1990
(f)	To decline to determine application for planning permission	Section 70A of the Town and Country Planning Act 1990
(g)	Duties relating to the making of determinations of planning applications	Sections 69, 76 and 92 of the Town and Country Planning Act 1990 and Articles 8, 10 to 13, 15 to 22 and 25 and 26 of the Town and Country Planning (General Development Procedure) Order 1995 (SI 1995/419) and directions made thereunder
(h)	To determine application for planning permission made by a local authority, alone or jointly with another person	Section 316 of the Town and Country Planning Act 1990 and the Town and Country Planning General Regulations 1992 (SI 1992/1492)
(i)	To make determinations, give approvals and agree certain other matters relating to the exercise of permitted development rights	Parts 6, 7, 11, 17, 19, 20, 21 to 24, 26, 30 and 31 of Schedule 2 to the Town and Country Planning (General Permitted Development) Order 1995 (SI 1995/418)
(j)	To enter into agreement regulating development or use of land	Section 106 of the Town and Country Planning Act 1990
(k)	To issue a certificate of existing or proposed	Sections 191(4) and 192(2) of the Town and

^{13 & 2} The fact that a function has been delegated to the Chief Officer does not require the Chief Officer to give the matter his/her personal attention and the Chief Officer may arrange for such delegation to be exercised by an officer of suitable experience and seniority. However the Chief Officer remains responsible for any decision taken pursuant to such arrangements.

	lawful use or development	Country Planning Act 1990
(l)	To serve a completion notice	Section 94(2) of the Town and Country Planning Act 1990
(m)	To grant consent for the display of advertisements	Section 220 of the Town and Country Planning Act 1990 and the Town and Country Planning (Control of Advertisements) Regulations 1992
(n)	To authorise entry onto land	Section 196A of the Town and Country Planning Act 1990
(o)	To require the discontinuance of a use of land	Section 102 of the Town and Country Planning Act 1990
(p)	To issue a temporary stop notice	Section 171E of the Town and Country Planning Act 1990
(q)	To serve a planning contravention notice, breach of condition notice or stop notice	Sections 171C, 187A and 183(1) of the Town and Country Planning Act 1990
(r)	To issue an enforcement notice	Section 172 of the Town and Country Planning Act 1990
(s)	To apply for an injunction restraining a breach of planning control	Section 187B of the Town and Country Planning Act 1990
(t)	To determine applications for hazardous substances consent, and related powers	Sections 9(1) and 10 of the Planning (Hazardous Substances) Act 1990
(u)	To determine conditions to which old mining permissions, relevant planning permissions relating to dormant sites or active Phase I or II sites, or mineral permissions relating to mining sites, as the case may be, are to be subject	Paragraph 2(6)(a) of Schedule 2 to the Planning and Compensation Act 1991, paragraph 9(6) of Schedule 13 to the Environment Act 1995 (c 25) and paragraph 6(5) of Schedule 14 to that Act
(v)	To require proper maintenance of land	Section 215(1) of the Town and Country Planning Act 1990
(w)	To determine application for listed building consent, and related powers	Sections 16(1) and (2), 17 and 33(1) of the Planning (Listed Buildings and Buildings and Conservation Areas) Act 1990
(x)	To determine applications for conservation area consent	Section 16(1) of the Planning (Listed Buildings and Conservation Areas Act 1990 , as applied by section 74(3) of that Act
(y)	Duties relating to applications for listed building consent and conservation area consent	Sections 13(1) and 14(1) and (4) of the Planning (Listed Buildings and Buildings and Conservation Areas) Act 1990 and regulations 3 to 6 and 13 of the Town and Country Planning (Listed Buildings and Buildings in Conservation Areas) Regulations 1990 and paragraphs 8, 15 and 26 of Department of the Environment , Transport and the Regions Circular 01/01
(z)	To serve a building preservation notice, and related powers	Sections 3(1) and 4(1) of the Planning (Listed Buildings and Buildings and Conservation areas) Act 1990
(aa)	To issue enforcement notice in relation to demolition of listed building in conservation area	Section 38 of the Planning (Listed Buildings and Buildings and Conservation Areas) Act 1990
(bb)	To acquire a listed building in need of repair and to serve a repairs notice	Sections 47 and 48 of the Planning (Listed Buildings and Buildings and Conservation Areas) Act 1990
(cc)	To apply for an injunction in relation to a listed building	Section 44A of the Planning (Listed Buildings and Buildings and Conservation Areas) Act 1990
(dd)	To execute urgent works	Section 54 of Planning (Listed Buildings and Buildings and Conservation Areas) Act 1990

8.0.1.1.1 Commons Registration

(a)	To register common land or town or village	Regulation 6 of the Commons Registration (New
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	greens, except where the power is exercisable solely for the purpose of giving effect to (i) an exchange of lands affected by an order under section 19(3) of, or paragraph 6(4) of Schedule 3 to, the Acquisition of Land Act 1981 (c 67) or (ii) an order section 147 of the Inclosure Act 1845 (c8 & 9 Vict c 118)	Land) Regulations 1969 (SI 1969/1843)
(b)	To register variation of rights of common	Regulation 29 of the Commons Registration (General) Regulations 1966 (SI 1966/1471)
(c)	Functions relating to the registration of common land and town or village greens	<u>Part 1 of the Commons Act 2006 (c.26) and the Commons Registration (England) Regulations 2008 (S.I. 2008/1961)</u>
(d)	Power to apply for an enforcement order against unlawful works on common land	<u>Section 41 of the Commons Act 2006</u>
(e)	Power to protect unclaimed registered common land and unclaimed town or village greens against unlawful interference.	<u>Section 45(2)(a) of the Commons Act 2006.</u>
(f)	Power to institute proceedings for offences in respect of unclaimed registered common land and unclaimed town or village greens	<u>Section 45(2)(b) of the Commons Act 2006</u>

8.0.1.1.2 Hedgerows and Trees

(a)	The protection of important hedgerows	The Hedgerows Regulations 1997
(b)	The preservation of trees	Sections 197 to 214D of the Town and Country Planning Act 1990, and the Trees Regulations 1999

8.0.1.1.3 High Hedges

(a)	Complaints about high hedges	Part 8 of the Anti-Social Behaviour Act 2003
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SECTION 3

Exceptions:

The Chief Planning Officer is not authorised¹⁵ to discharge the following functions:

8.0.1.1.4 Town and Country Planning and Development Control

(a)	the determination of applications following a written request ⁴ to the Chief Planning Officer by a Ward Member <ul style="list-style-type: none"> concerning an application within the Ward he/she represents, or concerning an application within a neighbouring Ward where that Ward Member considers that the development would have a significant effect on the ward he/she represents that an application be referred to the relevant Plans Panel;
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¹⁵ Under this delegation scheme (council functions). A Plans Panel may however arrange for the discharge of **any** of its functions by the Chief Planning Officer - (Section 101(2) Local Government Act 1972).

⁴ This request must be made to the Chief Planning Officer and should normally be made within 21 days of the date of validation. The application can be legally determined after the 21 day statutory advertisement deadline if no such request

(b)	the determination of applications for development that would constitute a significant departure from the Development Plan, including a significant departure from any Local Development Framework currently in force;
(c)	the determination of applications for development that would be materially different from any supplementary planning guidance or planning brief approved by or on behalf of the Council;
(d)	the determination of applications for major development ⁵ which the Chair ⁶ considers are sensitive, controversial or would have significant impacts on local communities;
(e)	the approval of applications, where approval would reverse a previous decision taken by Plans Panel;
(f)	the approval of applications, where approval would conflict with an objection raised by a statutory technical consultee;
(g)	where the Chair ⁷ considers that the application should be referred to the relevant Plans Panel for determination because of the significance, impact or sensitivity of the proposal;
(h)	the determination of applications submitted in a personal capacity by or on behalf of Members, Directors or any other officer who carries out development management functions.

8.0.1.1.5

8.0.1.1.6 Commons Registration

(a)	Where objections have been received.
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⁴ This request must be made to the Chief Planning Officer and should normally be made within 21 days of the date of validation. The application can be legally determined after the 21 day statutory advertisement deadline if no such request has been received by that deadline. The request must set out the reason(s) for the referral based on material planning consideration(s) and must give rise to concerns affecting more than neighbouring properties (these being those which are notified by means of a letter as part of the Council's policy regarding publicity on householder planning applications).

⁵ "Major Development" for these purposes means:

- Residential development involving the erection of ten or more dwellings or, if the number of dwellings are not known, sites of 0.5 hectares or more.
- Other development proposals (apart from minerals and waste development) where the application would result in the erection of gross floorspace of not less than 1,000 msq, or sites of 1 hectare or more.
- Minerals and waste development where the application does require an Environmental Impact Assessment

⁶ In conjunction with the Chief Planning Officer

⁷ In conjunction with the Chief Planning Officer



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

Corporate Governance & Audit Committee

Date: 15 June 2011

Subject: Annual Report on Community Engagement

Electoral Wards Affected:

Ward Members consulted (referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

1. The council carries out a great deal of community engagement work aimed at increasing the involvement of local people in decision making. Most is owned at service level, usually part of service development, or performance monitoring.
2. The council's engagement arrangements meet Section 6 of the Code of Corporate Governance. However, other assurance criteria proved useful when considering issues such as the quality of work, and the expectations of our communities.
3. In practice, the potential for a good level of assurance is limited by the need to improve consistency and coordination of community engagement across the council.
4. There is a renewed improvement focus on community engagement as a key way of working for locally managed and/or delivered services
5. The comprehensive spending review changes the way we need to deliver engagement work, and also the use we make of engagement's benefits, such as targeted services, public understanding of service provision and trust in decision-making
6. A Way Forward improvement plan for engagement activity is in draft. It has the potential to make community engagement excellent within the council
7. That the Committee notes the planned improvements to the way we manage community engagement.
8. That the Committee receives regular updates on improvement activity throughout 2011/12

1.0 Purpose Of This Report


- 1.1 This report on community engagement informs the Corporate Governance and Audit Committee of the council’s ability to support residents’ involvement in decision making and the development of services.
- 1.2 The report considers the effectiveness of governance controls currently in place for these arrangements.
- 1.3 The report describes key improvement activities planned for this year (2011/12)

2.0 Background Information

2.1 Defining community engagement

- 2.1.1 The council’s community engagement policy states ‘community engagement...is a broad term used to describe the different ways we communicate, consult, involve and encourage participation from communities.’
- 2.1.2 The International Association for Public Participation (IAP2) sets out the different types of community engagement, their benefits and methods that can be used.

IAP2 PUBLIC PARTICIPATION SPECTRUM

INCREASING LEVEL OF PUBLIC IMPACT 				
INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
Public Participation Goal:	Public Participation Goal:	Public Participation Goal:	Public Participation Goal:	Public Participation Goal:
To provide the public with balanced and objective information to assist them in understanding the problems, alternatives and/or solutions.	To obtain public feedback on analysis, alternatives and/or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision, including the development of alternatives and the identification of the preferred solution.	To place final decision-making in the hands of the public.
Promise to the Public:	Promise to the Public:	Promise to the Public:	Promise to the Public:	Promise to the Public:
We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and provide feedback on how public input influenced the decision.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for direct advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.
Example Tools:	Example Tools:	Example Tools:	Example Tools:	Example Tools:
<ul style="list-style-type: none"> • fact sheets • web sites • open houses. 	<ul style="list-style-type: none"> • public comment • focus groups • surveys • public meetings. 	<ul style="list-style-type: none"> • workshops • deliberate polling. 	<ul style="list-style-type: none"> • citizen advisory committees • consensus-building • participatory decision-making. 	<ul style="list-style-type: none"> • citizen juries • ballots • delegated decisions.

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- 2.1.3 The council’s Code of Corporate Governance states (in Section 6) that we will form, encourage and maintain effective relationships with local people and other stakeholders.

2.2 **Statutory requirements for community engagement.**

- 2.2.1 Section 138 of the Local Government and Public Involvement in Health Act 2007 imposes a duty on all local authorities to involve local representatives when carrying out "any of its functions" by providing information, consulting or "involving in another way".
- 2.2.2 The 2010 Equality Act requires us to 'encourage persons who share a relevant protected characteristic to participate in public...' and to engage with people on 'the effect that its policies and practices have...on people who share a...protected characteristic'.
- 2.2.3 Equality Impact Assessments require evidence of involvement of relevant communities.
- 2.2.4 Section 4 of the Local Government Act 2000 requires us to consult when we create or amend a sustainable community strategy. Locally this is the Vision for Leeds.
- 2.2.5 The Planning and Compulsory Purchase Act 2004 requires us to produce a Statement of Community Involvement (SCI). This sets out how communities will be engaged in the preparation and revision of Local Development Framework and consideration of planning applications.

3.0 **Main Issues**

3.1 **Community engagement in 2010/11**

- 3.1.1 **Overview.** The council carries out a great deal of community engagement work aimed at increasing the involvement of local people in decision making. Over the last 12 months this has included the recent Spending Challenge consultation, the future of adult social care provision, consultation on the Arena, the future of libraries and sports provision, 'crime and grime' consultation in WNW Leeds, the Equality Hubs and Assembly and the work of the children's participation network

New arrangements have been established to support improvements in the way we manage consultation activity - the council consultation group (with representatives from every directorate), and the partner-wide Strategic Involvement Group are developing new training, guidance and ways to make best use of shared tools such as the Talking Point coordination system and a citizens' panel. The appointment of new Area Leaders and the development of delegations for area committees is an opportunity to review and improve how engagement is delivered on a local geographic basis.

- 3.1.2 **Governance.** The council value 'working with communities' links to the improvement priority 'we will consult with local people on changes that may affect their lives'. Performance will be measured by the percentage of key and major decision reports that evidence community engagement. This measure is owned by the Assistant Chief Executive (PPI) but is also the responsibility of all Directors.

A gap analysis exercise in 2010 showed that the council's engagement arrangements meet the elements of the Code of Corporate Governance. However, the analysis also considered a range of other assessment criteria beyond the code, and raised concerns over the consistency and coordination of community engagement across the council.

Most community engagement work is owned at service level. It is usually part of a service development project, or to inform performance monitoring. Engagement projects (stand alone or as part of wider projects/programmes) are approved by a range of sources; chief officers, project boards, Executive Board and CLT all being noted.

Other engagement activity is owned corporately, such as the Residents Survey, managed by the Corporate Consultation Manager on behalf of a council-wide steering group.

Area Management teams also deliver programmes of local engagement for Area Committees, in particular to inform Area Delivery Plans.

Each directorate has one or more officer representative on the Corporate Consultation Group, chaired by the Corporate Consultation Manager. This group reports to Strategic Planning and Policy Board, and is tasked with improving coordination of consultation activity through the online Talking Point database, developing training and guidance and consultation mechanisms such as the Citizens Panel. The group also links to the city partnership-wide Strategic Involvement Group.

The Corporate consultation group is not responsible for assuring the quality or efficiency of engagement activity, rather it fosters good practice through advice and support to services.

The council can show examples of good practice but also areas for improvement from recent engagement work:

3.1.3 Good practice

Spending Challenge November 2010 – January 2011. This consultation offered residents the opportunity to give their views on the council's approach to the current financial challenges. The results informed the budget setting process for 2011/12, more deeply than past budget consultation did.

The consultation went much further than past budget consultation in involving different groups in different ways, including the Citizens' Panel, face to face discussion and outreach work with key communities as well as a number of survey options made available city-wide. As a result five times more people (over 2000) took part than the last (2009) budget consultation exercise.

The project drew together officers from across the council, working outside their services to design, distribute, capture responses, analyse and report to a tight timescale. While a more permanent allocation of resources would be needed to do this regularly, it showed that the council has the skills and capacity to deliver major consultation exercises

Tenants Surveys 2010. The ALMOs, BITMO and the council used to run separate tenants satisfaction surveys. Apart from the duplication of effort and cost involved, every tenant could potentially receive two questionnaires in a year, from their ALMO and the council. Every survey was slightly different so the data couldn't be used to compare issues between ALMO areas.

In 2010 the ALMOs, BITMO and the council agreed a single joint survey for the city. The partners worked together to resolve barriers to cooperation. By procuring jointly, the single survey cost less than just one of the five parallel surveys. Other benefits include the ability to use the results across the whole city.

Equality Hubs and Assembly. The first Equality Assembly conference took place in November 2010, bringing together representatives from the six equality hubs with senior officers and the Leader of the Council. All the hubs meet regularly and were one of the ways communities contributed to the Spending Challenge consultation (see above).

Draft findings of an evaluation of the Assembly are that hub members feel the approach is an improvement on the previous forums, which many felt were too 'top down' and can ensure the views of diverse communities affect council decision-making.

The performance of these hubs contributed to our recent evaluation of 'excellent' against the Equality Framework for Local Government.

3.1.4 Areas for improvement

Public challenges to decisions. Since the need to make major cost savings became clear, there have been a small volume of enquiries about decisions based on the way consultation has been used to inform Equality Impact Assessments (EIAs) or a decision. There has been a renewed focus on ensuring EIAs are produced where significant service/policy change is being proposed.

In the current climate it is inevitable that decisions will be closely scrutinised, and any perceived weakness in the process will be targeted. We need to be confident that evidence from consultation is timely and relevant to the current situation.

We also need to communicate regularly with service users and communities to inform them how we are using results of consultation. This is very important if time has passed since they gave their views, as not everyone will remember or recognise the link between a past consultation and a decision we make later on.

Coordination. As noted at 3.1.2 the corporate consultation group is working to improve compliance with use of the Talking Point consultation coordination database. However, there are still relatively few examples of services taking opportunities to join up engagement work, and save money, share skills and reduce repeat engagement of communities.

Historically council services have run a number of large-scale surveys that deal with single issues: the Fuelsavers Survey, Parks and Countryside Survey, Tenants Surveys have all been sent to significant numbers of residents by post. There has been inconsistent use of branding, different contractors or in house arrangements used and little or no sharing of the engagement opportunity with other services.

This is inefficient practice at any time, but the financial problems we face make it vitally important that we consult far more efficiently. Section 3.2.2 describes planned improvements to the Leeds Citizens' Panel that offer great potential to efficiently coordinate consultation.

3.2 Challenges for engagement

3.2.1 **Area working in Leeds.** New arrangements for area management in Leeds place emphasis on community engagement. Area Leads have highlighted the following issues and actions:

A broad programme of engagement: Leeds City Council will engage with local communities through a range of methods that will span the breadth of the Public Participation Spectrum (see section 2.1.1). A calendar of local consultation, including the use of the Citizens Panel, will enable the public to give their views on the issues that matter to them most. A programme of engagement will seek out the views of the public as well by targeting those that are the hardest to reach.

A central role for Area Committees: With their delegated responsibility for community engagement and the upcoming delegation of Environmental Services, Area Committees will be at the centre of ensuring the public has its say in the delivery of local services. Each of the ten Area Committees will draw design principles from the council's community engagement strategy to develop and approve their own community engagement programme. Area Management within PPI (or its successor) will play a lead role in supporting Area Committees to co-ordinate and deliver a programme of engagement; however the full involvement of services will be critical for this to work effectively.

Public involvement through Integrated Neighbourhood Planning: A detailed programme of Integrated Neighbourhood Planning has yet to be developed but it will draw from the valuable experience gained from working in places like Gipton, Hyde Park and Middleton where measurable success has been achieved in tackling a range of challenging neighbourhood issues. In Leeds's most deprived communities or those with greatest service challenges, the Council will take extra measures to support the community to get involved in local decision making, involving them as Community Champions or members on a Regeneration Board.

Gaps in Empowerment Capacity: The government is challenging communities to take up the task of doing more things for themselves. However, our experience in Leeds is that communities sometimes need help to make a difference locally. A programme of capacity building is needed to help communities to meet their own aspirations to deliver community projects or run services. More work is needed to identify how Leeds City Council working with its partners in the voluntary, community and faith sector can support groups and individuals who want to give something back to their community.

3.2.2 **Spending reductions.** Having less funding changes the way we deliver engagement. It also changes the use we make of engagement.

Section 3.1.4 looks at the need to deliver engagement work more efficiently to reduce spend, and the impact the quality of consultation evidence can have on public challenges to spending decisions we have to make after the Comprehensive Spending review.

Making difficult decisions on services will always lead to challenge. The role of engagement is to minimize this and to manage the long-term reputation of the council. We are not looking to stop people disagreeing with a decision. However, we can help them trust the decision-making process, by providing timely, open and honest ways for them to have their say, be involved in decision-making processes and give honest feedback on the way their views have, or have not, impacted on the final decision.

We also need to make sure this applies to every decision we make about a service people use, so the council acts consistently.

3.2.3 **Localism.** The draft Localism Bill presents the government's proposals on where power should sit in society; 'passing power to a local level...giving people the opportunity to take control of decisions that matter to them'.

The draft Bill includes non-binding local referendums on issues proposed by communities, the right for people to challenge to run local services or to buy local community assets. The exact working of these plans is evolving.

What is clear is the potential for the Bill to change how engagement works. If an authority is not in a position to work in partnership with communities when they identify needs or problems, and to do so early in that process, the risk of confrontation through referenda or challenge may be increased.

Councils will need to engage with community-generated issues as meaningfully as they do for council-led priorities and plans.

Where more traditional or 'top-down' consultations take place, they will need to be delivered to the highest standards to minimize the risk of misunderstanding or later challenge from communities.

3.3 **Improvement work for 2011/12**

A 'Way Forward' plan to help us be excellent at community engagement is in draft. It looks at improvements in a context of limited resources, localism and the need to work in partnership. Systems and governance are important in the way forward. Key elements of the plan include:

3.3.1 **Improving the citizens' panel**

A citizens' panel is a database of randomly recruited residents willing to take part in regular consultation activity over a period of time. The panel reflects the wider population profile. Panel members respond to surveys, take part in small discussion groups and workshops, as part of a planned calendar of engagement activity.

Currently a draft business case proposes expanding the Leeds citizens' panel to c6000 residents, with c600 in each area committee. Each 600 would reflect the make-up of the local population as best it can. The panel would be used by the council and partners such as NHS Leeds who have agreed in principle to jointly fund the panel.

This approach was piloted with a 'crime and grime' survey' carried out by West North West area management officers, with the current panel members in that wedge of the city. Using online surveys for most people, with postal ones for those that couldn't get online, a 73% response rate was achieved, with very low spend (c£100 plus officer time). This was followed with a set of small discussion groups in the local area. The results gave detailed insight into localised issues, and was shared with relevant colleagues in Safer Leeds and Environmental Services.

3.3.2 **Improving coordination of engagement activity**

Talking Point is an online database that allows us to share planned consultation activity between services and with residents, and give feedback when completed. Some services use Talking Point well, posting their plans to engage well in advance, and putting results up at the end. This means other services can decide whether to save resources by joining up with the planned work, or find information that informs their own plans without commissioning more engagement.

The Corporate consultation group is working in each directorate to help all services make the most of the system, so we can consistently coordinate our work. Report templates now ask for evidence of consultation via Talking Point. This highlights the need to record consultation work on Talking Point, and improves our ability to monitor compliance.

3.3.3 **Making it easier for services to consult properly**

While the council does have an Engagement Toolkit it needs simplifying, updating and promoting. It also needs to be better supported by a training and development plan for those delivering engagement work.

The city partnership-wide Strategic Involvement Group (SIG) is currently addressing these issues, working on a set of core standards for engagement work, and a training plan. This builds on work started by the council's Corporate consultation group.

It is important that services are aware of the range of methods that can be used to engage, and how to decide what is appropriate for their specific need. Therefore SIG is exploring ways SharePoint software can be used to create a library of links to useful guidance and other specialist information on ways to engage different communities.

3.3.4 **Working in partnership**

The city-wide Strategic Involvement Group has representatives from health, fire and rescue, police and the third sector as well as the council. Reduced budgets and the impact of localism have accelerated partnership working on community engagement. Since early 2011, Talking Point and the Citizens' Panel are being developed as partnership tools rather than just council ones, to share resources, expertise and opportunities to engage.

4.0 Implications For Council Policy And Governance

- 4.1.1 Community engagement underpins or is recognised as important by council policies and priorities. While this paper in itself has no direct impact on policies and priorities, it describes improvement activities that will have impact. Each improvement will have its own, separate reporting.
- 4.1.2 The Equality Assembly and Hubs help the Council meet the legal duty to pay 'due regard' to the need to eliminate discrimination and promote equality for communities with 'protected characteristics'. The community engagement Toolkit advises officers how to design engagement that is accessible to all relevant communities, and stresses the importance of equality monitoring.
- 4.1.3 For risk assessments relating to community engagement arrangements in the council, please see the Corporate Risk Register for: Risk LCC 20: Community engagement, Risk Description: Leeds does not engage effectively with its diverse communities.

5.0 Legal And Resource Implications

- 5.1.1 If approved, the expansion of the citizens' panel will be delivered from existing budgets, and will cost less overall than surveys it aims to replace, such as the Residents Survey.

6.0 Conclusions

- 6.1 The council carries out a great deal of community engagement work aimed at increasing the involvement of local people in decision making. Most community engagement work is owned at service level. It is usually part of a service development project, or to inform performance monitoring.
- 6.2 The council has governance arrangements in place for managing community engagement, which meet the current relevant elements of the Code of Corporate Governance. These were evaluated in a gap analysis in 2010, although there is no regular cycle of monitoring and the gap analysis was labour-intensive to do.
- 6.3 The potential of our arrangements to give a good level of assurance is limited by the need to improve consistency and coordination of community engagement across the council.
- 6.4 Section 6 of the Code of Corporate Governance covers a number of aspects of managing engagement work. However, during gap analysis, other assurance criteria, such as those in the Compact for Leeds, proved useful when considering issues such as the quality of work, of advice and support to those delivering engagement and the expectations of those taking part.
- 6.5 The council's community engagement strategy sets out principles that remain fit-for-purpose, although detail and references needs updating.
- 6.6 There is a renewed improvement focus on making sure community engagement is an integral way of working for locally managed and/or delivered services
- 6.7 The comprehensive spending review changes the way we need to deliver engagement work, and also the use we make of engagement's benefits, such as targeted services, public understanding of service provision and trust in decision-making
- 6.8 A Way Forward improvement plan for engagement activity is in draft. It has the potential to make community engagement excellent within the council by addressing

coordination, training and guidance, partnership working and development of the Citizens' Panel.

7.0 Recommendations

- 7.1 That the Committee considers and comments on the information presented in this report.
- 7.2 That the Committee notes that while the council's engagement arrangements meet the relevant elements of the Code of Corporate Governance, consistency and coordination of community engagement across the council should be improved.
- 7.3 That the Code of Corporate Governance section 6 should be revised to include criteria that address compliance and quality of engagement work
- 7.4 That the Committee notes the planned improvements to the way we manage community engagement.
- 7.5 That the Committee receives regular updates on improvement activity throughout 2011/12

Appendices

Appendix One – sources of criteria used in gap analysis

- CIPFA accountability criteria
- Equality Framework
- Compact for Leeds
- Children and Young People's Participation Plan for Leeds
- Ex-CAA Key Lines of Enquiry
- Ideal empowering authority - IDeA

Appendix Two - background documents used

Gap analysis of engagement arrangements 2010/11

Research into effective communications and consultation, Leeds City Council and NHS Leeds, 2010. For details visit Talking Point, click on 'consultations' and type 'effectiveness' in the keyword search box.

Community Engagement Policy and Guide (Toolkit)

http://intranet.leeds.gov.uk/Interest_Areas/Corporate_communications/Community_Engagement/Statement_of_community_involvement.aspx

Leeds City Council Code of Corporate Governance:

http://www.leeds.gov.uk/files/Internet2007/2008/week14/inter_00A68160CB555B9080256E160038957A_757e0c11-a432-4fdd-b12e-e9c9e612eaf2.pdf

Statement of Community Involvement

http://intranet.leeds.gov.uk/Interest_Areas/Corporate_communications/Community_Engagement.aspx

SCI Annual Monitoring report 2009 <http://www.leeds.gov.uk/page.aspx?pageidentifier=4eb04e9f-c2cd-4439-a913-d8094871ca66>

Adult Social Care Involvement Framework

Leeds Children and Young People Participation Strategy 2007

Compact for Leeds



Originator: Laura Ford

Tel: 0113 39 51712

Report of the Director of Resources

Corporate Governance and Audit Committee

Date: 15th June 2011

Subject: Standards Committee Annual Report 2010/11

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

1. This report introduces the Standards Committee Annual Report 2010/11, which is attached at Appendix 1.
2. Due to the proposals contained in the Localism Bill, the Standards Committee has agreed that it would not be proportionate to produce an Annual Report in the same format as it has done in previous years. Therefore, this year's report simply includes the performance information which was previously requested by Standards for England as part of the Annual Return.
3. This report provides assurance that the Standards Committee has continued to meet its statutory obligations during the 2010/11 municipal year.
4. Members are asked to note the Standards Committee Annual Report 2010/11 as set out in Appendix 1.

1.0 Purpose Of This Report

- 1.1 To inform Members of the Standards Committee Annual Report 2010/11. The report is attached at Appendix 1.

2.0 Background Information

- 2.1 The terms of reference of the Corporate Governance and Audit Committee include the function to “review the adequacy of the Council’s Corporate Governance arrangements”, which includes the arrangements to ensure the appropriate conduct of Members and officers.
- 2.2 In order to support this function, Corporate Governance and Audit Committee, at its meeting on the 19th April 2006¹, requested that the Standards Committee produce a report on their work to be presented to this committee every 6 months.
- 2.3 At the Standards Committee meeting of the 25th April 2006² that committee agreed that the annual report would be presented to Corporate Governance and Audit Committee, to constitute one of these 6 monthly updates.
- 2.4 The sixth annual report was approved by the Standards Committee at its meeting on 16th February 2011, and is due to be considered by full Council on 13th July 2011.

3.0 Main Issues

- 3.1 Due to the proposals contained in the Localism Bill regarding the Standards regime, the Standards Committee has only met twice during the current municipal year. The Corporate Governance and Audit Committee discussed these proposals at its meeting held on 14th February 2011.
- 3.2 The Standards Committee therefore agreed that it would not be proportionate to produce an Annual Report in the same format as it has done in previous years. It was agreed that the Annual Report should simply include the performance information which was previously required by Standards for England as part of the Annual Return, in order to provide assurance that the Standards Committee is still meeting its statutory obligations.

4.0 Implications For Council Policy And Governance

- 4.1 The terms of reference of the Corporate Governance and Audit Committee include the function to “review the adequacy of the Council’s Corporate Governance arrangements”, which includes the arrangements to ensure the appropriate conduct of Members and officers. The Annual Report provides assurance to the Corporate Governance and Audit Committee that the Standards Committee is meeting its statutory obligations.

5.0 Legal And Resource Implications

- 5.1 There are no legal or resource implications.

¹ See Minute 60 of the meeting of the 19th April 2006.

² See Minute 91 of the meeting of the 25th April 2006.

6.0 Conclusions

- 6.1 The publication of this annual report will support the Council's governance arrangements by promoting transparency in the Standards Committee's actions.
- 6.2 By receiving and noting this report the Corporate Governance and Audit Committee will be undertaking its function to review of the adequacy of the Council's Corporate Governance arrangements.

7.0 Recommendations

- 7.1 Members are asked to note the Standards Committee Annual Report 2010/11 as set out in Appendix 1.

Background Documents

- Report to Corporate Governance and Audit Committee 'Implications of the Localism Bill for the ethical framework in Leeds', 14th February 2011
- Report to Standards Committee 'Standards Committee – Interim Annual Report', 16th February 2011.

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Leeds City Council

Standards Committee

Annual Report 2010 – 2011



Introduction

This is the Committee's sixth Annual Report and it presents a summary of its work during the 2010/11 municipal year.

The general functions of the Standards Committee are:

- ▶ Promoting and maintaining high standards of conduct by Members and co-opted members; and
- ▶ Assisting Members and co-opted members to observe the Code of Conduct.

The terms of reference for the Committee are:

- ▶ Promoting, monitoring and reviewing the rules controlling the behaviour of Councillors and Officers (Code of Conduct);
- ▶ To initially assess and review complaints against Leeds City Councillors and Parish and Town Councillors in Leeds and to decide what action (if any) to take;
- ▶ To consider the results of any investigation into the behaviour of Councillors and decide whether their behaviour has broken the rules described above. If the Councillor is found to have broken the rules, the Committee decides what sanction to impose;
- ▶ To make suggestions to and work with other agencies about standards issues and the different codes of conduct. This involves taking part in research projects and consultation exercises, as well as making suggestions for improvement and best practice to Standards for England;
- ▶ To provide advice and guidance to Members and officers and to make arrangements for training them on standards issues;
- ▶ To advise the Council about changes which need to be made to the code of conduct for Officers and to promote, monitor and review this code; and
- ▶ To consider applications to include or remove a post from the Council's list of Politically Restricted Posts.

Work completed in 2010/11

Complaints received during 2010/11

- ▶ Leeds City Council has received two complaints since the start of the municipal year. Case reference 1011001 was received on 8th December 2010 and was considered by the Assessment Sub-Committee on 13th December 2010. This complaint was made by a Council officer in relation to a Leeds City Councillor. The Assessment Sub-Committee decided to refer the whole complaint for local investigation, to be added into the existing investigation into case reference 0910010. This was because the complaint contained similar allegations against the same Councillor. Case reference 1011002 was received on 18th March 2011 and was considered by the Assessment Sub-Committee on 27th April 2011. This complaint was made by a member of the public in relation to a Leeds City Councillor. The Assessment Sub-Committee decided that no further action should be taken on this complaint. The average timescale for administering complaints from receipt to initial assessment is 14.5 working days for the municipal year.
- ▶ The other complaint considered by the Assessment Sub-Committee during this municipal year was received on 11th May 2010, and is therefore included in last municipal year's statistics (case reference 0910014). The Assessment Sub-Committee considered this complaint on 11th June 2010 and decided to take no further action. This decision was not reviewed by the complainant. The complaint was made by a member of the public in relation to a Leeds City Councillor.
- ▶ The table attached at Appendix 1 shows further details in relation to each investigation which has been commissioned or completed during this municipal year, including the estimated date of completion. The duration of an investigation is measured from the date of the Assessment Sub-Committee's decision to the completion of the final report. Members will recall that Standards for England advise that investigations should be completed within six months where possible, and that this is also reflected in the "Procedure for external Code of Conduct investigations" adopted by the Council.
- ▶ The table shows that the Council exceeded this timescale in relation to all the completed investigations. A short explanation for this in relation to each investigation is shown below:
 - 0809019** – The investigator experienced several difficulties with this case which included staffing and resource issues, the medical condition of the subject Member, and their inability to trace the whereabouts of the complainant once the investigation was underway. Due to the unacceptable delays during this investigation

the Council was able to secure a refund for part of the investigation costs.

0910001(2) – This complaint was investigated by an internal legal officer and therefore there were no costs in carrying out this investigation, although the officer was unable to complete the investigation within the recommended timescales due to the demands of their day to day work.

0910012 - This delay was due to the Monitoring Officer seeking an alternative resolution to the complaint on the recommendation of the Assessment Sub-Committee. The investigation was suspended for two months whilst resolution was sought. Unfortunately this intervention failed and the investigation was resumed. Without this interruption, the investigation would have been completed within the recommended timescales.

- ▶ The table shows that the ongoing investigation (0910010 and 1011001) has currently taken 14 months, although the new allegations arising from case reference 1011001 were only added to the existing investigation on 16th December 2010. The reasons for the delay can be explored by the Standards Committee once the investigation has been completed.

Other performance information

- ▶ The following questions have been taken from the Annual Return 2009/10, which the Council was required to complete by Standards for England. Standards for England no longer monitor the performance of Councils in relation to standards issues, but this information will provide assurance to the Council that the Standards Committee is still meeting its statutory obligations.
- ▶ When the provisions in the Localism Bill come into force the Council will have a duty to promote and maintain high standards of conduct by Members and co-opted Members of the Council. Considering such performance information will help the Council to determine whether it is meeting this duty.

How can the public access information about how to make a complaint about a Member's conduct?

- ▶ This information is available on the Council's website. The page explaining how to make a complaint can be found through the 'Get Involved' box on the front page, which provides a link to the 'Compliments and Complaints' area of the website. There is also a link to this page on the 'Standards Committee' area of the website. Both members of the public who submitted a complaint since the complaints form was amended have specified that they found the relevant

information on the Council's website. No other attempts have been made during this municipal year to advertise the complaints process more widely.

How can the public access information about the outcome of initial assessment decisions?

- ▶ Minutes of the Assessment and Review Sub-Committees are published on the Council's website, and are available through the Standards Committee agenda and the full Council agenda. The 'notices of outcome' from each case are also available for public inspection at Civic Hall, although no requests to inspect these notices have been made during this municipal year.

How can the public access information about the outcome of investigations?

- ▶ The Consideration Sub-Committee publishes minutes of its meetings, which are available on the Council's website, and as part of the agendas for the Standards Committee and full Council. Each final report also has an open covering report from the Monitoring Officer (containing the outcome of the investigation but not the names of the parties) which is published on the Council's website. If the Consideration Sub-Committee decided not to maintain the exemption on the report, it would be published and considered in public. A notice would also be published in the local newspaper (unless the matter was referred to a hearing or the subject Member requests otherwise).
- ▶ There have been three Consideration Sub-Committee meetings during this municipal year (as outlined earlier in this report). In all cases the Sub-Committee decided to maintain the exemption and exclude members of the public from the meeting. In addition, none of the subject Members agreed to a notice being placed in a local newspaper.

Does the Council have a mechanism in place for measuring the satisfaction of all those involved in allegations of misconduct? For example the Member, complainant and witnesses.

- ▶ At the end of each complaint the subject Member and complainant (and witnesses, if appropriate) are asked for feedback on the process and their experience. These results are reported to the Standards Committee alongside any suggestions for improvement. The most recent of these reports was received at the meeting on 13th July 2010, and resulted in various changes to the complaints process, including allowing complainants to request informal resolution and to specify a form of resolution that would satisfy them.

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- ▶ At the same meeting the Standards Committee also received a report reviewing the Hearings Sub-Committee procedure following feedback from the two hearings held in May 2010.

How does the Council promote standards and the work of the Standards Committee internally?

- ▶ The Standards Committee has its own page on the Council's website, and is featured in the internal newsletter 'Governance Matters'. The Chair of the Standards Committee promotes the work of the Committee by meeting the Leaders of the Political Groups and the Chief Executive on a quarterly basis, and by attending meetings of the Corporate Governance and Audit Committee as a non-voting co-opted Member.
- ▶ The minutes of the Standards Committee are also received by the Corporate Governance Audit Committee, and the Group Whips receive quarterly updates on the work of the Sub-Committees in relation to complaints.

How does the Council promote standards and the work of the Standards Committee externally to partners and the public?

- ▶ Members of the public can access information about the Standards Committee through various resources available on the Council's website, as outlined above. Members of the public can also attend Standards Committee meetings to observe, although this has not happened during this municipal year.
- ▶ Prior to each Standards Committee meeting the Parish Clerks are sent an email with a link to the Standards Committee agenda, which also highlights any particular items which may be of interest to their Parish Council.
- ▶ Members of the Standards Committee and officers supporting the Standards Committee took part in the West Yorkshire Regional Conference on 7th July 2010, which enabled Members to share best practice with their counterparts.

How does the Standards Committee communicate ethical issues to senior Council figures?

- ▶ As outlined above the Chair of the Standards Committee has quarterly meetings with the Leaders of the political groups and the Chief Executive, and also regularly attends meetings of the Group Whips. The Leader of the Council has responsibility for standards issues as part of the 'Central and Corporate' Executive Board portfolio, and the Monitoring Officer is part of the Corporate Leadership Team.

How do senior figures demonstrate strong ethical values?

- ▶ Ethical values are reflected in the Council's Aspirational Culture and in the new values introduced by the Chief Executive. These are 'Treating people fairly; Working with communities; Being open, honest and trusted; Working as a team for Leeds; and Spending Money Wisely'.

Does the Council have a protocol for partnership working that outlines the standards of behaviour expected of those working in partnership?

- ▶ The Council has an Advisory Note on Partnership Governance which was introduced in November 2010 to replace the Governance Framework for Significant Partnerships. This advisory note covers the resolution of conflicts of interest, but does not require partnerships to adopt a code of conduct for its members.
- ▶ The Council no longer monitors the governance arrangements of partnerships, although a register of significant partnerships which the Council has entered into is maintained and provided to Internal Audit on an annual basis. Internal Audit could then compare the arrangements within these partnerships to the standards set out in the advisory note.

What mechanisms are used to deal with Member/officer and Member/Member disputes?

- ▶ Such disputes are dealt with informally where possible and are usually resolved by the Monitoring Officer. The formal procedure for Members and officers to follow is set out in the Protocol for Member/officer Relations. Members can raise the matter with the officer directly (if appropriate) or with the relevant Director. An officer who has breached the Protocol may face disciplinary action, and a Member who has breached the Protocol may be reported to their Group Whip or Leader. There have been a few complaints involving Members and officers which have been resolved informally during this municipal year, but no formal complaints under the Protocol.

Has the Council assessed the training and development needs of Council Members in relation to their responsibilities on standards of conduct during this municipal year? What training needs were identified?

- ▶ The Council continues to assess the training needs of Members through completion of their Personal Development Plans (PDPs). So far this municipal year 29 PDPs have been undertaken. A number of learning needs have been identified, including ICT skills, media skills, chairing skills, corporate parenting and scrutiny skills. No specific training needs have been identified in relation to conduct issues, although

training on governance and conduct issues has been provided to Members of the Licensing Committee and Plans Panels as per the Constitutional requirements set out in Articles 8 and 8A and the Codes of Practice.

- ▶ The Standards Committee has a training plan containing some compulsory elements, which was last amended on 22nd April 2010. The plan seeks to meet the training and development needs of Standards Committee Members, both when they are new to the Committee and throughout their time as Members of the Committee. The following elements of the training plan are therefore compulsory:
 - To ensure all independent members of the Committee have the necessary skills to chair meetings of the Committee (in order to Chair the Standards Committee or any of its Sub-Committees);
 - To ensure all members of the Committee have an understanding of the Code of Conduct (in order to sit on any Sub-Committee);
 - To ensure all members of the Committee have the necessary skills to assess or review local complaints (in order to sit on the Assessment and Review Sub-Committee); and
 - To ensure that all members have the necessary skills to conduct a local hearing (in order to sit on the Hearings Sub-Committee).

- ▶ The current Members of the Standards Committee have completed all of the compulsory and highly recommended training, apart from one elected Member who has not attended any hearings training. However, it is not anticipated that this will cause any issues as only two elected Members would be required to sit on the Hearings Sub-Committee.

- ▶ The Head of Scrutiny and Member Development can also provide assurance that the way in which Councillors are trained, supported and developed in Leeds has been judged to be one of the best examples in the country, as the Council was awarded the Charter Plus Award for its Member Development following an inspection on 24th June 2010. Leeds City Council is the first Council in the Yorkshire and Humber region to reach the highest grade. The award aims to promote best practice in Member training and development and is based on the Investors in People national quality standard. It provides a systematic framework for the development of elected Members, and goes further than the basic level Charter award which the Council gained in 2007. The award is backed by Local Government Yorkshire and Humber and the Improvement and Development Agency and requires councils to demonstrate evidence that the Council is fully committed to developing elected Members, that member development is strategic and Member led, that the Council has a Member learning and development plan, and that the Council promotes work-life balance and citizenship.

What training has been carried out for Members and who received it? How well attended was it, and how are standards issues covered during the induction?

- ▶ This municipal year four 'Learning and Development' days were scheduled in advance. These days were clearly identified in the Council diary and spaced at regular intervals. A total of 30 Members attended events on the first learning day, and 19 Members attended on the second day. The majority of learning activity taking place on the learning days is the compulsory events for regulatory panel members referred to above.
- ▶ Member Management Committee have a responsibility to consider matters in relation to the training and development of elected Members. To this end, Member Management Committee have formed a working group for Member Development. The Member Development Working Group meets on a regular basis to formulate, progress and monitor Member Development activities. Over the last six months this has included work on the following projects:
 - Progressing work on learning and development projects such as induction and personal development planning
 - Undertaking exit interviews for Members stepping down or not re-elected
 - Reviewing attendance and feedback from the 2010-11 events programme and the Member Learning Days
 - Monitoring attendance and evaluating the compulsory Planning and Licensing Programme.
- ▶ A report containing feedback from the Member Development Working Group on the above issues was presented to Member Management Committee on 12th January 2011. As a result of this report Member Management Committee resolved that a report summarising the findings from exit interviews be presented to the first Member Management Committee meeting of the municipal year, and that the Committee be involved in reviewing the question template and procedures; Group Whips be informed which of their Members have not attended the compulsory planning and licensing training, and dates of future sessions; and the proposed approach to political awareness training for officers be endorsed, including the production of a DVD as a supporting material.
- ▶ All newly elected Members took part in training on the Code of Conduct during the induction period, which included a section on the registration and declaration of interests. The Standards Committee received a report on this matter on 13th July 2010.

On which areas of the Code of Conduct has training been provided to Members?

- ▶ All aspects of the Code of Conduct were covered during the induction training for newly elected Councillors. Members of the regulatory panels received an update on interests, and how predetermination issues can lead to possible disrepute.

What other training has been provided on areas of a Members' role or activities they may engage in?

- ▶ As part of the induction period Members received training on various aspects of their role including licensing, managing casework, a specific induction for new Corporate Governance and Audit Committee Members, how to handle difficult situations, and time management. The Member Development Working Group are planning a number of events and programmes for the remainder of the municipal year which include corporate parenting and safeguarding, emerging public health landscape and the role of the Council, building resilient communities and local enterprise partnerships.

How many investigations have been carried out, who by and at what cost? Does the Council have a policy in place to ensure the quality of investigations?

- ▶ Information about the completed investigations is set out earlier in this report. The ongoing investigation is being carried out by an external solicitor, and the final costs are not yet known as separate charges are made depending on the outcome of the case and whether the investigator needs to attend a Consideration Sub-Committee meeting or a Hearings Sub-Committee. The costs of the completed investigations for this municipal year are shown in the table below:

Case Reference Number	Estimated cost of completed investigation	Additional cost for attending Consideration Sub-Committee	Additional cost for attending Hearings Sub-Committee	Estimated total cost of case
0809019	£1,446.80	All inclusive	n/a	£1,446.80
0910001(2)	Investigation completed internally.			
0910012	£3,650.00	n/a	n/a	£3,650.00
Estimated total cost for Leeds City Council¹:				£5,096.80

¹ Excluding VAT and travel expenses.

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- ▶ The Council has adopted a 'Procedure for external Code of Conduct investigations' which outlines the standards expected of any external investigator commissioned by the Council. This procedure was reviewed by the Standards Committee on 13th July 2010 in the light of the feedback received from the participants in the two hearings held in May 2010.

What training has been provided for Parish Councils? What subjects did this cover, what methods were used and who attended?

- ▶ Training has been provided as part of the Annual Parish and Town Council Spring Conference which took place on 26th May 2010 in the Civic Hall. Delegates had a choice of four seminars to attend, which covered allotments provision, community policing and safety, Highways Services, and refuse collection and waste management. In addition to the seminar programme they were a variety of displays set up in and around the area of the Banquet Hall which were staffed by both internal and external organisations. This included information about standards issues.
- ▶ Approximately fifty representatives from the Parish and Town Council's across Leeds attended the event.

Does the Council have a COMPACT with the Parishes in the area? What help is provided to Parishes experiencing problems?

- ▶ The Council has a Parish and Town Council Charter with the Parishes in Leeds. This was initially agreed in October 2006 and was most recently updated in November 2009.
- ▶ Section two of the Charter sets out what practical support Leeds City Council will provide for the Parish and Town Councils in Leeds. This includes support from Democratic Services, Elections, Financial Management, Leeds Revenue Service, and Financial Development. Parishes also have access to a named officer in Democratic Services who performs a liaison function.

Impact Statement

This report provides assurance that the Standards Committee and its Sub-Committees are complying with their statutory responsibilities as set out in the Local Government Act 2000 and the Standards Committee (England) Regulations 2008. The Standards Committee is required to carry on complying with these requirements until the provisions within the Localism Bill 2010/11 come into force.

The report also sets out more general performance information which demonstrates that the Standards Committee is fulfilling its functions under the Local Government Act 2000, and those delegated by full Council.

Future changes to the standards regime in Leeds City Council

Under the provisions of the Localism Bill 2010/11 there would no longer be a compulsory Members' Code of Conduct and no requirement for local authorities to have a Standards Committee. Instead each Council will have a duty to promote and maintain high standards of conduct by Members and co-opted Members.

The Government has developed transitional arrangements to come into effect before the provisions of the Localism Bill come into force, which is expected to happen at the beginning of 2012.

The Council will also have the option of adopting a Code of Conduct to apply to its Members when they are acting in their official capacity. Wider consultation is currently being undertaken within Leeds City Council to establish to what extent Members support, or not, the adoption of some form of Code of Conduct.



Report of the Director of Resources

Corporate Governance and Audit Committee

Date: 15th June 2011

Subject: Work Programme

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. 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 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.

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**CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME**

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
July 18th – 2011		
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. (Part of the Committee's annual work programme)	Chief Officer (Audit and Risk) Tim Pouncey
Local Enterprise Partnerships	To receive a report on the governance arrangements for the new Local Enterprise Partnership specifically exploring governance issues contained within the partnership governance toolkit. (requested at the 14 th December 2010 meeting following a discussion on the Leeds City Region)	Chief Officer (Leeds Initiatives and Partnerships) Kathy Kudelnitzkey
2010/11 Statement of Accounts	To receive a report detailing the statement of accounts for 2010/11, prior to public inspection. (Part of the Committee's annual Work Programme)	Chief Officer (Financial Management) Doug Meeson
Implications of the Localism Bill	To receive a report updating Members on the implications of the Localism Bill. (This report was added to the work programme following a report detailing the Implications of the Localism Bill for the ethical framework in Leeds which was discussed on 14 th February 2011)	Director of Resources Alan Gay

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. (This report is part of the committee's annual work programme)	Strategic Landlord Liz Cooke
Contract Procedure Rules	To receive a report to update the Committee on progress in embedding Contract Procedure Rules. (This report was requested by the Committee on 21 st March 2011)	Chief Procurement Officer Wayne Baxter
KPMG Interim Audit Report	To receive an interim audit report from KPMG on findings on the audit and of progress towards an IFRS based statement of accounts. (Part of the committee's annual work programme)	Chief Officer Financial Management Doug Meeson
September 30th – 2011		
Annual Governance Statement	To receive the Annual Governance Statement.	Director of Resources Alan Gay
Small Claims Made Against the Council	To receive a report detailing the amount and type of small claims and the actions taken to reduce them. (requested at the meeting held on 14 th February 2011)	Insurance Manager Frank Morrison
2010/11 Statement of Accounts for Approval	To receive a report detailing the statement of accounts for 2010/11.	Chief Officer (Financial Management) Doug Meeson
KPMG Audit Report on 2010/11 Statement of Accounts	To receive KPMG's Audit report of the findings in respect of the 2010/11 Statement of Accounts, value for money conclusion and whole of government accounts conclusion. (part of the Committee's Annual work programme)	Chief Officer (Financial Management) Doug Meeson

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
2010/11 Audit Fee	To receive a report on the 2010/11 audit fee and the extent to which KPMG were able to finalise the audit at a cost below that previously agreed. (This report was requested by the committee on March 21 st 2011)	Chief Officer (Audit and Risk) Tim Pouncey
Local Government Ombudsman's Annual Letter	To receive the annual letter from the Local Government Ombudsman. (This report is on the agenda as part of the Committee's Annual work programme)	Corporate Customer Relations Manager Wendy Allinson
Council IT Systems	To receive a report detailing the extent of intruder attack on Council It systems; outlining progress made in agreeing and implementing policies which are still in development; explaining the arrangements that are in place for access to Members emails; and describing the assurance Members can gain from the Council's arrangements for information security. (This report was requested by the Committee on the 21 st March 2011)	Chief Officer (Business Transformation) Lee Hemsworth
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
November 9th - 2011		
6 Monthly Update Report on risk Management	To receive a report updating members on the Council's risk management arrangements. (This report is part of the Committee's annual work programme)	Chief Officer (Audit and Risk) Tim Pouncey

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. (This report is part of the Committee's Annual Work programme)	Head of Governance Services Andy Hodson
Leeds Initiative and City Planning	To receive a report updating the Committee on progress made with the review of the Leeds Initiative and Partnership Arrangements and the associated planning and performance arrangements in the City (This report was requested by the Committee on 18 th April 2011)	Chief Officer (Leeds Initiative and Partnerships) Kathy Kudelnitzky
December 13th - 2011 - No items currently scheduled		
January 23rd - 2012		
Financial Statements Audit Plan	To receive a report detailing the financial statements audit plan.	Chief Officer (Financial Management) Doug Meeson
February 27th - 2012 - No items currently scheduled		
March 28th - 2012		
External Audit Planning	To receive a report from the appointed External Auditor in respect of the audit fee, Value for Money Audit Plan and Financial Statement Audit Plan.	Chief Officer (Financial Management) Doug Meeson

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
Information Security Annual Report	To receive a report on the Council's Information Security arrangements.	Chief Officer (Business Transformation) Lee Hemsworth
April 23rd - 2012		
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
Annual Monitoring of Key and Major Decisions	To receive a report presenting the outcome of the monitoring process relating to Key and Major decisions.	Head of Governance Services Andy Hodson
ALMO Annual Assurance Report	To receive the Annual Assurance report from Strategic Landlord based on the assurances received from the ALMOs. (This report is part of the committee's annual work programme)	Strategic Landlord Liz Cooke
Annual Report on Risk Management	To receive a report regarding the Council's risk management arrangements. (Part of the Committee's annual work programme)	Chief Officer (Audit and Risk) Tim Pouncey

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

ITEM	DESCRIPTION	RESPONSIBLE OFFICER
Un-scheduled items for 2011/12		
CLG Consultation of Local Public Audit	To receive a report on the CLG consultation on local public audit. (requested by the Committee at its meeting held on 26 th September 2010 during discussion on the disbanding of the Audit Commission)	Chief Officer (Audit and Risk) Tim Pouncey