



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Meeting to be held in Civic Hall, Leeds, LS1 1UR on
Friday, 20th September, 2013
at 2.00 pm

MEMBERSHIP

Councillors

P Grahame	J Bentley	C Fox	R Finnigan
N Taggart		R Wood	
T Hanley			
G Hussain (Chair)			
E Taylor			
J Illingworth			
J Hardy			

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 DISCLOSABLE PECUNIARY AND OTHER INTERESTS'</p> <p>To disclose or draw attention to any disclosable pecuniary interests for the purposes of Section 31 of the Localism Act 2011 and paragraphs 13-16 of the Members' Code of Conduct.</p>	
5			<p>APOLOGIES FOR ABSENCE</p> <p>To receive any apologies for absence.</p>	
6			<p>MINUTES - 10TH JULY 2013</p> <p>To confirm as correct record the minutes of the meeting held on 10th July 2013.</p>	1 - 6
7			<p>DECISION MAKING FRAMEWORK; ANNUAL ASSURANCE REPORT</p> <p>To receive a report of the City Solicitor which is the annual report to the committee concerning the Council's decision making arrangements. The report brings together arrangements for planning and licensing matters together with all other decisions taken by officers.</p>	7 - 34
8			<p>ANNUAL ASSURANCE REPORT ON RISK & PERFORMANCE MANAGEMENT</p> <p>To receive a report of the Deputy Chief Executive providing the Committee with assurances on the strength of the Council's risk and performance management arrangements.</p>	35 - 42

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9			<p>ANNUAL FINANCIAL MANAGEMENT REPORT (INCORPORATING CAPITAL)</p> <p>To receive a report of the Deputy Chief Executive This report outlines the key systems and procedures which are in place to deliver such arrangements whilst ensuring the maintenance of adequate reserves. The report covers in detail the key components of the Council's financial management arrangements and aims to give members assurance that these systems and procedures are fit for purpose, up to date, embedded and being complied with.</p>	43 - 60
10			<p>INTERNAL AUDIT REPORT</p> <p>To receive a report of the Deputy Chief Executive providing a summary of internal audit activity for the period 1st July to 31st August 2013 and highlighting the incidence of any significant control failings or weaknesses.</p>	61 - 82
11			<p>REPORT ON THE LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REVIEW LETTER 2012/13</p> <p>To receive a report of the Chief Officer (Customer Access) which discusses the LGO's Annual Review Letter to the Council, summarises the Council's complaints and LGO cases for the period 1 April 2012 to 31 March 2013 and to assess the overall effectiveness of the Council's approach to complaints.</p>	83 - 100
12			<p>AUDITED STATEMENT OF ACCOUNTS AND THE VALUE FOR MONEY ASSESSMENT 2012/13</p> <p>To receive a report submitted by the Deputy Chief Executive. The Committee agreed to release the unaudited 2012/13 Statement of Accounts for public inspection on the 10th July 2013. Under the Committee's terms of reference, Members are now required to approve the Council's final audited Statement of Accounts and consider any material amendments recommended by the auditors.</p>	101 - 124

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13			<p>ANNUAL GOVERNANCE STATEMENT</p> <p>To receive a report of the City Solicitor presenting the Annual Governance Statement to the Committee for approval.</p>	125 - 140
14			<p>WORK PROGRAMME</p> <p>To receive a report of the City Solicitor notifying and inviting comment from the Committee on the work programme.</p>	141 - 144

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Agenda Item 6

Corporate Governance and Audit Committee

Wednesday, 10th July, 2013

PRESENT: Councillor G Hussain in the Chair

Councillors P Grahame, T Hanley, C Fox,
E Taylor, J Bentley, J Hardy, N Walshaw
(as substitute for N Taggart) and
B Anderson (as substitute for R Wood)

Apologies Councillors N Taggart, R Wood and
J Illingworth

1 Chair's Opening Remarks

The Chair welcomed councillors and officers to the first meeting of the Committee in the new Municipal Year.

2 Appeals Against Refusal of Inspection of Documents

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

3 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

4 Late Items

There were no late items submitted to the agenda.

5 Declaration of Disclosable Pecuniary and Other Interests'

No declarations were made.

6 Apologies For Absence

Apologies for absence were received from Councillors E Taylor N Taggart and R Wood. In reporting Councillor Taggart's absence the chair wished to convey the committee's best wishes for a speedy recovery.

7 Minutes of the Meeting held on 22nd April 2013

The minutes of the meeting held on 22nd April 2013 were approved as a correct record.

Draft minutes to be approved at the meeting
to be held on Friday, 20th September, 2013

8 Matters Arising

Minute No. 60 Calderdale Shared Services Agreement

With regards to this item it was confirmed by the Head of Governance Services that a report will be brought back to the Committee in November following a report which is being received by the Executive Board on the Calderdale Shared Services Agreement.

Minute No.61 Business Continuity Arrangements for LCC's most critical Services

The Head of Governance Services confirmed that the Chief Officer (Audit and Investment) had relayed the Committee's concerns, about Business Continuity Plans currently not being in place for all business critical services to the Director of Resources.

9 Update regarding progress with the development of Business Continuity Plans for LCC's most critical services.

The Business Continuity Programme Manager provided an update to the Committee on the progress made towards completing the outstanding Business Continuity Plans for the Council's most critical services.

Members re-iterated that they had been disappointed with the number of Business Continuity Plans completed in April and that, whilst considerable progress had been made the remaining 26 plans that were still to be completed was unsatisfactory.

Members agreed that they wished to see all Business Continuity Plans completed by the end of September in time for a further update report to the Committee at its November meeting.

RESOLVED - The Committee resolved to:

(a) note that progress with the development of Business Continuity Plans for the Council's most critical services is being made with all directorates in order to meet the statutory duties required of the Civil Contingencies Act 2004; and

(b) request a report to November's meeting informing the Committee whether the completion of all outstanding Business Continuity Plans for the most critical services have been completed.

10 KPMG Interim Audit Report

The Principal Audit Manager from KPMG presented a report which identified the findings from KPMG's interim audit work in relation to the 2012/13 financial statements and the initial work undertaken to support their 2012/13 VFM conclusion.

Draft minutes to be approved at the meeting
to be held on Friday, 20th September, 2013

It was noted by the Committee that in previous years substantial audit reports have been received which have set out the extent of KPMG's work with assurances provided to Members. In light of this Members questioned the KPMG representative whether all the work identified in their audit plan had been completed. It was confirmed to the Committee that all work had been completed.

KMPG outsourcing work to India was raised by the Committee, specifically in relation to the security and storage of data. Members were also keen to ensure KPMG contributed to job prospects for local people.

RESOLVED – The Committee resolved to note:

- (a) the positive assurances provided by KPMG on the systems and controls which underpin the Council's financial statements; and
- (b) that no significant issues had been identified by KPMG during the year.
- (c) KPMG's opinion that Internal Audit are fully compliant with the "The Code of Practice for Internal Audit in Local Government" and that fully reliance can be placed on their work.

11 The Statement of Accounts 2012/13

The Principal Finance Manager presented a report which presented the 2012/13 Statement of Accounts prior to them being made available for public inspection. It was confirmed to the Committee that the Director of Resources had reviewed the accounts and signed them as a true and fair view of the Council's financial position.

Members raised a number of questions on the accounts, specifically in relation to a £1.6m grant re-fund from 2011/12 and the level of reserves held by schools.

Members also gave consideration to the contingent liabilities and contingent assets of the Council.

Members also commented on the significant fall in the net worth of the Council as recognised by the Council's balance sheet. However assurance was provided by the Principal Finance Manager, that if market value, rather than social value, was applied to the Council's housing stock, and if infrastructure was also to be included at full value, then this would significantly enhance the Council's balance sheet. It was however recognised that the Council's balance sheet contained some significant liabilities, notably in relation to pensions and debt. These liabilities are carefully monitored to ensure they are effectively managed. In particular it was noted that the Council's actuaries estimated that the pension liabilities are currently over 90% funded and are expected to reduce under planned changes to the scheme.

It was noted by the Committee that although the Council does have significant debt expenditure, the cost of servicing this debt amounted to only 6% of the Council's spend which compared well to comparable organisations of the Council's size.

RESOLVED – The Committee resolved to:

- (a) to note the contents of this report; and
- (b) agree to release the accounts for public inspection.

12 Internal Audit Annual Report

Head of Internal Audit presented a report which brought to the attention of the Committee the basis of the Internal Audit Assurance for 2012/13.

Members discussed the report commenting on the administration of community centres and discussing whether they give value for money when booking them for events.

Members also considered the positives and negatives of framework contracts and that on occasion certain items were available more cheaply when purchased outside a framework contract.

The Head of Internal Audit welcomed suggestions from Members of areas of the authority to review.

RESOLVED – The Committee resolved to receive the Internal Audit Annual report 2012/13 and note the assurances given.

13 Internal Audit Quarterly Report 1st April to 30th June 2013

The Head of Internal Audit presented a report which provided a summary of Internal Audit Activity for the period 1st October to 30th November 2012 and highlighted the incidence of any significant control failings or weaknesses.

The proposed Internal Audit Plan for 2013/14 was also included as part of this report and has been challenged and agreed by the Director of Resources.

Members asked questioned about the role of Internal Audit in relation to Business Continuity Planning and were informed that the service is subject to routine audit.

The role of Internal Audit with regards to the new combined authority and the LEP was discussed by the Committee and the Head of Internal Audit welcomed any support Members could offer which might enable regular review of these areas to take place.

RESOLVED - The Committee resolved to:

- (a) Receive the Internal Audit April to June 2013 report and note the work undertaken by Internal Audit during the period covered by the report and the assurances given; and
- (b) Note the Internal Audit Plan for 2013/14.

14 Work Programme

The City Solicitor submitted a report notifying Members of the work programme.

The Committee reviewed its forthcoming work programme.

RESOLVED - The Committee resolved to note the forthcoming reports.

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Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 20th September 2013

Subject: Decision Making Framework; Annual Assurance Report

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. This is the annual report to the committee concerning the Council's decision making arrangements. For the first time the report brings together arrangements for planning and licensing matters together with all other decisions taken by officers.
2. From the review, assessment and ongoing monitoring carried out, the Head of Governance Services, Head of Licensing and Registration and Chief Planning Officer have reached the opinion that, overall, decision making systems are operating soundly and that arrangements are up to date, fit for purpose, effectively communicated and routinely complied with.

Recommendations

3. Members are requested to consider and note the positive assurances provided in this report.

1 Purpose of this report

- 1.1 This is the annual report to the committee concerning the Council's decision making arrangements. For the first time the report brings together arrangements for planning and licensing matters together with all other decisions taken by officers.
- 1.2 This report provides one of the sources of assurance which the Committee is able to take into account when considering the approval of the Annual Governance Statement.
- 1.3 Members are asked to consider the results of monitoring shared within the body of this report and to note the assurances given by the Head of Governance Services, the Head of Licensing and Registration and the Chief Planning Officer, that the decision making framework in place within Leeds City Council is up to date, fit for purpose, effectively communicated and routinely complied with.

2 Background information

Previous Reports

- 2.1 The committee has received previous assurance reports separately in respect of Executive decision making, planning and licensing matters. The most recent reports to be received in each respect were:-
 - Decision Making Framework; Annual Assurance Report – 28th September 2012
 - Assurances of the process by which planning decisions are taken by the Council – 23rd April 2012
 - Licensing Decision Making Framework – 27th March 2013

This report seeks to update the committee in respect of each of these decision making areas.

Executive Decision Making Framework

- 2.2 The Council's decision making framework comprises of the systems and processes through which decision making is directed and controlled. Whilst a number of these systems and processes are put in place in direct response to primary and secondary legislation, others reflect the implementation of locally adopted definitions and choices made to ensure maximum transparency and accountability within Council practice and procedure.
- 2.3 The principal systems and processes are set out in the Council's Constitution as follows;

Part 2 - Articles of the Constitution

- 2.3.1 **Article 1** (describing the powers and purpose of the Council and the purpose of the constitution), **Article 3** describing the rights of Citizens (for example rights to attend meetings, rights in respect of the forward plan, access to information regarding decisions), **Article 4** – the budget and policy framework of the Authority, **Article 6** the role of function of Scrutiny Boards, **Article 7** the role, form and composition of the Executive, **Articles 8-10** describing the role, function and membership requirements of committees and **Article 13** (which describes requirements relating to decision making);

Part 3 - Responsibility for Functions

- 2.3.2 The responsibility for Council, Local Choice and Executive functions and how these have been delegated to committees and officers. (Each Director documents how these functions are discharged within their directorate by making and maintaining a sub delegation scheme.)

Part 4 – Procedure Rules

- 2.3.3 Rules in relation to the decision making processes which make provision for decision making in relation to Executive and Council functions by both Members and officers.

Part 5 - Codes and Protocols

- 2.3.4 Codes of conduct for members and officers (specifically arrangements for members and officers to register and declare relevant interests) and protocols describing the respective roles of members and officers in decision making.
- 2.4 In addition to these documented processes there are a number of Statutory Officers appointed to ensure that the Council acts within its powers and budgets. Of particular relevance to decision making are:-

The Head of Paid Service

- 2.4.5 In Leeds the Chief Executive, responsible for ensuring that the Council appoints and directs a staff compliment sufficient to ensure that it can fulfil its functions.

The Monitoring Officer

- 2.4.6 In Leeds the City Solicitor, responsible for ensuring that the Council acts at all times within its legal authority.

The Chief Finance Officer

- 2.4.7 Also known as the Section 151 Officer, in Leeds the Deputy Chief Executive and Director of Resources, responsible for ensuring that the Council acts at all times within its financial capacity.

Licensing Matters

- 2.5 A separate framework supports decision making in relation to the Licensing Act 2003, Gambling Act 2005, taxi and private hire and miscellaneous licensing (scrap metal dealers, motor salvage dealers, sex establishment licence, place of marriage, hypnotism, house to house collections and street collections).
- 2.6 Under the legislative framework certain licences are automatically granted in the absence of objections in accordance with the legislation, whilst other applications are decided in accordance with policies determined and reviewed by Councillors as required. Details of the policy reviews currently being undertaken are set out at paragraph 3.51 below. Dependant on the type of licence, Officers or Licensing Sub Committee make individual decisions in accordance with relevant law and policy.

Planning Matters

- 2.7 The framework for decision making in relation to planning matters in England and Wales is plan-led. This involves the authority in preparing plans that set out what can be built and where. All decisions on applications for planning permission should be made in accordance with the Development Plan unless material planning considerations indicate otherwise.
- 2.8 The decision on whether to grant permission is within the context of the development plan and other material considerations which includes national and local planning policy and guidance. Material considerations cover a wide variety of matters including impact on neighbours and the local area.
- 2.9 All applications are publicised so the public are aware of them and some are subject to more detailed consultation (depending on their scale and sensitivity).

3 Main issues

EXECUTIVE DECISION MAKING

- 3.1 The Head of Governance Services has responsibility to ensure that the Council's decision making arrangements are up to date, fit for purpose, effectively communicated, routinely complied with and monitored.

Amendments to the Decision Making Framework

- 3.2 As in any other municipal year it has been necessary to review and amend the Constitution in order to implement changing legislation and to ensure that it remains an accurate reflection of practice and procedure within the Council. Changes have taken place in accordance with Article 15 of the Constitution. Any amendments made by the Monitoring Officer in the 2012/13 Municipal Year were recorded as Significant Operational Decisions and published on the Council's web site, amendments made by the Leader of Council or Executive Board were reported to the next available meeting of the Council, and decisions to be taken by

Full Council were first considered by the General Purposes Committee in order that recommendations could be made.

Executive Arrangements Regulations

- 3.3 As previously reported, in August 2012 the Secretary of State introduced The Local Authorities (Executive Arrangements) (England) Regulations 2012 to govern executive decision making within local authorities. A review of the arrangements in place in Leeds at the time indicated that minimal changes were necessary to existing practice and procedure to meet the requirements set out in the regulations. Appropriate amendments were made to the way in which decisions were publicised and recorded and steps were taken to ensure that these changes were embedded throughout the Council's decision making practice.
- 3.4 In particular the regulations have led to the following changes:-
- 3.4.1 The Forward Plan has been restyled the List of Forthcoming Key Decisions. The list differs from the Plan in that it can be amended in real time, allowing items to be added to the list responsively and ensuring that there is no unnecessary delay in taking a Key decision, whilst publishing the Council's intention that the decision will be taken no less than 28 clear calendar days prior to taking it in accordance with the regulations.
- 3.4.2 The general exception and special urgency provisions allowing decisions to be taken at less notice continue to apply. Statistics in relation to the use of the General Exception and Special Urgency in Leeds are detailed at paragraphs 3.16 to 3.22 of this report.
- 3.4.3 Procedures have been introduced to provide notice of the Executive's intention to consider part or parts of the agenda for Executive Board or Area Committee meetings in private. There is no equivalent procedure for decisions to be taken by officers as, by their nature, these decisions are never taken in public.
- 3.4.4 In accordance with the report received in September 2012, the Head of Governance Services wrote to DCLG outlining Leeds City Council's practice and procedure, particularly in respect of recording Significant Operational Decisions, and indicating the Council's intention to maintain this practice in the absence of requirements to extend recording further to include all Administrative Decisions. In the absence of a response to the contrary the Head of Governance Services concludes that the practice in Leeds is sufficient to fulfil the regulations.
- 3.5 During the annual review of the Constitution, which takes place each year to ensure that the Constitution is up to date and fit for purpose, appropriate amendments were made to ensure that these arrangements are captured clearly and concisely within the Council's Executive and Decision Making Procedure Rules and Access to Information Procedure Rules. Appropriate consequential amendments were also made to the Constitution.

Delegation of Functions

- 3.6 The Constitution documents the delegation of Council and Executive functions to Officers. In turn a framework has been established whereby those functions are sub delegated (normally by Directors) to other officers of the Council. These arrangements provide for transparency in terms of officer accountabilities. In summary for 2013;-
- 3.6.5 Each of the 10 officers who have functions delegated to them through the Constitution is required to make a new sub delegation scheme each municipal year to reflect the Executive Arrangements determined by the Leader (and those determined by Full Council concerning Council Functions).
- 3.6.6 The Head of Governance Services maintains a record of sub delegation schemes as they are made and amended by Directors and can confirm that each Director (or Chief Officer) with functions delegated to them through the Constitution made and reviewed their own sub delegation scheme in the 12/13 Municipal Year. In addition each of the 10 officers with delegations under the 13/14 constitution signed off a new sub delegation scheme following the Annual Meeting in May 2013.
- 3.6.7 Since then the City Solicitor, Assistant Chief Executive (Citizens and Communities), the Chief Planning Officer, the Director of Environment and Housing and the Director of Resources / Deputy Chief Executive have each amended their sub delegation scheme.
- 3.6.8 These amendments, which are publicised as Significant Operational Decisions, reflect the requirement that each scheme should contain an accurate representation of the way in which functions are carried out and the officers with authority to make decisions under the scheme. In this way they ensure transparency of decision making within the Council in relation to both Council and Executive functions.

Performance Monitoring

- 3.7 To provide a test of the extent to which the council's arrangements are routinely complied with a suite of performance indicators have been established. These are explored further below. In order to ensure continuity of reporting to the Committee these statistics cover the period from September 2012 to August 2013.

Publication of Agendas

- 3.8 The Council is required to publish agendas and reports for committees five clear working days in advance of a meeting. This requirement is contained within Section 100B of the Local Government Act 1972 for Council Committees and in the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012 for Executive committees. Both pieces of legislation also contain exception provisions for meetings to be called at short notice.

- 3.9 The Head of Governance Service has established a target for 99% of agendas to be issued and published within the five day statutory deadline¹; this being a reasonable measure of timely transparency and an indication of the extent to which exception provisions are utilised to call meetings at short notice.
- 3.10 Of 305 meetings which took place within the reporting period covered by this report, 7 agendas were not issued within the 5 clear day deadline.
- 3.11 Overall this gives a performance of 98% of agendas published within the required notice period. This continues the trend of improvement on the 3 previous years which show performance indicators as follows:-

2010	95%
2011	96%
2012	97%
2013	98%

Publication of Minutes

- 3.12 There is no statutory framework stipulating the time period for the publication of committee minutes. To enable the decisions of the Council to be accessible and transparent the Head of Governance Service has established a local target; this being for 100% of draft minutes to be published on the Council's internet site within ten working days.
- 3.13 In addition, to enable speed of implementation and facilitate Call In, all Executive Board minutes are published within 48 hours of the Executive Board meeting.
- 3.14 Of 305 committee meetings which have taken place within the period covered by this report, 11 sets of draft minutes were published outside the deadline. This gives a performance indicator of 96% draft minutes published within the required period.
- 3.15 This continues the standard set in the 3 previous years which show performance indicators as follows:-

2010	96%
2011	96%
2012	96%
2013	96%

Key Decisions on the List of Forthcoming Key Decisions

- 3.16 As Members are aware, a significant element of the decision making framework concerns requirements surrounding the pre-notification of an intention to take a Key decision. These provisions seek to ensure transparency of decision making and allow representations from stakeholders etc.

¹ Licensing Sub Committee's are not bound by these statutory requirements but, for completeness, are included in the monitoring information.

- 3.17 The Council Business Plan contained a target for 89% of Key decisions to have appeared in the Forward Plan. The appearance of items on the list of forthcoming Key decisions for 28 days prior to decisions being taken (as required by the new regulations) is not reflect in the new Best Council Plan, but is none the less subject of monitoring by the Head of Governance Services.
- 3.18 During the period covered by this report of 242 Key decisions taken 11 were not on the Forward Plan or List of Forthcoming Key Decisions as appropriate. This gives a performance indicator of 95% Key decisions on the List of Forthcoming Key Decisions.
- 3.19 This continues the trend of improvement on the 4 previous years which show performance indicators as follows:-
- | | |
|------|-----|
| 2010 | 89% |
| 2011 | 84% |
| 2012 | 93% |
| 2013 | 95% |
- 3.20 Each of these decisions was taken in accordance with the general exception provisions contained in Regulations. Having considered the reasons given for urgency the Head of Governance Services has noted that:-
- one was a result of the cross over between the Forward Plan and new list arrangements in which the publication requirement extended from 14 to 28 days;
 - three were urgent because of pressures to secure or spend grant funding in the current economic climate;
 - one was urgent because a supplier had given notice to cease operation where the Council has statutory duties to provide gas servicing to property, and failure to do so could endanger life and property;
 - one was the result of an unforeseen increase in the capital cost of the scheme, taking it over the threshold for a Key decision in circumstances where the scheme needed to progress during the school holidays; and
 - the remaining five related to procurement decisions and the reasons given indicated that the circumstances could have been avoided through improved planning.
- 3.21 The Head of Governance Services is of the view that the steps taken through the transforming procurement project to ensure better management of procurement, together with the increased ownership of decision making within directorates and the on-going programme of training offered to officers involved in the decision making process will continue to minimise the number of Key decisions taken without having been included on the List of Forthcoming Key Decisions for the required 28 calendar days.

- 3.22 The Head of Governance Services is able to confirm that the Special Urgency Provisions, enabling an Executive Decision to be taken at less than 5 days' notice, have not been used during this period.

Eligible Decisions Open for Call In

- 3.23 The Council has established arrangements for significant Executive decisions² to be available for Call In. This allows for Overview and Scrutiny Committees to request that a decision, which has been taken, but not yet implemented, be considered by the relevant Scrutiny Committee. This mechanism is an important element of democratic accountability arrangements in place at Leeds and was reflected in the Council Business Plan which required that 95% of eligible decisions should be open for Call In. Again this requirement is not reflected in the new Best Council Plan but continues to be monitored by the Head of Governance Services.
- 3.24 Of 328 eligible decisions taken only 11 (6 decisions taken by officers and 5 taken by Executive Board) were not open for call in. This gives a performance of 96% Key decisions being available for Call In.
- 3.25 This shows a slight improvement on the level recorded in 2012. The 4 previous years show performance indicators as follows:-

2010	99%
2011	98%
2012	96%
2013	97%

- 3.26 In the reporting period all those decisions exempted from Call In were exempted on the grounds of urgency: six decisions were urgent because of deadlines imposed by statute, procedure or funding agencies: one had been planned but costs rose unexpectedly and required a Key decision to be made and implemented instead of the planned Significant Operational Decision, and the remaining four appear to have been circumstances that could have been avoided through appropriate planning and preparation.
- 3.27 Again the Head of Governance Services is satisfied that the implementation of transforming procurement, increased ownership of decision making within directorates and on-going training in relation to the decision making framework will continue to improve the number of decisions appropriately open to call in.

Decisions Not Treated as Key

- 3.28 At its meeting of 18th June 2013 the Scrutiny Board (Sustainable Economy and Culture) considered a request for scrutiny in relation to the decision making process supporting the implementation of charging arrangements for Party in the Park.

² All decisions of Executive Board and all Key decisions of officers are eligible for Call In provided that they are not decisions made in accordance with the Budget and Policy Framework Procedure Rules (as part of the development of the budget and policy framework) and they have not been the subject of a previous call in.

- 3.29 The Board noted that this was the first occasion on which the constitutional mechanism for identifying decisions which appear to have been wrongly treated had been invoked. The Scrutiny Board were asked to determine whether the decision should have been treated as a key decision, and if so whether to exercise the right to require the Executive to submit a report to Council setting out particulars of the decision together with the Leader's opinion as to whether the decision was or was not a key decision and the reasons for that opinion.
- 3.30 Representations were considered from both the Councillor who had submitted the request for Scrutiny and the Director to whom the function is delegated. The discussion included consideration of both the financial criteria and the significance of the impact of the decision on local people.
- 3.31 The Scrutiny Board resolved that the decision in relation to the proposal to introduce charges for Party in the Park was correctly treated and therefore no further action is required by scrutiny on this occasion. However, the meeting expressed the importance of the Call In mechanism within the decision making framework as enabling scrutiny by councillors. It was considered that this request for Scrutiny was an appropriate way in which to carry out the responsibility of councillors to ensure that the delegation scheme they had agreed was properly implemented.

Implementation of Key Decisions

- 3.32 A sample of 15 Key decisions has taken across all directorates³ in order to assess the timeliness with which decisions are implemented.
- 3.33 Whilst it has been confirmed that all 15 decisions sampled have been fully implemented it was noted that only 8 of the decisions sampled set out clear information as to the proposed start date in the body of the report.
- 3.34 In order to provide increased focus on the need to ensure timely implementation of decisions the Head of Governance Services has amended the Council's Corporate Report Writing Guidance to indicate that officers should include:-
- details of the steps required in order to implement the preferred option as set out in their report; and
 - a recommendation outlining the timescales proposed for implementation and naming the officer accountable for implementation.

These details will then be reflected in the minutes of any meeting of the Executive Board, or in the Delegated Decision Notice relating to any Key Decision taken by an officer.

³ Neither the Director of Public Health nor the City Solicitor had taken Key decisions within the sample period and they are not therefore included within the survey.

Embedding the Decision Making Framework

Training

- 3.35 The Head of Governance Services has continued to provide training in relation to Council Structures and Decision Making throughout the past Municipal Year. In the 2013/14 Municipal Year this training offer has been broadened to include:-
- 3.35.1 Participation in the Corporate Induction event through the Knowledge Café: providing information in relation to the context of the political organisation in which officers are employed, and details as to further information and learning resources available;
- 3.35.2 A restructured decision making course, placing increased emphasis on the political environment in which decisions are taken;
- 3.35.3 An amended political awareness course, offering an opportunity to meet and learn from a senior elected Member; and
- 3.35.4 A set of workshop sessions in relation to report writing, focussing on the use of reports to support decision making in order to achieve the Best Council ambition;

Decision Making Toolkit

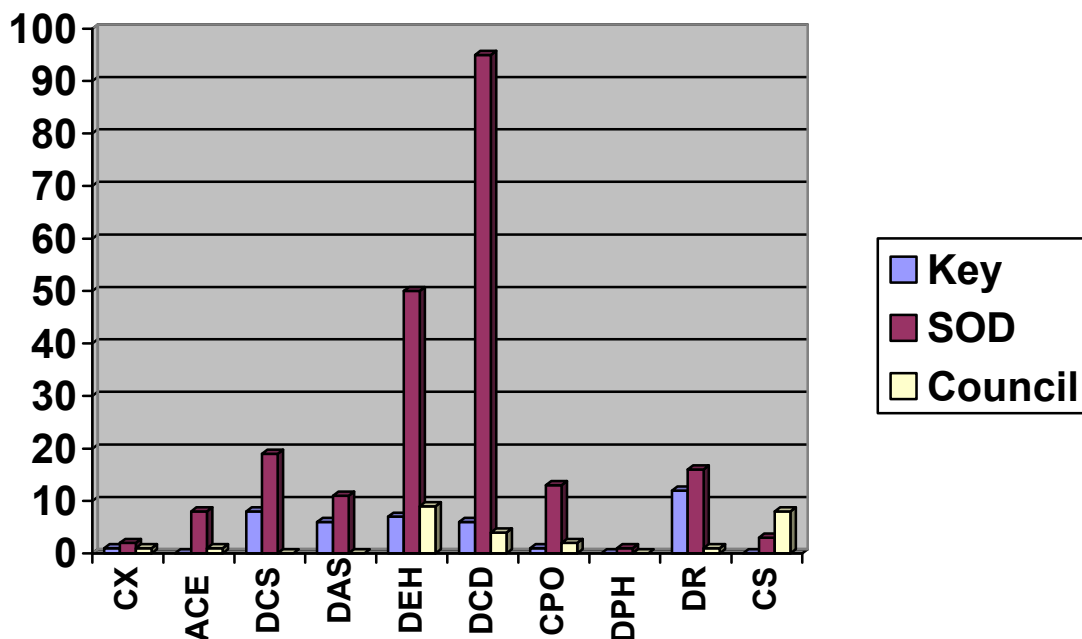
- 3.36 In addition to the training events on offer the Head of Governance Services has used the re-launch of the Council's intranet site, to establish a Decision Making Toolkit, providing one place in which officers can access:-
- Links to items published on the Council's web site including the constitution, sub delegation schemes, the list of forthcoming key decisions, and records of decisions taken by officers;
 - Advice in the form of briefing notes, frequently asked questions and How To guides;
 - Corporate guidance; and
 - Templates for the addition of decisions to the list of forthcoming key decisions, delegated decisions and reports.
- 3.37 The Head of Governance Services ensures that when any of the items included in the toolkit is amended or updated, information is shared via the Corporate Communications 'Essentials' bulletin and a link included to the toolkit. Feedback received from officers using the toolkit has been complimentary.

Migration of Publishing Requirements

- 3.38 As part of the review of Governance Services undertaken during the Enabling Corporate Centre Project, the Head of Governance Services undertook to hand over to Directorates the control of publication of decisions made within each Directorate. As part of this project the Head of Governance Services ensured that:-

- Officers nominated by each directorate were trained in the use of the Modern Gov software used to publish decisions;
- Manuals were created to support directorate staff in using the software;
- Advice and guidance has been made available to officers as and when required, using both staff in governance services and a peer support group; and
- Key decisions published on the Council’s website have been checked to ensure compliance with the decision making framework.

3.39 The transfer of responsibility took place on 1st May 2013, enabling directorates to take fuller control of decision making processes and therefore enabling them to be increasingly responsive to individual directorate governance arrangements. The chart below shows the distribution of recorded decisions taken by officers between 1st May and 31st August 2013. Of the 287 decisions recorded by officers in that period, 41 were Key, 220 Significant Operational and 26 Council decisions. 37% (105) of these decisions were taken by or on behalf of the Director of City Development, and 23% (66 decisions) were taken by or on behalf of the Director of Environment and Housing.



3.40 A discussion at Corporate Leadership Team on 20th August 2013 confirmed that the governance framework for decision making is up to date and fit for purpose. It was felt that the migration of responsibility for publishing requirements, in conjunction with the learning offer, lead to a shared understanding of the legislative framework for decision making. This shared understanding has in turn lead to an increased awareness of the need to plan decisions in order that they can be taken and implemented in a timely manner.

DECISIONS IN RELATION TO LICENSING MATTERS

- 3.41 The Head of Licensing and Registration has responsibility to ensure that the Council's arrangements in respect of licensing matters are up to date, fit for purpose, effectively communicated, routinely complied with and monitored.

Entertainment and Miscellaneous Licensing Decisions

- 3.42 As Members are aware the Council is required to take a variety of licensing decisions in accordance with the Licensing Act 2003, Gambling Act 2005 and other miscellaneous legislation providing for the licensing of scrap metal dealers, motor salvage dealers, sex establishment licence, place of marriage, hypnotism, house to house collections and street collections.
- 3.43 The table set out at Appendix A to this report shows the number of applications received for 2010, 2011, 2012 and the period between January and June in 2013. The table indicates the numbers of decisions made by Licensing Sub-Committee after representations were received. Members should note that where no representations have been received the legislation dictates certain licences must be granted.
- 3.44 Since the last report, HM Government has introduced new legislation on the licensing of scrap metal dealers. As this is an executive function, the refusal of applications will be delegated to officers through the sub delegation scheme, until such time as it becomes a council function when it will be delegated to Licensing Committee. Guidance on refusals is being developed and will be approved through the DDN that will deal with the matter of fees, application process, forms and guidance.

Taxi and Private Hire Licensing Decisions

- 3.45 As Members are aware, the granting, suspension, revocation and enforcement of an individual hackney carriage (HC) or private hire (PH) licence whether for a vehicle, driver or operator is a council function under the Local Government Act 2000. In Leeds, these functions are concurrently delegated to the Licensing Committee and to the Assistant Chief Executive (Citizens and Communities) under the Scheme of Delegation approved annually at full Council. The Assistant Chief Executive (Citizens and Communities) has sub-delegated that power to the Head of Licensing and Registration, the Section Head of Taxi & Private Hire Licensing and, in some circumstances, to Principal Managers, Licensing Officers and Licensing Supervisors. All decisions taken by officers are taken in accordance with policy and guidance decided by Members of Licensing Committee.

3.46 The figures for 2010, 2011, 2012 and for January to August 2013 for applications, renewals, refusals, suspensions and revocations of taxi and private hire driver licences are set out in the table below.

	Applications	Refusals	Suspensions	Revocations
2010	629	18	86	69
2011	508	15	129	46
2012	794	16	74	37
2013 (1 st January to 31 st August)	415	6	59	15

3.47 When considering the above information it is important to note that there is no direct correlation between the number of suspensions and revocations in any one year. For example, the number of licences revoked in any one year will include a proportion which were suspended in the previous year.

3.48 It is also important to note that many decisions result from the application of other legislation and the decisions of other bodies such as the courts or DVLA. As explained earlier in this report, many officer decisions flow directly from the application of an approved council policy.

3.49 The legal provisions relating to the grant, refusal, suspension and revocation of Licences set out statutory Rights of Appeal to the Magistrates Court against almost all the decisions that would take effect. In the period between 1st January and 31st August 2013 25 appeals have been received. The reason for these appeals and the outcomes are set out below:-

Type of Appeal	Volume	Result
Against conviction	1	Refused
Against conviction and sentence	3	Dismissed
		Withdrawn for training, no costs against Council
		Withdrawn

Type of Appeal	Volume	Result
Against refusal	2	Refused
		Allowed
Against revocation	10	Remain suspended
		Withdrawn
		Refused x 2
		Appellant unable to attend
		Re-listed x 2
		Dismissed x 2
		Allowed in part
Against sentence	1	Withdrawn
Against suspension	7	Dismissed
		Refused x 2
		Withdrawn x 3
		Badge returned
Refusal to renew	1	Licence will be granted
Total	23	

Licensing Policy Review

- 3.50 As Members are aware, the licensing decision making framework is dependent upon a comprehensive list of policies agreed, as appropriate, by the then Licensing and Regulatory Panel, the now Licensing Committee, Executive Board or Full Council. These policies are regularly reviewed by Licensing Committee in response to changes in legislation, law and practice, or other circumstances. Any changes are carried out after a full public consultation.
- 3.51 The report which Members received in March 2013 set out details of planned policy reviews. Since this time the following progress has been made:-

- The Statement of Licensing Policy for the Licensing Act 2003 is presently out for public consultation before returning to Licensing Committee in September to be agreed at Full Council in November 2013;
- The Statement of Licensing Policy for the Licensing of Sex Establishments, incorporating amendments to deal with local concerns, was agreed at Executive Board on 17th July 2013, to take effect from 1st September 2013;
- Taxi and private hire licensing policies in Groups 1 and 2 have been reviewed and are in place, and initial consultation on group 3 policies closed on 3rd May 2013. This group of policies are now being reviewed with a view to returning to Licensing Committee in late 2013 / early 2014 prior to further consultation;
- A working group has been established to consider the proposed new policy to direct officers when exercising their delegated power to suspend a licence with immediate effect. Public consultation on the proposals closed on Friday 12th April 2013. Officers are currently collating responses to the feedback with a view to returning to Licensing Committee in late 2013/early 2014; and
- A working group has also been established to consider;
 - i. The Hackney carriage and private hire driver renewal process (including the length of licences issued; up to 3 years);
 - ii. How the transfer of a Hackney carriage licence is processed upon the death of a proprietor;
 - iii. How consultation can be more effective with the trades; and
 - iv. Third party applications to renew a licence on behalf of an absent licence holder.

There are two further scheduled meetings with the trade and Members in September and October before returning to the Licensing Committee.

- 3.52 This review process ensures that all policies remain up to date and are fit for purpose, reflecting the up to date position on changes to legislation or law and practice.
- 3.53 Licensing policies are published on the council's website and form part of a comprehensive training programme designed for new Members of the Licensing Committee. Newly recruited officers are provided training in the policies as part of their initial appraisal process and can only take decisions after they have completed their training. Only a limited number of officers can take decisions at different levels in accordance with the scheme of delegation. All training is monitored through the appraisal process and regular meetings with their line manager.
- 3.54 Reports on the numbers of licences granted and any delegated decisions are provided to Licensing Committee so they can monitor the effectiveness of the licensing decision making framework and the policies that guide it. Entertainment

Licensing and Taxi and Private Hire Licensing last provided reports to Licensing Committee in July and August 2013 respectively.

Regular CRB Disclosures for Taxi and Private Hire Licence Holders

- 3.55 As reported in March 2013 the intention remains to introduce 3 yearly Disclosure and Barring Service (DBS) checks for Taxi and Private Hire License holders. The finer details of these arrangements have yet to be determined , however the committee will be advised of progress in future reports.

DECISIONS IN RELATION TO PLANNING MATTERS

- 3.56 The Chief Planning Officer has responsibility to ensure that the Council's arrangements in respect of planning matters are up to date, fit for purpose, effectively communicated, routinely complied with and monitored.
- 3.57 The planning service is committed to continuous improvement and seeks to ensure that the decision making process is transparent, fit for purpose and is accountable. A number of actions and service improvements have taken place over the last year which help provide assurance in the decision making process and these are described below.

Decision Making Framework for Planning Matters

Delegation Scheme

- 3.58 The Chief Planning Officer is authorised to carry out functions on behalf of the council. The delegation scheme forms part of the Constitution and was last reviewed and approved by Full Council in May 2013.
- 3.59 All planning applications are considered to fall within the delegation scheme and will be determined by officers under the sub-delegation scheme, unless they fall into defined exceptional categories which were detailed in the previous report to this Committee.

Sub Delegation Scheme

- 3.60 The scheme sets out which functions have been sub-delegated by the Chief Planning Officer to other officers and any terms and conditions attached to the authority sub-delegated by the Chief Planning Officer. The latest sub delegation scheme was approved on 4th July 2013.

Officer conflict of interest

- 3.61 Officer conflict of interest, declaration of interests and public and member access to the declared interest of officers in high risk posts has been discussed at Scrutiny Board (Housing and Regeneration) and at Executive Board in recent months.

- 3.62 At the 11 January 2013 meeting of the Standards and Conduct Committee, the Chief Planning Officer presented a report responding to the concerns of the Committee, about planning officer conflicts of interest and declaration of interests. The report clearly outlined the measures and procedures that are involved in the development management process for officers to declare or make known any beneficial interest in land and property and how potential conflicts of interest are avoided.
- 3.63 An independent review of the controls in place to detect any potential conflicts of interest on the decisions made in respect of planning applications was also carried out in 2012-13. A report of the Head of Internal Audit was presented to the Scrutiny Board (Housing and Regeneration) following the review, which gave the Board a high level assurance that key controls were in place within the planning application process to mitigate the risk of planning decisions being subject to a conflict of interest and inappropriate external influence.
- 3.64 A report to the Executive Board on 17 July 2013 described a number of practical steps that will be taken to provide additional assurances that employees are declaring interests, arrangements for Members in accessing the register of employee interests and arrangements for making information public about employees' interests, where those interest relate to their decision making or advisory role. Executive Board agreed to a number of actions to strengthen the process, which are being progressed.

Restructure of planning service

- 3.65 Changes have been made to planning officer responsibilities through a restructure of the service. A principal planning officer or more senior officer has responsibility for an area committee area, meaning there is a single and consistent point of contact for MPs, members and community groups in an area. These new arrangements will help planning officers gain a clearer understanding of the local and political concerns, resulting in better communication and greater sensitivity brought to the decision making process. The arrangements are mirrored in local planning teams, helping to ensure integration into policy work and the preparation of neighbourhood plans.

Review of the Plans Panels

- 3.66 In 2012, an all-party working group of members and council officers reviewed the arrangements for the operation of the plans panels. The review recommended amending the geographical boundaries for the area panels to balance up workloads and for the creation of a new panel, which would deal with the largest and strategic applications received by the authority. Full Council agreed to the creation of three new panels – North and East, South and West and City Panel. Each panel is authorised to discharge functions within its own geographical area and in the case of the City Panel, to deal with strategic applications. The area planning teams have also been aligned to the new plans panel boundaries through the restructure of planning services, as described in more detail at paragraph 3.65 above.

- 3.67 The new panel arrangements have provided the opportunity for the use of the three phase process: pre-application presentation, position report and final determination for the largest and most complex applications. This has led to more Plans Panel involvement throughout the life of an application and first time decision making, even on the most complex schemes. There is strong evidence that applications dealt with through this approach also deliver more predictable outcomes in a timely fashion.
- 3.68 The new arrangements have also made provision for additional ward member and/or community involvement at the pre-application stage, by providing a speaking opportunity following the developers' presentation. This provides a greater balance between the role of the applicant and views of the community and ensures there is appropriate focus on the largest and most sensitive applications, in order to fully deal with the issues, resulting in a more transparent and accountable planning decision making process.
- 3.69 The new panel arrangements have also allowed opportunities for special meetings for very significant development proposals including the energy from waste proposals, NGT and large scale housing schemes. This has meant that there is the appropriate level of scrutiny afforded to particularly sensitive or strategic proposals.

Governance Documents

- 3.70 The importance of ensuring that the council's procedures for decision making on planning applications are lawful, accountable, transparent, fair and in compliance with the principles of good governance and best practice is crucial to ensuring public confidence in the system. Two key documents have been revised and updated in 2012-13:

Planning Code of Good Practice

- 3.70.1 On 1 July 2012 the new standards regime under the Localism Act 2011 came into force and introduced a mandatory requirement for local authorities to adopt a local code of conduct. As a result of the new Members Code, the Standards and Conduct Committee embarked on a review of the local codes, including the *Code of Practice for the Determination of Planning Matters* and asked the Joint Plans Panel to review the code to assess the appropriateness of its style, function and purpose. Consequently, a new guide was drafted and was approved by the Joint Plans Panel in June 2013. The new guide, *Planning Code of Good Practice*, is more practical in its approach and supportive in its tone and assists members in keeping decisions safe and mitigating the risk of possible challenge.

Protocol for Public Speaking at Plans Panel

- 3.70.2 Following the changes to the Plans Panel arrangements in September 2012 and the introduction of a public speaking opportunity at the pre-application stage, the protocol for public speaking has been fully reviewed with the changes agreed by the Joint Plans Panel in June 2013.

Planning Performance and Workload – January 2012 - August 2013

3.71 The number of planning applications received in 2012-13 was down by 3.5% compared with 2011-12, with major applications seeing the greatest reduction in numbers, being 6.1% down on the previous year's levels. However, there has been a real improvement in performance in determining applications in 2012-13, with improvements across all application types. The service uses several measures to determine the quality of decision making: number of lost appeals, numbers of complaints and upheld complaints. Performance in these areas compares favourably with previous years.

3.72 A total of 3,976 decisions were made in 2012-13, compared with 4,137 in 2011-12. 3,849 decisions were made by officers under the delegation scheme. The delegation rate for the year was therefore 96.8%, a small increase on 2011-12 where the delegation rate was 95.9%.

3.73 The government sets national performance targets for decision making on planning applications as follows:

- 60% of major applications determined within 13 weeks
- 65% of minor applications determined within 8 weeks
- 80% of other applications determined within 8 weeks

For 2012-13, Leeds also had a local target for major applications of 75% determined in 13 weeks and 80% of minors in 8 weeks.

3.74 Performance during 2012-13 is described below, in comparison with 2011-12:

	Majors	Minors	Others
2011-12	56.3%	76.9%	85.1%
2012-13	61.3%	77.4%	88.9%
2013-14 (1st January to 31st August 2013)	70.83%	75.27%	83.77%

3.75 The table above shows a marked improvement in performance, particularly for major applications, where 2012-13 shows an 8.1% increase of applications determined in time, compared with 2011-12. In quarter 4 of 2012-13, 76% of major applications were in time. Within the national context, only 56%⁴ major applications were determined within 13 weeks, therefore Leeds performance is not only a significant improvement on last year's figures, but is also higher than the national rate of determination. Overall, in 2012-13, 85% of applications of all types were determined in time.

3.76 The number of out of time major applications still in the system at the end of 2012-13 was 34, a decrease of 22 from 56 at the end of 2011-12. This provides a sound platform for the coming year where a target of 70% of major applications

⁴ Department of Communities and Local Government Planning Applications: October to December 2012 (England) 12.4.2012

determined in 13 weeks has been set. The number of out of time non-major applications at the end of the year was 119. All out of time applications are being actively progressed to reach a conclusion. New performance reporting arrangements have been introduced in August 2013 by the Government which means that timescales can be negotiated to extend the period of time in which to determine applications. In future, all applications determined within the statutory time period or the agreed extended time period will be counted as being "in time". The service is proactively working with applicants to negotiate new determination dates.

Planning Performance Agreements

- 3.77 The Government strongly encourages the use of PPAs for the largest and most complex applications. The service determined 9 Planning Performance Agreements (PPA) in 2012-13, all within the agreed timescales. Within the system are a further 21, which are signed and are under consideration. In the first four months of 2013-14, six PPAs have been completed, all of them within agreed timescales.
- 3.78 The Growth and Infrastructure Act 2013 makes provision for developers to submit planning applications directly to the Planning Inspectorate where the local planning authority has a poor record of performance on major applications. Local Planning Authorities will be placed in "special measures" if they determine 30% or fewer major applications in time and have more than 20% of major appeal decisions overturned. It is very unlikely that the service will be placed in special measures based on the current criteria. The use of PPAs has been embedded in our practice for a number of years but it is likely that the service will try to make increasing use of PPAs to deal with complex applications which would take such applications outside the statistics and allow them to be determined in bespoke timescales, commensurate with their complexity.

Appeals

- 3.79 In 2012-13, there were 187 appeal decisions, which represents about 4.7% of the total number of decisions made in the year.
- 3.80 There has been a steady improvement in the performance levels of dismissed appeals on the authority's decision to refuse on planning applications over the last few years, but it has slipped a little in 2012-13 to 67% from 69% in 2011-12. A number of appeals on smaller applications were allowed in March 2013.

Decisions Contrary to Officer Recommendation

- 3.81 Decisions on planning applications must be taken in accordance with the Development Plan unless material considerations indicate otherwise. From time to time the Panel may attach different weight to the potential planning considerations and therefore, take a decision which differs from the officer recommendation.
- 3.82 Where this occurs, Members must be able to give a clear basis and reason for not taking the officer recommendation. It is important to ensure, as far as possible, that any decision made will be capable of surviving a legal challenge or appeal.

The consequence of a high level of decisions contrary to the officer recommendation is that it may appear that members and officers are not working well together, with the potential risk of a lack of confidence in the planning system in Leeds.

- 3.83 Considerable work has taken place over the last few years to ensure that officer reports are robust, to improve member training and to ensure better pre-application involvement.
- 3.84 During 2012-13, 127 decisions were made by the three plans panels. This compares with 171 decisions in 2011-12.
- 3.85 During the year, eight decisions were made that were not in accordance with the planning officer's recommendation; this represents 6.3% of the total number of decisions made by Members and only 0.2% of the total decisions made by the Local Planning Authority. This is similar to the figure for the last two years and a continuous improvement over time, since the peak in 2006-07 when almost a quarter of decisions made were contrary to the officer's recommendation.
- 3.86 Of the eight decisions, five were refusals, of which three went onto appeal the decision. All three decisions were allowed on appeal. So far in 2013-14, there have been three decisions not in accordance with the officer recommendation.

Ombudsman Complaints

- 3.87 The planning service received 22 Ombudsman complaints in 2012-13 compared with 23 in 2011-12. Due to the restructuring of cases by the Ombudsman, these include requests for Preliminary Information pending full investigation. 14 of these were closed on arrival and required no investigation and two older full cases were closed during the year by Local Settlement.
- 3.88 Both complaints related to officers not taking into account the amenity of existing homes when assessing a planning application for a new development on the adjacent site. Both resulted in financial settlements to the complainants, totalling £6,500, because of the loss of amenity they suffered as a result of the new development's implementation.
- 3.89 Between April and July 2013, five Ombudsman complaints have been made, four of which were closed with no action required and one which was outside the jurisdiction of the Ombudsman.

Embedding the Framework for Planning Matters

Training for officers

- 3.90** The service places considerable emphasis on ensuring officers are up to date with current legislation, best practice and government initiatives. Regular in-service planning officer case workers meetings take place every six to eight weeks and are a forum for cascading information, inviting guest speakers and sharing of good practice. The meeting allows for two way communication on a range of issues and is an effective forum for ensuring there is a consistent approach

across the planning teams. It also ensures that officers have all the information they require in order to make high quality robust decisions.

- 3.91 There have also been a number of in house training sessions over the year on issues which are topical and have an immediate impact on the operation of the service, including, the National Planning Policy Framework, Ethical Framework, material considerations, Community Infrastructure Levy, planning conditions, Section 106 agreements and enforcement. The government's planning reform agenda has meant that there have been many significant changes recently and officers have needed to keep up to date and understand the implications of the changes on the service in order to deal effectively with applications and make high quality decisions.
- 3.92 A number of officers have accessed external training courses on the government's reform agenda; information from the courses has been cascaded to colleagues at case workers meetings.
- 3.93 The service is committed to learning from past errors by identifying the learning points arising from complaints and putting measures in place to minimise the risk of them occurring again. This year, a presentation to the case workers meetings centred on the relationship of new development to existing properties and ensuring that the impact had been fully taken into account and addressed in officer reports. Training has also been provided by a Local Government Ombudsman Investigator on the common grounds for upholding complaints and advised officers how to make reports as robust as possible to minimise the risk of challenge on decisions.

Training for Plans Panel Members

- 3.94 All members of the Plans Panel must receive prescribed compulsory training in order for them to be able to sit on the Plans Panel. Article 8 of the Council's Constitution makes specific reference to this principle; however, nowhere does it say what the prescribed training comprises. Arrangements have now been formalised, clarifying what is compulsory training for members and what is additional. This clarity provides the assurance that sufficient training has been undertaken in order for members to fulfil their responsibilities correctly.
- 3.95 A new training opportunity has been offered to members this year: in house sessions with members "shadowing" planning officers in the office environment. Feedback from members has been very positive with members saying they have a deeper understand the planning process from accessing the training.
- 3.96 A range of other training and learning opportunities have been offered to members, including Planning Reform Update by Dr Hugh Ellis Chief Planner Town and Country Planning Association and through the Leeds and Bradford Planning training series programme, training on planning policy, heritage and conservation, health and housing and neighbourhood planning.

Relationships with Partners and Customers

Working with partners

- 3.97 The Leeds Planning and Developers Forum, a group comprising developers, agents, planning officers, parish councillors and community representatives continues to meet regularly, providing an essential forum for communication and for sharing ideas and best practice. At the meeting in July 2013, a special meeting was held with the Plans Panel Chairs and the Executive Board Member for Neighbourhoods, Planning and Support services, where current issues and concerns were discussed.

Pre-application engagement guide

- 3.98 Following a request from Scrutiny Board (Housing and Regeneration), a guide for developers has been produced which sets out the Council's expectations for pre-application engagement between developers and their advisors, ward members and local communities. Although pre-application engagement is not a mandatory requirement, it is considered to be good practice and can lead to more successful developments, in a timely way using local expertise and knowledge to help shape the proposal. The guide sets out the process, roles and responsibilities and provides clarity and transparency at the pre-application stage of a proposal.

Customer Service

- 3.99 A customer survey was carried out in January 2013 to ascertain the level of satisfaction with the planning service. The survey only received a 7% response rate. Of those who responded, 51 % rated the service as excellent or good. However, the main areas highlighted for improvement were communication with objectors and the lack of information and notification of an application's outcome, not being aware of how to track applications on Public Access and lack of acknowledgement to any comments made. This resulted in respondents commenting that they didn't feel their representation was taken into consideration when a recommendation was reached. To avoid criticisms relating to inadequate consideration of the issues, or claims of unclear reasoning behind an officer's recommendation, officer reports need to ensure they robustly address, among other things the substance of objections and the views of those who have been consulted and their materiality in the decision making process. This relatively low level of satisfaction is a concern and a number of actions are in place to address the issues raised and are being progressed as part of the service's submission for the Customer Service Excellence award. Work has already been undertaken to improve clarity in reports, but clearly there is still more to do. Further work is also in progress on Public Access to ensure that customers have all the information they need to understand how the process works and what happens to any comments made. This will provide additional transparency and accountability to the process.
- 3.100 Further work is planned to investigate different methods of ascertaining customer satisfaction levels with the aim of increasing the overall customer response rate.

3.101 The Development Enquiry Centre was re-awarded Customer Services Excellence (CSE), with no non-compliances in April 2013. This is the first time this has been achieved and shows the continuous improvement of the service. It is intended to start the roll out of CSE to the whole of planning services and customer services during 2013 with the assessment of the whole service to take place in March / April 2014.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 Full consultation in relation to the licensing policies adopted in accordance with the reviews described in paragraph 3.51 above ensure that those policies take into account the views of both trade and public.

4.1.2 The Council's Performance Management Team monitor performance indicators in respect of consultation and engagement.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 Equality and cohesion screening assessments are carried out on all reviews of licensing policies referred to in paragraph 3.51 above.

4.2.2 The Council's Performance Management Team monitor performance indicators in respect of equalities.

4.3 Council policies and City Priorities

4.3.1 The new Best Council Plan sets out the Council's ambition to become the best Council in the UK, using a civic enterprise leadership style, in which the council is more enterprising, businesses and partners more civic, and the citizens of Leeds more actively engaged in the work of the city.

4.3.2 In conjunction with the Council's values, particularly that of being open, honest and trusted, this ambition is captured in the Council's decision making framework which is designed to ensure open and honest decision making, enabling engagement of the public with Key decisions taken by Members or officers.

4.4 Resources and value for money

4.4.1 Some licence fees are set by legislation, others are open to local discretion. The authority to set fees for licence applications is delegated to the relevant Director, however generally approval is sought via licensing committee.

4.4.2 The council currently has to subsidise the cost of providing the Licensing Act licensing function in this area as the statutory fees do not cover the full costs associated with the process. The Government has recognised this as an issue affecting licensing authorities across the country and is currently looking to review the regulations that will allow councils to set licence fees locally to help cover true costs.

- 4.4.3 When setting licence fees the authority is unable to include costs for enforcement against unlicensed operators, and any costs associated with certain local policies and schemes may also have to be borne by the authority.
- 4.4.4 Fees for taxi and private hire licensing are set locally to cover the costs of providing the service. The legislation states that funds raised from taxi and private hire licensing fees must be held in a ring-fenced account and used for providing the taxi and private hire licensing function only. These arrangements are fully complied with in Leeds.
- 4.4.5 Given the assurances made by the Head of Governance Services as a result of the implementation and monitoring of the Council's decision making framework it is considered that the systems and processes in place represent an appropriate use of resources and good value for money.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The Head of Governance Services is satisfied that the arrangements put in place through the Council's decision making framework meet all legal requirements.
- 4.5.2 Proper implementation of the decision making framework ensures appropriate access to information for both elected Members and the public.

4.6 Risk Management

- 4.6.1 The Head of Governance Services and Head of Licensing and Registration give assurance that the systems and processes that form part of the Council's decision making framework are functioning well and that there are no risks identified by this report.

5 Conclusions

- 5.1 From the review, assessment and ongoing monitoring carried out the Head of Governance Services has reached the opinion that, overall, decision making systems are operating soundly and that there are no fundamental control weaknesses

6 Recommendations

- 6.1 Members are requested to consider and note the positive assurances provided in this report.

7 Background documents⁵

- 7.1 None

⁵ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

Appendix A

			2010	2011	2012	2013 (1 st January to 31 st August)
Licensing Act 2003	Premises Licences	Number of applications	1065	1006	1034	726
		Number of committee decisions	134	177	152	30
	Club Premises Certificates	Number of applications	8	8	5	2
		Number of committee decisions	3	4	2	0
	Personal Licences	Number of applications	498	467	517	321
		Number of committee decisions	6	5	5	3
	Temporary Event Notices	Number of applications	1490	1741	1741	935
		Number of committee decisions	0	23	6	1
Gambling Act 2005	Premises Licences	Number of applications	12	14	14	7
		Number of committee decisions	4	3	0	2
	Permits	Number of applications	94	55	13	20
		Number of committee decisions	1	0	0	0
	Small Society Lottery Registrations	Number of applications	66	50	65	32
		Number of committee decisions	0	0	0	0
	Temporary/ Occasional Use Notices	Number of applications	4	0	0	0
		Number of committee decisions	0	0	0	0
Miscellan eous	Marriage Act Premises Registrations	Number of applications	16	18	13	16
		Number of committee decisions	0	0	0	0
	Sex Establishment Licences	Number of applications	3	8	12	4
		Number of committee decisions	0	0	7	2
	Scrap Metal Dealers Registrations	Number of applications	11	21	59	24
		Number of committee decisions	0	0	0	0
	Motor Salvage	Number of applications	6	5	3	1

	Operators Registrations	Number of committee decisions	0	0	0	0
	Street Collection Permits	Number of applications	154	161	237	123
		Number of committee decisions	0	0	0	0
	House to House Collection Permits	Number of applications	25	39	27	19
		Number of committee decisions	0	0	0	0
	Hypnotist Licences	Number of applications	2	2	2	3
		Number of committee decisions	1	0	0	0

Report of the Deputy Chief Executive

Report to the Corporate Governance & Audit Committee

Date: 20 September 2013

Subject: Annual Assurance Report on Risk & Performance Management

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary of main issues

1. This annual report provides Corporate Governance and Audit Committee with assurances on the strength of the Council's risk and performance management arrangements and is an important source of evidence for the Annual Governance Statement due to be approved by the Committee at today's meeting.
2. The arrangements have been further developed, improved and updated during 2012/13. Compliance with the risk management policy and performance management framework is good and further work is planned in 2013/14 to continue to develop and improve the supporting arrangements.
3. While we can never be complacent, and some risks lie outside our control, this report provides the Committee with a high level of assurance on the strength of the risk and performance management arrangements currently in place across the authority.

Recommendations

4. Corporate Governance & Audit Committee is asked to receive the annual report on the Council's risk and performance management arrangements and note the assurances given.

1. Purpose of this report

- 1.1. This annual report provides Corporate Governance and Audit Committee with assurances on the strength of the Council's risk and performance management arrangements and is an important source of evidence for the Annual Governance Statement due to be approved by the Committee on September 20th with the Statement of Accounts. It also enables the Committee to fulfil its role under the Council's Risk Management Policy and the Committee's own Terms of Reference for reviewing the 'adequacy of the Council's Corporate Governance arrangements (including matters such as internal control and risk management)'.

2. Background information

- 2.1. The 'main issues' section of the report provides assurances on the Council's Risk Management Policy and Performance Management Framework, summarises the main risk and performance arrangements and outlines future plans to further improve them.

3. Main issues

- 3.1. The strength of our risk and performance management arrangements stems from the authority's Risk Management Policy and Performance Management Framework. The tables below give high-level assurance with respect to ensuring these are adequate, complied with and up to date.

Risk Management	
Name of Policy	Risk Management Policy
Is it up to date?	Yes: fully revised in 2011, minor amendments in November 2012
Is it fit for purpose?	Yes: following extensive benchmarking and reviews against British and International Standards on Risk Management and other good practice guides, the Policy was updated in October 2011, approved by the Corporate Risk Management Group and this Committee and endorsed by the Chief Executive and the Council Leader. It was also reviewed by the Corporate Communications team to ensure it complied with 'Plain English' requirements. Minor amendments have been made since to reflect the role and membership of the Risk & Performance Board which replaced the Corporate Risk Management Group in November 2012.
How is it communicated?	All key stakeholders were consulted with prior to the major revision of the Policy. The Policy now forms part of the 'Policies & Procedures' section of the Council's revised Intranet site and so is accessible to all staff with Internet access. In addition, it is available to members of the public as a background paper to the Executive Board annual report (latest report: 17/7/13). The authority's Risk Management Unit references the Policy, particularly the section on Roles and Responsibilities, in its training sessions to staff and elected members.
Is it routinely complied with?	Yes: members of the Risk & Performance Board are responsible for ensuring compliance with the Policy within their directorates. For 2012-13, members of the Board have confirmed they are satisfied with the level of compliance of their directorate arrangements.
How is it monitored?	The Policy is reviewed annually by the Risk Management Unit or as appropriate and in response to changes in legislation, Council policy and risk management standards. Any such changes will continue to be consulted upon.

Performance Management	
Name	Performance Management Framework
Is it up to date?	Yes: the performance management arrangements were substantially

Performance Management	
	overhauled in 2011 to take account of the new strategic plans approved in July 2011 and the adoption of Outcomes-Based Accountability principles. The new Performance Management Framework was further revised in March 2012 to build on the learning in implementing the new arrangements. However, it remains draft pending the outcomes of the current review of performance management (see 'Future Improvements' section below).
Is it fit for purpose?	Yes: the framework was benchmarked with Core City and West Yorkshire local authorities. It builds on good practice such as the Audit Commission's <i>Use of Resources</i> inspection criteria that were previously used to judge the council's performance arrangements.
How is it communicated?	All key stakeholders were consulted with prior to the major revision of the framework. This Committee reviewed the framework in January 2012. The framework is accessible to all staff with Intranet access on the Council's Insite Intranet site.
Is it routinely complied with?	Yes: members of the Risk & Performance Board are responsible for ensuring compliance with the framework within their directorates. For 2012-13, members of the Board have confirmed they are satisfied with the level of compliance of their directorate arrangements.
How is it monitored?	The corporate performance team reviews the framework in response to changes in legislation and good practice and as required.

Risk & Performance Reporting

- 3.2. In 2012/13, building on the work begun the previous year, further improvements were made to integrating risk and performance reporting leading to the formal disbanding of the Corporate Risk Management Group and the Performance Board. These were merged in November 2012 to form the Risk & Performance Board. The corporate risk and performance teams support the Risk & Performance Board and draw up a quarterly snapshot of the risk and performance information by directorate as well as HR, Internal Audit reports, external inspections etc. The Risk & Performance Board reviews and challenges this combined information and considers the key issues to report to the Corporate Leadership Team (CLT) and Executive Board. The data is drawn on to help inform the Chief Executive's appraisals of his directors. Scrutiny Boards review the performance information each quarter.

Risk Management

- 3.3. A range of risk registers are in place across the Council at directorate, service, budget, programme and project levels. Specific assurances are given to this Committee and other member groups on financial risk management and on various projects upon request. Key risks are reported upwards and considered in line with the relevant governance arrangements: e.g. budget risks to the Financial Performance Group and then to CLT and Executive Board; project risks to project boards; directorate risks to directorate management teams. The CLT reporting guidance was revised earlier this year and now includes a mandatory requirement to detail the key risks to that decision/policy/project. This requirement remains for all other reports to a Committee (excluding Plans Panel or Licensing Committee), Executive Board and if a key or other delegated decision is required.
- 3.4. The most significant risks from these registers and reports are escalated as required, ultimately up to the corporate risk register (CRR), which also incorporates a 'RAG' review of all the Council's programmes and major projects. The CRR is a

live document with risks moving up and down over the year, thereby evidencing the maturity of our review and challenge processes. It was last reviewed by the Risk & Performance Board and Corporate Leadership Team in May¹ and contains 22 risks of which 6 have been given the highest 'red' rating. This rating is a combination of the probability of the risk materialising and its potential impact if it did and so some risks score highly as a consequence of their impact score. A detailed report providing assurance on the arrangements in place to help mitigate the 10 most significant corporate risk areas² was provided to the Executive Board on 17th July.

- 3.5. Executive portfolio holders regularly review risk information and the Risk Management Unit engages with all Executive members to review the corporate risk register as part of an annual risk management briefing. In 2012/13, we widened this review to gain an understanding of Executive members' requirements of the risk and performance information they receive.³
- 3.6. Along with our horizon scanning exercises (for example, through media monitoring, review of reports to members and external assessment reports and benchmarking our risk register against those of other organisations, including those of the Core City local authorities), these processes provide the Committee with a significant source of assurance on the rigour of the Council's corporate risk register and that it accurately reflects both members' and officers' concerns.

Performance Management

- 3.7. The corporate performance management arrangements focus on the strategic priorities and ensure that a high-level update on each of these is provided to key officers and members, including Executive Board and Scrutiny Boards. These provide a comprehensive but succinct update to enable further discussion, investigation, reports and action to explore any performance issues and to drive improvement. More detailed performance monitoring is carried out at directorate level and brought together corporately via the Risk & Performance Board.
- 3.8. The annual State of the City Report helps provide an additional check on progress against our strategic priorities and informs an analysis of cross-cutting issues such as poverty and health inequalities. It also provides some evidence to support or challenge whether the city and council priorities are still the right ones. The 2013 report is currently being drafted.
- 3.9. During 2012/13, the corporate performance team led the review and drawing up of the Best Council Plan 2013-17: a streamlined, outcomes-based strategic plan closely aligned with the medium-term financial plan that was approved by Council on 1st July following extensive consultation. It includes a new set of performance indicators, measures and milestones for each priority and outcome with success measures agreed for 2013/14 as well as 2017 to enable progress tracking.
- 3.10. Supporting this, a new, simplified service planning template and guidance was approved by the Risk & Performance Board last autumn and has now been rolled

¹ The August 2013 quarterly review and reporting of risk and performance management information was suspended pending the outcomes of the review of our performance management arrangements.

² Safeguarding children; Safeguarding adults; School places; Welfare changes; Leeds economy; City resilience (emergency planning); City flooding; Financial management; Council resilience (business continuity planning); Health & Safety.

³ The same review was due to take place with this Committee earlier in the year but was cancelled due to heavy snow. We shall reschedule for later this year.

out. The plans articulate how a service expects to contribute to delivering the outcomes and improvement priorities set out in the strategic planning framework and provide a vital link from these plans through to team plans and personal development plans. Service plans are an essential tool for making rational and co-ordinated decisions about future levels of service provision and how resources, people and assets are deployed. They should therefore link service, workforce and financial planning and risk management. All 45 service plans were received and published by 26th June. This achievement should not be understated as it is the first time in several years that all services have a published plan available.

Future Improvements

- 3.11. In July 2013, following the 'Enabling Corporate Centre' review, the previously separate corporate risk and performance teams were brought together within a new 'Strategy & Improvement' division, part of the Strategy & Resources Directorate. This 'Risk & Performance' team is, at the time of writing, working with directorate colleagues to review our performance management arrangements – and thereby also risk management reporting – in line with the following broad principles:

A more outcome-focused approach aimed at telling the story by drawing together and analysing a range of data rather than necessarily focusing on individual 'red' performance indicators. This could include better use of the State of the City analysis in assessing wider progress against the City Priorities.

Streamlined, 'by exception' and, if possible, more 'real-time' reporting with directorates taking the lead but with the corporate team continuing to provide support and oversight.

Ensuring that, whilst bureaucracy is kept to the minimum necessary to support monitoring and reporting, appropriate directorate and corporate governance arrangements are maintained so that we can continue to provide assurance on both risk and performance across the authority.

- 3.12. Alongside the review, other improvements for this year include:

Full roll-out of the risk management software: the software successfully went live in 2012/13 and is now being rolled out. The initial focus is on directorate budget risk registers and directorate risk registers.

Refresh of all directorate risk registers – and thus the corporate risk register – through workshops with directorate management teams to align them with the new Best Council Plan and revised performance indicators. The corporate risk team will also continue to provide risk workshops for specific projects and business change proposals.

Through these workshops, training will be provided through which we shall emphasise the importance of using risk management as a tool to help make informed decisions. As an enterprising, innovative organisation operating in an increasingly challenging environment, making such decisions will require us to become less risk averse than we have perhaps been perceived and actively take risks where appropriate.

Integrating Public Health into our risk and performance arrangements and working with the Environment & Housing Directorate to make adjustments as needed through the ALMO review.

4. Corporate Considerations

4.1. Consultation and Engagement

4.1.1 We have engaged with Risk & Performance Board colleagues on the contents of this report. Consultation is underway with relevant colleagues and members on the performance management review.

4.2. Equality and Diversity / Cohesion and Integration

4.2.1 This is an assurance report and not a decision so due regard is not directly relevant.

4.3. Council policies and City Priorities

4.3.1 Under Principle 4 of the Council's Code of Corporate Governance, the authority should take, 'informed and transparent decisions which are subject to effective scrutiny and risk management'. The risk management framework, in support of the Risk Management Policy we have in place in the authority, supports this.

4.3.2 Using a structured and consistent risk management approach to focus discussion, prioritise resources and enable justifiable risk-taking will help the successful delivery of the Council and City priorities. The performance arrangements described in this report ensure that progress is monitored in their delivery.

4.4. Resources and value for money

4.4.1 These arrangements are resourced through existing teams across the council and therefore have no specific resource implications.

4.5. Legal Implications, Access to Information and Call In

4.5.1 Without robust risk management arrangements, the Council could be in breach of the Accounts and Audit Regulations 2011 which require us to have 'a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.' (Section 4.1)

4.5.2 There is no specific statutory duty to have performance management arrangements but, alongside risk management, it is a core principle of good governance and as such assurance is required on them in order for this Committee to approve the authority's Annual Governance Statement. All performance information is published on the Council's website.

4.5.3 This is an assurance report and not a decision so is not subject to call in.

4.6. Risk Management

4.6.1 Without effective risk and performance management arrangements, there is a danger that the most significant risks and issues that could impact upon the Council and Leeds are not properly identified and managed.

5. Conclusions

5.1. The council's risk and performance management arrangements have been further developed, improved and updated during 2012/13. Compliance with the risk management policy and performance management framework is good although further work is planned in 2013/14 to continue to develop and improve the supporting arrangements.

5.2. While we can never be complacent, and some risks lie outside our control, this report provides the Committee with a high level of assurance on the strength of the risk and performance management arrangements currently in place across the authority.

6. Recommendations

6.1. Corporate Governance & Audit Committee is asked to receive the annual report on the Council's risk and performance management arrangements and note the assurances given.

7. Background documents

7.1. None

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Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 20th September 2013

Subject: Financial Planning and Management Arrangements

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. Given the significant financial challenge the Council is facing, ensuring that we have in place appropriate arrangements to deliver sound financial management and planning is perhaps more critical than ever before.
2. The Responsible Financial Officer has established appropriate overarching controls for the financial management of the Council's affairs.
3. These controls are subject to a number of independent assessments. In particular Internal Audit has reviewed and given substantial assurance on the Council's main financial processes, the integrity of the accounts and the accuracy of the major financial systems.
4. External Audit also gives independent assurance on the accounts and accounting practice; the Authority arrangements to ensure value for money and the controls on the Authority's key financial systems.
5. A full internal review of the Council's financial arrangements will be undertaken in 2013/14 in line with CIPFAs best practice on the roles and responsibilities of the Responsible Financial Officer.
6. A number of improvements to systems and procedures have already been identified and will be undertaken as part of the review.

Recommendations

7. Members of the Corporate Governance and Audit committee are asked:
 - To note the assurances provided that the appropriate systems and procedures are in place to ensure that the Council delivers sound financial management and planning, and

- To consider whether there are any areas where further information would be helpful to the Committee in order to provide additional assurance as to the adequacy of these controls.

1 Purpose of this report

- 1.1 Given the significant financial challenge that the Council is facing, ensuring that we have in place appropriate arrangements to deliver sound financial management and planning is perhaps more critical than ever before. This report outlines the key systems and procedures which are in place to deliver such arrangements whilst ensuring the maintenance of adequate reserves.
- 1.2 The report covers in detail the key components of the Council's financial management arrangements and aims to give members assurance that these systems and procedures are fit for purpose, up to date, embedded and being complied with.

2 Background information

- 2.1 In accordance with Section 151 of the Local Government Act 1972, each local authority is required to make arrangements for the proper administration of their financial affairs and to appoint a Responsible Financial Officer to have responsibility for those arrangements. In Leeds the Section 151 Officer is the Deputy Chief Executive.
- 2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) in their Statement on the role of the Responsible Financial Officer in Local Government provides further guidance on the role, stating that the Responsible Financial Officer must:
- be a key member of the Leadership Team, helping it to develop, implement and resource the authority's strategic objectives;
 - be actively involved in, and able to bring influence to bear on, all material business decisions; and
 - lead the promotion and delivery of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

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

- 2.3 In the context of this report the Responsible Financial Officer is also required under statute to:

- Report to Council on the robustness of the estimates and the adequacies of financial reserves (Local Government Act 2007). The relevant sections of the 2013/14 budget report to Council relating to this duty are attached at **appendix A**.
- Certify that the accounts are a true and fair view of the Councils' financial position (Accounts & Audit Regulations 2011).

- Ensure that the Council's financial systems accurately record the financial transactions; enable the prevention and detection of inaccuracies and fraud and ensure risk is appropriately managed (Accounts & Audit Regulations 2011).

The financial procedures and controls put in place by the Responsible Financial Officer form a fundamental part of the assurances received by this Committee when approving the Annual Governance Statement as required by the Accounts & Audit Regulations 2011.

3.0 Main issues

3.1 Overarching Controls

3.1.1 In order for the Council's statutory Responsible Financial Officer to discharge their duties a number of overarching arrangements and controls have been established:

- The strategic role within the Council of the Responsible Financial Officer;
- Professionally qualified and accountable staff;
- Financial Regulations;
- The monitoring of the Integrity of financial systems;
- A framework for the Council's Treasury Management arrangements.

3.1.2 The following section summarises how these overarching arrangements and controls operate within the Council.

3.1.3 The Deputy Chief Executive, in the role of the Council's Responsible Financial Officer, undertakes a **strategic role** on the Corporate Leadership Team and has established appropriate arrangements to discharge his responsibilities in line with the recommended CIPFA recommended practice as outlined in para 2.3 above.

3.1.4 Financial management, within the Council, both corporately and within directorates is delivered by colleagues who are managerially responsible to the Deputy Chief Executive. Many of the senior colleagues within the financial management services are **professionally qualified** with many years of experience, and are themselves personally and professionally responsible for their actions and advice. This is reinforced through an appraisal scheme which incorporates identification of key skills for finance staff, programmes of continuing professional development and peer review forums to ensure integrity as to the accounts and budget monitoring processes.

3.1.5 The service has recognised that as staff numbers are reduced, the service needs to be redesigned, in order to continue to be effective. The Financial Services Management Team has established a number of actions contained within the Service Plan for providing a holistic approach to the delivery of effective financial management with fewer resources. These actions include:

- To review service delivery in consultation with stakeholders and in the context of the vision;
- To develop and implement a new service offer which continues to deliver key service and Council priorities within a substantial reduced resource envelope with a reduction in cost of the order of 30% over the next 3/4 years;

- Development training in order to ensure our colleagues have the right skills to deliver the redesigned service;
- Succession planning to deal with the loss of experienced staff and reduce the impact on service delivery.

As well as the above plans, a number of service changes have already been implemented including the creation of an accounting hub; centralisation of the capital finance teams and the implementation of a standardised approach to budget monitoring of staffing costs.

In addition, as outlined in a report to this Committee on the 22nd April 2013, the Capital Approvals framework has been improved to strengthen accountability for capital decisions and streamline the decision making process. As the capital programme is now fully funded, checks previously required to control capital expenditure within resources available are no longer required. New capital investment, unless externally grant funded, will require a revenue budget to meet the debt costs of borrowing. Control of the capital programme is therefore done through monitoring of the debt budget within revenue.

- 3.1.6 The Council has a number of well established overarching **Financial Regulations** contained within the Council's constitution. It is however recognised that these regulations need updating to reflect the changing financial risks faced by modern Councils. To this end the Council's Financial Regulations are being redrafted to ensure they are fit for purpose and are due to be issued shortly. Each Regulation will be accompanied by an Intranet Toolkits to provide appropriate guidance.
- 3.1.7 Ensuring the integrity of the accounts is as important to our budget monitoring processes as it is to the accounts, and this is a key role of the **Integrity Forum** which includes senior finance staff and is chaired by the Chief Officer – Financial Services. **Appendix B** provides the terms of reference and identified the coverage of the work of the forum.
- 3.1.8 The Council also has tried and trusted arrangements for **treasury management** based on CIPFA's Code of Practice on Treasury Management and the Prudential Code. This Committee received a separate report on the robustness of these arrangements on the 9th November 2012.

3.2 The Main Financial Processes

- 3.2.1 The above arrangements are intrinsic to all the financial procedures and processes undertaken by the Council but are perhaps best illustrated in practice through the main financial cycle which covers:
- Budget preparation and setting.
 - In year budget monitoring.
 - Closure of accounts and reporting.

3.2.2 Budget Preparation and Setting

- 3.2.2.1 Local authorities are under a statutory duty to set a budget each year. Whilst this can simply be seen as an annual exercise, there is a recognition that this needs to be set within a context of a medium term financial strategy. The Council has adopted a number of approaches to medium term financial planning over the last

10 years. The scale of the challenge presented by Spending Review 2010 has however meant that the Council has had to respond very quickly to significant reductions in its level of government grants. Taking account of reductions in government grants to the Council and other spending pressures, by the end of the current year, the Council will have had to deliver savings and other reductions in the order of £200m, and faces further cuts in its government grants over the next two years in excess of £80m. Whilst it is not clear when the current austerity within the public finances will come to an end, it is evident that by its end, the Council will be a very different organisation, employing a lot less people than it did in 2010/11.

- 3.2.2.2 The Medium Term Financial Strategy does not attempt to provide a detailed budget for the next two years but it does set out the main financial pressures facing the Council and sets out a broad framework for the delivery of efficiencies and savings to bridge the identified funding gap. This financial strategy will be updated annually via reports to the Executive Board.
- 3.2.2.3 The budget as well as a financial expression of the Council's policies and priorities, is also a means of controlling spending to the available resources. The budget process is led by the Deputy Chief Executive and involves a wide range of officers and members across the Council. The process starts soon after the budget setting of the previous year with an early assessment of available funding and key pressures. Undertaking such an assessment involves a whole set of assumptions including government grant, Council Tax base, inflation, trends and new or developing spending pressures. This part of the process will be led by Corporate Finance staff, but will involve financial and non-financial staff based in directorates. The process will, at such an early stage, invariably identify a budget shortfall. This high level exercise will be subject to a number of iterations with assumptions being subject to regular review and reassessment.
- 3.2.2.4 Directorates start to prepare and input detailed estimates into the budget module of the Council's Financial Management System (FMS) in late summer. These are done at cost centre level and involve budget holders reviewing their spending requirements in conjunction with directorate based finance staff and in accordance with the corporately determined guidelines.
- 3.2.2.5 The development of options to balance to available resources is a key aspect in any budget process and needs to balance both capital and revenue pressures. This clearly can be a difficult area of work and whilst needing to be pragmatic and sufficient, it is crucial that the process reflects the Council's policies and priorities. This is ensured through close engagement of senior officers and Executive Board portfolio Members at appropriate points in the process.
- 3.2.2.6 Following consultation, the Council's constitution determines that initial budget proposals are submitted to Scrutiny 8 weeks prior to the Council's budget meeting. In practice this is after Executive Board approval, and requires the proposals to be submitted to the December meeting of the Board. Whilst the initial budget proposals are not in the same level of detail as submitted to full Council in February, this part of the process has been subject to development over the last few years, and certainly those submitted for 2013/14 to December Executive Board being the most comprehensive and developed to date. This was recognised by the Leaders of all political grouping on the Council.

- 3.2.2.7 Budget preparation and setting is a demanding process and operates to strict timescales. This places an emphasis upon not just planning but also engagement with Councillors and Senior Management.
- 3.2.2.8 The budget is in many ways an exercise in managing risk. With limited resources, it is inevitable that elements of the budget will depend upon actions which have yet to happen, or upon assumptions that may in reality vary from those assumed at budget setting. As such an important element of the budget process is the development and maintenance of a budget risk register which attempts to identify and assess the risks built into the budget estimates. It is important to appreciate that the time frame of the budget risk register is just one budget year. The budget risk register not only assists in assessing the robustness of the estimates but also acts as a means of assessing the adequacy of reserves in that it provides an assessment of what may go wrong in year.
- 3.2.2.9 Reaching a view of the robustness of the estimates and the adequacy of resources not only requires consideration of the processes and systems used in preparing the estimates, but also a consideration of the strength of the arrangement in place for internal financial control including budget monitoring, and these are further discussed in the section 3.4 below.
- 3.2.2.10 Along with member scrutiny, the budget process is subject to Internal Audit review. In addition external audit, as part of their assessment of financial resilience, provided assurances as to the robustness of the budget itself.

3.3 In Year Budget Monitoring

- 3.3.1 Budget monitoring is a continuous process which operates at a variety of levels throughout the Council. Although directors are ultimately responsible for the delivery of their directorate budget, operationally these responsibilities are devolved down to around 600 budget holders within the Council. Every budget has a named budget holder who is responsible for managing and monitoring income and expenditure against the approved budget.
- 3.3.2 Financial Monitoring in the Council is facilitated by the Council's Financial Management System. The system holds information as to approved budgets, actual spend and income and commitments. On a monthly basis budget holders review their spend to date, against the approved estimates and against profiled estimates. In addition, budget holders are also required to predict their end of year position which is done with the assistance of directorate finance staff, and clearly does involve a degree of judgement. In practice some budgets are more difficult to control and project than others. A new development being currently rolled out is a new system for projecting staffing costs, which will enable staffing projections to be done more efficiently. There are also instances where spending is controlled on systems other than the Council's FMS, for example community care payments. In these instances, procedures are in place to ensure that information held in these systems is regularly reconciled to FMS.
- 3.3.3 Financial monitoring is undertaken and operates on a hierarchical basis, whereby the monthly projections of budget holders are aggregated upwards to be reviewed by Chief Officers, and Directors. The projections for each directorate are submitted

to the Director of Resources and are reviewed and challenged by the Finance Performance Group (FPG). This Group is made up of senior finance staff and chaired by the Chief Officer - Financial Services. The projections are then reported monthly to the Corporate Leadership Team and the Executive Board. As well as being accurate, monitoring also needs to be timely, and as such monthly reporting is operated according to a strict timetable. In addition, at each monthly FPG meeting, monitoring statements in relation to the capital programme and debt are also reviewed. Monitoring reports on the capital programme and Treasury strategy are considered during the year by Executive Board.

- 3.3.4 In line with the Council's values of Spending Money Wisely, it is critical that where projected overspends are identified that action is taken to bring spending back into line with the approved estimates or to identify other sources of funding such as areas of under spend. In year, any decision to amend budgets is undertaken within the virement rules agreed annually by full Council as part of the budget setting process. All such decisions are recorded as part of the delegated decision making process.
- 3.3.5 It is also important to appreciate that external audit also review our budget and budget monitoring arrangements in order to assess whether they are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

3.4 Closure of Accounts

- 3.4.1 The first stages of the closedown process is a natural extension of the budget monitoring arrangements with budget holders compiling the final figures for their areas of responsibility to determine an outturn position to be reported to Executive Board. This report compares the budget to the final outturn for each Directorate and provides an explanation as to the reason for any variance, including explanations of major variations on individual capital schemes. This comparison to the budget provides a clear indication as to the robustness of the original budget setting and the quality of the budget monitoring process.
- 3.4.2 Alongside the budget monitoring process, significant accounting decisions are referred to the technical accounting team to ensure compliance with applicable accounting standards. KPMG are also consulted on such decisions to ensure they are agreed by all parties before a major financial decision is made.
- 3.4.3 All changes to accounting practice are assessed and, where applicable, implemented by specialist officers in Corporate Financial Management. All finance officers and relevant directorate officers are informed of the implications of any changes. The application of appropriate accounting practice is assessed by the Council's external auditors and reported back to members of this committee.
- 3.4.4 The Chief Officer Financial Services oversees the closedown process and the Deputy Chief Executive reviews both the accounts themselves and the processes used to compile them, before certifying signing them as a true and fair view. The Council's external auditors provide members with independent assurance that, in their opinion, the accounts do reflect a true and fair view of the Council's financial position and that they comply with proper accounting practice.

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

3.5 **Assessing our Financial Management arrangements**

3.5.1 The Council to date has managed to achieve £145m savings over the past 2 years and by the end of 2014/15 will have achieved savings of over £200m.

3.5.2 In recognition of the risks involved, Internal Audit undertakes a significant number of audits including:

- the financial management controls in respect of the budget, budget monitoring and accounts process;
- the integrity of the accounts; and
- all major financial systems.

3.5.3 External Audit also provides a number of important assurances, including:

- independent assurance that, in their opinion, the accounts reflect a true and fair view of the Council's financial position and that they comply with proper accounting practice;
- That the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources;
- That the controls on the Authority's key financial systems are sufficient to produce materially reliable figures for inclusion in the financial statements.

3.5.4 A number of tools have also been used internally to test the strength of our financial management arrangements. These tend to identify areas of good practice in order to drive improvement rather than providing an overall score.

3.5.5 One such tool is CIPFA's review model for assessing compliance with good practice in respect of the role of the Responsible Financial Officer in Local Government. This model covers all aspects of the role of the Responsible Financial Officer including:

- The quality of systems and processes for financial administration and control;
- The adequacy of Medium term financial planning process;
- Timely, accurate and appropriate provision of financial information and advise;
- Effective stewardship of public monies;
- Effective working relationship with internal and external audit;
- Compliance with CIPFA codes on the Prudential Framework for Capital finance and Treasury Management;
- Members understanding of their financial roles and responsibilities and the access to financial skills and training in order to discharge these responsibilities.

A full and comprehensive assessment of the Council's financial arrangements using this model was undertaken by the Responsible Financial Officer in 2011.

The assessment found that the Council had substantial levels of assurance on its financial arrangements. The review did however identify one weakness that needed addressing, namely that Financial Regulations needed updating.

3.5.6 Grant Thornton in their November 2011 publication “Surviving the storm: how resilient are local authorities” reported on their national programme of financial health reviews, and identified best practice under the following four headings:

- Key indicators of financial performance
- Strategic financial planning
- Financial governance
- Financial controls

Most of the issues raised in the report have been assessed via the CIPFA model as outlined in para 3.5.5 above as well as within the annual service planning undertaken by the Finance Services. However the report does recognise the need for Councils to measure key indicators of financial performance and to compare these measures with those of other Authorities.

As part of the Bond market arrangements for the Little London and Beeston PFI scheme, Standards & Poors undertook an independent review of the Council’s financial health indicators and compared it to other comparable Local Authorities. The review looked at all aspects of the Council’s financial standing in order to provide investor assurances that the Council was a reliable, low risk investment prospect. The review concluded this was the case.

3.5.7 It is proposed that a full review is undertaken of the Council’s financial management arrangements using CIPFA’s model for assessing compliance with good practice in respect of the role of the Responsible Financial Officer in Local Government. This review will be undertaken once the Council’s financial services have been redesigned in line with the proposals set out in its service plan, but recognising that this is a dynamic process..

3.6 Future Challenges

3.6.1 Whilst budget monitoring arrangements remain effective there are areas which need to be improved. Staffing costs remain the biggest area of budget spend for the Council and need to be effectively monitored. In particular the monitoring of staffing within Children’s Services has been identified as an area for improvement and work is on-going to introduce a more comprehensive and effective system for monitoring these costs.

3.6.2 The last few years has seen a shift in the way the Government has looked at funding local government initiatives. In particular significant amounts of money are now been given to city regions rather than to individual local authorities. In addition decision making is now often being made in conjunction with local businesses and other partners via company and other arrangements. The legal, accounting and taxation arrangements for these entities and partnership are a new challenge facing the Council and Financial Services are working closely with our partners to ensure proper financial governance arrangements are put in place for each separate arrangement.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Extensive consultation was undertaken as part of the budget setting process, as outlined in the Revenue Budget and Council Tax 2013/14 report to Full Council on the 27th February 2013. This report has no direct issues requiring consultation or engagement.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 A specific equality impact assessment of the budget at a strategic level was undertaken and was report to Full Council on the 27th February 2013 as part of the Revenue Budget and Council Tax 2013/14. This report has no direct equality and diversity / cohesion issues.

4.3 Council policies and City Priorities

- 4.3.1 As expressed within the Council Business Plan 2011 – 2015, spending money wisely is one of the Council's values, with the priority being for directorates to keep within their budgets. Ensuring that the Council has appropriate systems and procedures are in place to sound financial management and planning is clearly a key aspect and as such this report does provide some assurances, albeit not comprehensive, assurance that money is being spent wisely.
- 4.3.2 The terms of reference of the Corporate Governance & Audit Committee require the Committee to consider the adequacy of the Council's policies and practices to ensure compliance with statutory guidance and the adequacy of the Council's Corporate Governance arrangements.

4.4 Resources and value for money

- 4.4.1 This report deals with the Council's financial management arrangements and is aimed at providing assurance to members as to their fitness for purpose.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The statutory responsibilities of the Council's responsible financial officer are defined under the Local Government Act 2007 and Accounts & Audit Regulations 2011. The report does not require a key or major decision and is therefore not subject to call-in.

4.6 Risk Management

- 4.6.1 A full risk register of all budget risks in accordance with current practice is maintained and subject to quarterly review. Any significant and new risks are contained in the budget monitoring reports submitted to each meeting of the Executive Board, together with any slippage on savings.
- 4.6.2 The Council's external auditors provide a risk assessment on the Council's financial resilience and the accounts process as part of their interim audit. As part of the interim report, officers are able to outline the processes put in place to mitigate these risks.

4.6.3 In addition to the above, there are a number of risks which are monitored through the Corporate and the directorate risk registers, these being:

Corporate Risk Register

- Council's financial position goes into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the Council's risk-based reserves policy;
- Failure to address medium-term financial pressures in a sustainable way.

Resources Directorate Risk Register

- Failure to comply with statutory deadlines (e.g. Statement of Accounts / Budget / RO and RA forms);
- Risk of provision of poor financial advice that results in poor financial decisions across the authority. This could lead to the financial ledger being inaccurate or out of date.

5 Conclusions

5.1 Whilst this report does not attempt to provide a comprehensive assessment of all the systems and controls required to discharge the statutory responsibilities of the Responsible Financial Officer, it does provide a summary of the coverage provided by the key controls.

5.2 The Responsible Financial Officer has established a framework of financial management controls and processes which, in his opinion, discharge his statutory responsibilities. It can be concluded that the framework of controls outlined in this report are fit for purpose, up to date, embedded and regularly complied with. Members can also take assurance from a number of rigorous reviews and assessments undertaken, including:

- External Audit have provided the following assurances:
 - Independent assurance that, in their opinion, the accounts reflect a true and fair view of the Council's financial position and that they comply with proper accounting practice.
 - That the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In particular, the Council has been able to deliver its savings plans and has a robust budget and budget monitoring processes in place to mitigate the significant risks presented by the current financial challenges.
 - That the controls on the Authority's key financial systems are sufficient to produce materially reliable figures for inclusion in the financial statements.
- Internal audit assessed:
 - The financial management controls in respect of the budget, budget monitoring and accounts process and given substantial assurance as to the control environment and compliance for all these key financial processes.
 - The process of ensuring the integrity of the accounts., Providing substantial assurance that financial controls are in place to ensure the

integrity of the Council's financial information held on its financial ledger (FMS).

- All major financial systems and given either good or substantial assurance on the financial controls in place.

- Member scrutiny via Scrutiny Boards, Executive Board and Full Council ensures that the budget meets the Council's priorities. In addition the Corporate Governance & Audit Committee approve the Council's accounts.
- Officer review of the budget and budget monitoring processes through Finance Performance Group, directorates management teams and the Corporate Leadership Team.

5.3 Whilst the above arrangements should provide members with substantial assurance that the Council does have in place appropriate systems and procedures to deliver sound financial management and planning, it is important that this is kept under review, and the report identified a number of ways (para 3.5.5 & 3.5.6) in which we will review these arrangements going forward.

5.4 As part of this review process specific attention will be given to the issues raised in para 3.6.

6 Recommendations

6.1 Members of the Corporate Governance and Audit committee are asked:

- To note the assurances provided that the appropriate systems and procedures are in place to ensure that the Council delivers sound financial management and planning, and
- To consider whether there are any areas where further information would be helpful to the Committee in order to provide additional assurance as to the adequacy of these controls.

7 Background documents¹

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.

Extract from the Revenue Budget and Council Tax 2013/14 report to Full Council on the 27th February

ROBUSTNESS OF THE BUDGET AND THE ADEQUACY OF RESERVES

1.1 The Local Government Act (Part II) 2003 placed a requirement upon the Council's statutory finance officer (The Director of Resources) to report to members on the robustness of the budget estimates and the adequacy of the proposed financial reserves.

1.2 In considering the robustness of any estimates, the following criteria need to be considered:-

- the reasonableness of the underlying budget assumptions such as:
 - the reasonableness of provisions for inflationary pressures;
 - the extent to which known trends and pressures have been provided for;
 - the achievability of changes built into the budget;
 - the realism of income targets;
 - the alignment of resources with the Council service and organisational priorities.
- a review of the major risks associated with the budget.
- the availability of any contingency or un-earmarked reserves to meet unforeseen cost pressures.
- the strength of the financial management and reporting arrangements.

1.3 In coming to a view as to the robustness of the 2013/14 budget, the Director of Resources has taken account of the following issues:-

- Detailed estimates are prepared by directorates in accordance with principles laid down by the Director of Resources based upon the current agreed level of service. Service changes are separately identified and plans are in place for them to be managed.
- Estimate submissions have been subject to rigorous review throughout the budget process both in terms of reasonableness and adequacy. This process takes account of previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the Council.
- Significant financial pressures experienced in 2012/13 have, where appropriate, been recognised in preparing the 2013/14 budget, or are subject to further actions to enable them to be delivered.
- Contingency provisions have been included in the General Fund and within the DSG funded services. These provisions are for items not

foreseen and for items where there is a risk of variation during the year. In the case of the schools contingency, this would include adjustments required in the application of formula funding, significant increases in pupil numbers, and additional statements of Special Education Needs or exceptional in year cost increases.

- As part of the budget process, directorates have undertaken a risk assessment of their key budgets, documented this assessment in the form of a formal Risk Register, and provided a summary of major risks within the directorate budget documents, many of which are significant. All directorate budgets contain efficiencies, service reviews and savings which will require actions to deliver, and any delay in taking decisions may have significant financial implications. The overall level of risk within the 2013/14 budgets of directorates is considered to remain relatively high. Whilst this level of risk can be considered manageable, it must be on the understanding that key decisions are taken and that where identified savings are not delivered alternative savings options will be needed. This is all the more important given that the Council will face further financial challenges over the years beyond 2013/14.
- In addition to specific directorate risks, there are two new risks which need to be understood and closely monitored.
 - The introduction from April 2013 of a scheme of Council Tax discounts does raise additional risks as to collection. Overall, the assumed collection rate for Council Tax has been reduced from 99.2% to 99% to reflect this additional risk, but there is still the potential for further losses. However, it should be noted that should there be a higher level of loss than assumed, that this would materialise with the collection fund, and as such would not impact upon the current year's budget.
 - Under the new business rates retention scheme, the Council's local share of business rates is exposed to risks from both collection and reductions in rateable values. The scheme does provide for a safety net, whereby any losses in excess of 7.5% against an authority's business rates baseline would be met centrally. However, this would still mean the Council bearing losses, against our baseline, in excess of £10m. This risk is further heightened, as under the scheme, the Council shares its proportion of any losses in respect to rating appeals which may be backdated to prior to the 1st April 2013. Although in setting the 2013/14 budget, an assumption has been included as to potential scale of losses due to backdated appeals, this is still considered to be a significant risk. However, as in the case of Council Tax, any losses greater than those assumed in setting the budget will materialise through a collection fund and will not impact in the current year.

1.4 The Council's financial controls are set out in the Council's Financial Procedure Rules. These provide a significant degree of assurance as to the

strength of financial management and control arrangements throughout the Council. The Council has a well-established framework for financial reporting at directorate and corporate levels. Each month the Director of Resources receives a report from each directorate setting out spending to date and projected to the year-end. Action plans are utilised to manage and minimise any significant variations to approved budgets. There are no proposed changes to the level of financial reporting to either the Executive Board or to Scrutiny.

1.5 The Council's Reserves policy, as set out in Section 7, requires directorates to prepare budget action plans to deal with spending variations on budgets controlled by directorates during the year.

1.6 In the context of the above, the Director of Resources considers the proposed budget for 2013/14 as robust and that the level of reserves are adequate given a clear understanding of the following:-

- the level of reserves is in line with the risk based reserves strategy.
- 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.
- enhanced budget reporting to members will continue.
- 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%.
- risks associated with Council tax and business rates, although new and significant, will not impact on the current year's budget.
- 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.

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Integrity Forum - Terms of Reference

1. Introduction

The Integrity Forum has a key role within Leeds City Council's Governance Framework and its function is to help ensure that there are procedures and operations in place to provide the necessary quality, integrity and reliability of financial information and accounts. The overall purpose is to help ensure the financial stewardship of the Authority by monitoring the following:-

the regular review and reconciliation of financial systems to the financial ledger

The regular review and reconciliation of balance sheet accounts.

the requirement to have effective systems and procedures in place to facilitate the posting of financial data to the ledger.

that there are up to date bank mandates for all bank accounts to which LCC officers are signatories and that bank statements are regularly received and reconciled

The Integrity Forum meets on a monthly basis in order to ensure that a regular review is undertaken and that any deficiencies relating to the integrity of the ledger are promptly acted upon.

2. Reporting to Finance Performance Group

Reporting to FPG is on an exception basis whereby only issues that compromise the integrity of the ledger will be reported. This reporting is undertaken as and when deemed necessary by the Chief Officer (Financial Management).

3. Investigation of areas of concern

The Forum instigates any investigations deemed necessary where there are areas of concern. This may include calling individuals in to the monthly meeting to discuss specific issues as required.

4. Items considered by the Forum

The following items are considered by the Integrity Forum in accordance with a pre-determined Integrity timetable.

4.1 Systems and Feeders

4.1.1 FMS feeders – any issues arising relating to the day to day control of feeder systems posting into The financial ledger (FMS)

4.1.2 Cash Book –reconciliations of Cash transactions to the financial ledger (Monthly balances in excess of £200m)

4.1.3 Balance Sheet Monitoring Statements. Integrity Forum ensures that all accounts held on the Council's balance sheet are fully reconciled and any amounts due or owed are paid/recovered. This includes the monitoring and checking of payments to HMRC which exceeds £61m per month in respect of payroll taxation and the reclamation of approximately £9m in VAT.

4.2 Integrity of the Financial Ledger

4.2.1 Major Systems Reconciliations. Reconciliations provide assurance that all data processed by systems that feed into the financial ledger has been transferred correctly. Of the major systems £130m per month is processed through the payroll and creditor(payments) systems.

4.2.2 Systems Mapping. A comprehensive map of all systems which feed into the financial ledger is held and reviewed by the Forum.

4.2.3 FMS Access Rights. Regular risk based reviews of access controls in the financial ledger.

5 Internal & External Audit Reports

- All Audit Reports with implications for the Financial Management function are reviewed and commented upon. Action Plans are obtained from relevant officers to ensure that Audit recommendations are implemented – progress against Action Plan is monitored.

6 New Systems Development

- The role and involvement of Financial Management in the development of any new systems which impact on the financial ledger is determined by the Forum. Progress and issues arising are reported to the Forum on a monthly basis.

7 Treasurerships and Partnerships including Charities

- The responsibilities outlined above also extend to areas where the Director of Resources acts as Treasurer or provides an accounting service to an external body.

8 Governance

Internal Audit monitor and validate all the work carried out by Integrity Forum annually giving substantial assurances since the Forum came into existence. In addition KPMG are assured that appropriate controls are in place for the control and policing of FMS.

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 20th September 2013

Subject: Internal Audit Report 1st July to 31st August 2013

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary of main issues

1. The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the Council's Corporate Governance arrangements. Reports issued by Internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.
2. This report provides a summary of internal audit activity for the period 1st July to 31st August 2013 and highlights the incidence of any significant control failings or weaknesses.

Recommendations

3. The Corporate Governance and Audit Committee is asked to receive the Internal Audit 1st July to 31st August 2013 report and note the work undertaken by Internal Audit during the period covered by the report.

1 Purpose of this report

- 1.1 This purpose of this report is to provide a summary of internal audit activity for the period 1st July to 31st August 2013 and highlight the incidence of any significant control failings or weaknesses.

2 Background information

- 2.1 The Corporate Governance and Audit Committee ('the Committee') has responsibility for reviewing the adequacy of the Council's Corporate Governance arrangements. Reports issued by Internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.

3 Main issues

- 3.1 The report details the work undertaken by the Internal Audit Section. The report also contains a summary of completed reviews along with their individual audit opinions.
- 3.2 There are no issues identified by Internal Audit in the July to August 2013 Internal Audit Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.
- 3.3 Internal Audit will continue to undertake a follow up audit on reports with limited or no assurance or where the impact has been determined as either 'Major' or 'Moderate' to ensure the revised controls are operating well in practice.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 This report did not highlight any consultation and engagement considerations.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 This report does not highlight any issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and City Priorities

- 4.3.1 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.

4.4 Resources and value for money

- 4.4.1 In relation to resources and value for money, the Internal Audit work plan includes a number of value for money reviews and a number of initiatives in line with the council's value of spending money wisely. These will be included in the regular update reports to the Committee.

4.5 Legal Implications, Access to Information and Call In

4.5.1 None.

4.6 Risk Management

4.6.1 The Internal Audit plan has been and will continue to be subject to constant review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk. This process incorporates a review of information from a number of sources, one of these being the corporate risk register.

5 Conclusions

5.1 There are no issues identified by Internal Audit in the July to August 2013 Internal Audit Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.

6 Recommendations

6.1 The Corporate Governance and Audit Committee is asked to receive the Internal Audit July to August 2013 report and note the work undertaken by Internal Audit during the period covered by the report.

7 Background documents

7.1 None.

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Internal Audit Report 1st July to 31st August 2013

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How Internal Control is Reviewed

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Section 1

INTRODUCTION

1.1 The Reporting Process

1.1.1 This report provides stakeholders, including the Corporate Governance & Audit Committee, with a summary of internal audit activity for the period 1st July to 31st August 2013.

1.2 Background

1.2.1 The changing public sector environment continues to necessitate an ongoing re-evaluation of the type & level of coverage required to give stakeholders the appropriate level of assurance on the control environment of the Council.

1.3 Progress against the 2013/14 Operational Plan – High Level

1.3.1 The following table shows the progress against the operational plan for the second period of the financial year, broken down by assurance block.

Assurance Block	Total Days per Audit Plan 2013/14	Days spent at August 2013*	% completion at August 2013
<u>Financial Resource Risks</u>			
Spending Money Wisely	695	252	36%
Anti-Fraud and Corruption	600	365	61%
Financial and Other Key Systems	810	173	21%
Head of Audit Assurances	65	78	120%
Compliance	504	131	26%
Procurement, Performance and Improvement	375	197	53%
Risk Based Audits	345	92	27%
ICT	350	36	10%
Total Financial Resource Risks	3,744	1,324	35%
<u>Strategic Risks</u>			
Compliance	97	24	25%
Policies and Procedures	38	2	5%
Risk Based Audits	40	0	0%
ICT	55	0	0%

Assurance Block	Total Days per Audit Plan 2013/14	Days spent at August 2013*	% completion at August 2013
Total Strategic Risks	230	26	11%
<u>Continuing Development</u>			
Professional Liaison	28	3	11%
Training and CPD	305	41	13%
Total Continuing Development	333	44	13%
<u>Contingency</u>			
General Contingency	280	91	33%
Total Contingency	280	91	33%
Total Audit Days	4,587	1,485	32%

*figures taken as at 12th August 2013

In addition, the audit plan also included days for the following:

Audit Area	Total Days per Audit Plan 2013/14	Days spent at August 2013	% completion August 2013
External Contracts	634	370	58%
Secondments	506	344	68%
Total Days	1,140	714	63%

1.4 *How Internal Control is reviewed*

- 1.4.1 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.
- 1.4.2 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.
- 1.4.3 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.

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

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 will be reported as either major, moderate or minor. All reports with major organisational impacts will be reported to CLT along with the appropriate directorate's agreed action plan.

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.

1.5 Progress against the 2013/14 Operational Plan – Individual Reviews

1.5.1 The individual reports, and the opinions given within those reports, are detailed in the following table. Not all audit reviews will have an opinion in each of the boxes as this is dependant on the type of review undertaken. The following table includes reports issued between 1st July and 2nd September 2013.

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment Assurance	Compliance Assurance	Organisational Impact		
Financial and Other Key Systems					
Business Application Audits (Summary Report)	Substantial	Substantial	Minor	Strategy and Resources	25/07/2013
Bank Reconciliation and Cash Book	Substantial	N/A	Minor	Strategy and Resources	02/08/2013
Corporate Financial Management – Central Controls	Substantial	Substantial	Minor	Strategy and Resources	09/08/2013
NNDR – Year End Reconciliation	Substantial		Minor	Strategy and Resources	09/08/2013
Council Tax – Year End Reconciliation	Substantial		Minor	Strategy and Resources	09/08/2013
Payroll Year End Reconciliations	Substantial		Minor	Strategy and Resources	23/08/2013
Creditors Year End Reconciliation	Substantial		Minor	Strategy and Resources	02/09/2013
Community Care Finance	Good	Good	Minor	Adult Social Care	02/09/2013
Spending Money Wisely					
Spending Money Wisely Challenge	N/A	Medium	N/A	Cross Cutting	08/07/2013
Spending Money Wisely Ideas Service – Credit Card Surcharges	See 2.1.2 below			Strategy and Resources	08/08/2013
Procurement, Performance and Improvement					
Passenger Transport Framework Contract Monitoring Review	Limited	Good	Moderate	Strategy and Resources	01/07/2013
Urban Traffic Management Contract Review	Good	Good	Minor	City Development	03/07/2013
Middleton Park Restoration Capital Audit	Good	Acceptable	Minor	Environment and Neighbourhoods	03/07/2013
Risk Based Reviews					
Telecare	Acceptable	N/A	Minor	Adult Social Care	25/07/2013
Corporate Property Management (Repairs and Maintenance) – Systems and Processes Follow Up Review	Good	N/A	Minor	City Development	26/07/2013

Internal Audit Report 1st July to 31st August 2013

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment Assurance	Compliance Assurance	Organisational Impact		
Fairer Charging Assessments	Good	Good	Minor	Adult Social Care	01/08/2013
Leaving Care Payments	Limited	Limited	Moderate	Children's Services	09/08/2013
Housing Partnerships Assurance Framework Reviews					
ALMO Business Centre Leeds – Payroll	Good	Good	Minor	Environment and Neighbourhoods	12/07/2013
Tenancy Enforcement (Tenancy Fraud Follow up visit) – West North West Homes	N/A	Good	N/A	Environment and Neighbourhoods	12/07/2013
ALMO Business Centre Leeds – Financial Management Central Controls	Acceptable	Acceptable	Minor	Environment and Neighbourhoods	05/08/2013
ALMO Business Centre Leeds – Treasury Management and Bank Reconciliations	Acceptable	Acceptable	Minor	Environment and Neighbourhoods	05/08/2013
Belle Isle Tenant Management Organisation – Information Governance (Freedom of Information & Data Protection Act requests)	Limited	Limited	Moderate	Environment and Neighbourhoods	05/08/2013
Creditors (combined report – ALMO Business Centre Leeds, Aire Valley Homes Leeds, East North East Homes Leeds, West North West Homes Leeds)	Acceptable	Acceptable	Minor	Environment and Neighbourhoods	21/08/2013

Compliance Area	Report Title	Level of Compliance Assurance	Directorate	Date Issued
Compliance Reviews				
Unannounced Visits	Home Lea Home for Older Persons	Medium	Adult Social Care	03/07/2013
	Temple Newsam Golf Course	High	Environment and Neighbourhoods	28/08/2013
Policies and Procedures	Managing Attendance	Medium	Adult Social Care	13/08/2013
	Overtime Payments	High	Adult Social Care	14/08/2013
	Overtime Payments	High	Environment and Neighbourhoods	14/08/2013
	Overtime Payments	High	City Development	15/08/2013
	Overtime Payments – findings relating to Business Support Centre	High	Strategy and Resources	22/08/2013
	Overtime Payments	Medium	Strategy and Resources	22/08/2013

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Report Title	Results/Opinion	Directorate	Date Issued
Head of Audit Assurances			
Thorpe Primary School Voluntary Fund 2012/13	Certification of account balances.	Children's Services	16/07/2013
Shakespeare Primary School Voluntary Fund 2012/13	Certification of account balances.	Children's Services	16/07/2013
Troubled Families Programme Grant Claim 2013/14	Audit testing provided good assurance that the results and outcomes detailed on the grant claim will satisfy the DCLG requirements of reasonableness.	Children's Services	25/07/2013
Cookridge Primary School Voluntary Fund 2012/13	Certification of account balances.	Children's Services	26/07/2013
Green Deal Go Early Pilot Grant Claim for City Regions	These statements confirm in all significant respects, the conditions set out by the Secretary of State for Energy and Climate Change (SSECC) in his offer letter of the 1 st November 2012 have been complied with.	Citizens and Communities	09/08/2013

Report	Date Issued
Counter Fraud and Corruption	
Football Youth Development Centre	01/07/2013
School's Extended Activities Income	26/07/2013
Whistleblowing allegations – flexitime abuse	08/08/2013
Whistleblowing allegations – decoration of council property	08/08/2013
Data Matching Exercise for adults in receipt of personal budgets and/or direct payments	13/08/2013
Payments to independent sector providers of home care pro-active exercise	21/08/2013

Further details of key issues identified within each assurance block are included below in the *Summary of Audit Activity and Key Issues at Section 2*.

Section 2

SUMMARY OF AUDIT ACTIVITY AND KEY ISSUES

A summary of reports issued within each assurance block is included in the table in Section 1. The following section highlights any key issues and outcomes within each assurance block.

2.1 Spending Money Wisely

Ideas Service

- 2.1.1 Progress continues on Spending Money Wisely initiatives by the Section including reviewing ideas on how to save money and/or improve services submitted by staff.
- 2.1.2 A review of one suggestion made to the Spending Money Wisely Ideas service *'that the authority should charge a fee for handling credit card payments to recover the processing fees incurred in handling the payments by the bank'* has been undertaken.
- 2.1.3 Both the council and ALMOs websites state that credit card payments are accepted. For Business Rates, Council Tax and Housing Rents, the authority tries to limit the channels by which credit cards are accepted so they are seen as the least preferred option. The total amount charged for credit card transactions for 2012/13 was £70,874 (1.36% of the value of transactions paid by this method.)
- 2.1.4 Comparison with other core cities confirmed that only one of the other seven core cities charges for credit card transactions (this core city charges 1.8% on all credit card payments except for those relating to Penalty Charge Notices.) However, in the Leeds City Region, it is a different picture: 2 authorities accept debit cards only, 4 authorities charge for credit card payments (range of charges from 1.4% to 2.6%) and 3 authorities make no charge for paying by credit card.
- 2.1.5 Based on the results of the review, recommendations were made that LCC should, where possible, implement a surcharge of at least 2% for credit card transactions. Each service should be tasked with the implementation of this proposal taking into account the legal, financial and social ramifications of accepting credit card payments in the first instance. A written policy will be required which clearly set out the guidelines for accepting credit card payments. However, Services should be given the opportunity to opt out based on their own perception of business risk within the service.

Improving efficiency

- 2.1.6 The Chief Officer - Financial Services requested Internal Audit's opinion as to whether bureaucracy could be reduced within the creditors system by paying some invoices without an order being raised.
- 2.1.7 Having carried out an analysis of payments and considered any associated risks in changing the current processes, Internal Audit made a number of recommendations including that, in the short term, a threshold of £50 would be an appropriate level at which to allow invoices to be paid without an order. Currently invoices received by Business Support Centre without a corresponding order are subject to an invoice query process with a higher administrative burden in terms of staff time. There would therefore be an expected saving in terms of staff time from the implementation of the recommendations including that involved in the BSC query process itself as well as that of retrospectively raising and authorising orders, as well as a potential reduction in late payment charges.
- 2.1.8 Furthermore, if the implementation of the above process does not lead to a significant increase in invoices without a corresponding order, consideration should be given as to whether the threshold of £50 should be increased, for example to £100, in order to provide greater efficiencies.
- 2.1.9 The report also recommended that any savings in staff time (as a result of reducing the number of invoices in the query process) could be spent on providing training and raising awareness with Directorate staff on the order raising process in order to reduce the number of invoices that BSC need to query for order related reasons. In order to improve efficiency further, pro-active monitoring should be undertaken to identify areas spending less than £50 so that purchasing cards are offered to these service areas.

2.2 *Procurement, Performance and Improvement*

Passenger Transport Framework Contract Monitoring Review

- 2.2.1 Internal Audit is reviewing a number of live contracts. The scope includes coverage of processes to ensure there are suitable governance arrangements and appropriate administration of contracts; and ensuring there is accurate and relevant cost monitoring. The Passenger Transport Framework Contract (for the provision of private hire vehicles for the transportation of older people, adults with learning disabilities, children with special educational needs and children in the care of the authority) has been reviewed.

- 2.2.2 Overall good assurance was provided for compliance with the control environment although some errors have been detected including non-application of contract terms, different evaluation methods for tender exercises and there are opportunities for greater value for money through evaluation of tenders on price once the minimum quality threshold has been met.
- 2.2.3 However, limited assurance was provided on the control environment due to the current safeguarding arrangements that do not comply with LCC's safeguarding policy or Taxi and Private Hire Best Practice Guidelines. However, the service is aware of this risk and is actively reporting and monitoring it. This issue has been identified previously in relation to another Service and Internal Audit will continue to actively monitor the implementation of the recommendations made. Other areas of the Passenger Transport contract monitoring function are operating well, and good assurance can be provided on these.

2.3 *Risk Based Reviews*

Leaving Care Payments

- 2.3.1 The review of leaving care payments concluded that there are significant control weaknesses that present a high risk to the control environment and have left the system open to abuse. Whilst no instances of misappropriation were identified during the review, the system as it is currently operating is not controlling this risk to an acceptable level.
- 2.3.2 Limited Assurance has been provided for the control environment as although there is a process that aims to ensure that young people eligible for Leaving Care financial support are identified and assisted, the following weaknesses were identified:
- There are gaps in the policy and guidance for staff, for example the form of evidence required to support expenditure and a summary of the payment process to provide guidance to staff on the entire payments available and eligibility criteria/conditions of payment (some payment types have different payment rates and these are not clearly explained);
 - The lack of a single method to record and control the cash in the process has left the system open to abuse. Dependant on the type of payment, it can be recorded on the foster care database or by spreadsheets at the Area Office. This systems does not currently provide assurance that all payments made are accurately recorded and increases the risk that payments could be duplicated, for example a one-off computer grant could be paid through either method; and

- There is no requirement to produce regular budget or management information. The audit found that managers do not consider budget implications when authorising leaving care payments increasing the risk of overspending against budgets.

2.3.3 Limited Assurance was also provided for compliance as the control environment has not operated as intended and significant errors were detected:

- Neither the financial policy nor the values of individual allowances, payments and grants have been approved through the delegated decision procedure;
- Evidence was not always available to confirm that purchases and cash withdrawals had been spent as intended. A number of cash payments were made which, at the time of audit, were not supported by receipts to confirm that the cash had been spent appropriately.
- VAT is not reclaimed on all relevant purchases made. For a number of transactions, VAT was applicable but had not been reclaimed as staff were unaware of the procedures for claiming back vat for cash purchases. It is estimated that this could amount to £23k over the last 4 years.

2.4 Counter Fraud and Corruption

2.4.1 Referrals

Internal Audit received 11 new referrals between 1st July and 8th August 2013.

6 of these were received under the Council's Whistleblowing and Raising Concerns Policies and 5 were received from individual service areas.

10 cases have been investigated and closed in the same period.

There are 30 on-going investigations:

- 10 cases are currently being investigated;
- 20 have been referred to a service or HR for investigation and the Audit team is awaiting their responses.

2.4.2 Reports Issued

Investigation reports issued to Directorates and Services during the period are included in the table at 1.5 above.

Pro-active fraud work – Data Matching

- 2.4.3 A data matching exercise was carried out for adults in receipt of personal budgets and/or direct payments by a number of local authorities within North, South and West Yorkshire including Leeds City Council in conjunction with the Audit Commission. The aim of this exercise was to identify any potential instances of payments being made to deceased persons; duplicate claims made by people in receipt of personal budgets (within the same local authority and across neighbouring local authorities); fraudulent or stolen identities used in obtaining direct payments; and, undeclared capital and income when fairer charging assessments have been completed resulting in people are not contributing correctly towards the cost of care.
- 2.4.4 The review confirmed that subject to the outcome of a financial audit for a customer who has moved out of the Leeds area, there has been no identified fraud. In addition, an instance in relation to the continued payments to a deceased person is an isolated incident with existing controls not having identified this.
- 2.4.5 The main issues identified relate to data quality in 30 instances within the social care database and need to be set in the context that there are nearly 900 customers in receipt of a personal budget.
- 2.4.6 This work supports previous audit findings that there are good controls in place for direct payments and personal budgets.

Pro-active fraud work – Home care payments

- 2.4.7 Pro-active fraud work was also carried out on payments to independent sector providers of home care. The primary purpose of the audit was to substantiate whether payments made to providers could be supported by prime records. A sample of 5 home care providers was selected and a total of 30 service users (6 per provider) were then selected for testing. Whilst some errors were identified in the testing that resulted in incorrect payments being made, there was no evidence that this was due to deliberate fraud. Appropriate controls are in place, which if followed, should detect any significant fraud within this area.

2.5 *External Clients*

- 2.5.1 The externals contract assurance block includes time for the Housing Partnerships Assurance Framework and the ALMOs and BITMO Audit Plans. In June 2013, Executive Board approved the decision to integrate all council housing management within direct council control. Leeds City Council will be responsible for the entire housing stock, taking over responsibility for all ALMO functions including overall management, engagement with tenants and

responsibility for any repair work. The July Executive Board received a report on the proposed governance arrangements and a timetable for implementation.

- 2.5.2 Work is continuing on the ALMO audit plans and this is due to be completed by early November. Work on the Assurance Framework is being developed and agreed with Housing Partnerships to ensure that the audits undertaken will add value to the future delivery model.

BITMO Information Governance (Freedom of Information and Data Protection Act requests)

- 2.5.3 An audit of the information governance arrangements within Belle Isle Tenant Management Organisation (BITMO) has been undertaken as part of the Housing Partnerships Assurance Framework.

- 2.5.4 Limited Assurance was provided on the control environment as there are inadequate arrangements to promptly respond to and manage any requests for information, and no procedures for managing information security breaches. Limited Assurance was also provided for compliance with controls as relevant training has not been completed by all staff and no evidence has been retained to support requests for information or what has been provided. The weaknesses have left the council open to medium risk that, if it materialised, would have a moderate impact upon the Council.

2.6 Corporate support

- 2.6.1 In order to support corporate priorities, the Section currently has a number of staff on secondment to various projects and programmes across the authority.
- One of the Section's trainees is currently on a 15-month secondment (ending in August 2014) to the Waste Management Project within Environment and Neighbourhoods;
 - A member of staff has been providing support on a full time basis to Leeds and Partners since January 2013;
 - A member of staff has been providing full time support on a temporary basis to the Leeds Grand Theatre.
 - A member of the business analysis team is currently seconded to another Directorate.

2.7 Staffing changes

- 2.7.1 A number of staff have left the Section during the period, 2 to take up positions within the Council Tax service and Control Group and one member of staff took early retirement.

- 2.7.2 Internal Audit is actively managing resources to direct these towards the areas of highest risk to ensure that there is not a negative impact on the ability of the Section to provide the coverage necessary to support the Head of Internal Audit opinion on the authority's control environment.

Section 3

AUDIT PERFORMANCE QUARTER 2 - 2013/2014

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 Leadership 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.

Results from Customer Satisfaction Questionnaires

Question	2013/14 Actual to date at August 2013* - % Score 3 or above
Notice	100%
Scope	95%
Understanding	95%
Efficiency	100%
Consultation	100%
Professional/Objective	100%
Accuracy of Draft	86%

Question	2013/14 Actual to date at August 2013* - % Score 3 or above
Opportunity to comment	100%
Final Report - Clarity & Conciseness	95%
Final Report – Prompt	100%
Recommendations	91%
Added Value	95%

**As at 15th August 2013*

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Report of the Chief Officer, Customer Access

Report to the Corporate Governance & Audit Committee

Date: 20 September 2013

Subject: Report on the Local Government Ombudsman's Annual Review Letter 2012/13

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary of main issues

This report provides comment and feedback for the committee on the Local Government Ombudsman's (LGO) annual review letter for Leeds, dated 16 July 2013.

1 The letter confirms the number of cases that the LGO investigated during 2012/13 was 150 enquiries and complaints. The LGO did not report publicly on any cases where fault was found with the council, but did find evidence of fault in 30 cases. The average number of days taken by the council to respond to an investigation is 31 calendar days, which is the first time in recent years that the council has performed below the 28 calendar day standard set by the LGO.

2 The LGO has written a brief letter to the council which accompanies the summary. The letter lists some future changes to the scope of the LGO to no longer investigate housing, and also highlights that the LGO will publish decisions on its website.

3 Using an overview of the complaints to the council during 2012/13, this report sets out the council's arrangements for responding to complaints made by the public, the key objectives of which are to make it easy for people to complain, to try to resolve complaints at an early stage and to learn lessons from the issues raised through complaints. In particular, the report shows the comparatively small number of complaints which are not resolved during the early stages of our complaints process, and then proceed to the LGO. The report also shows the comparatively small number and proportion of LGO investigations which find fault on the part of the council, and the low number and value of financial settlements. This provides assurance that the council's processes for handling complaints are, on the whole, working well.

Recommendations

Members are asked to consider the issues raised in the LGO's Annual Review Letter and the supporting contextual information provided in the appendices.

Members are asked to confirm that the supporting information provides external assurance as to the effectiveness of the council's approach to complaints.

1 Purpose of this report

- 1.1 To discuss the LGO's Annual Review Letter to the council, a copy of which can be found in **Appendix 1**.
- 1.2 To summarise the council's complaints and LGO cases for the period 1 April 2012 to 31 March 2013, provided in **Appendix 2**.
- 1.3 To assess the overall effectiveness of the council's approach to complaints.

2 Background information

- 2.1 The LGO writes an individual Annual Review Letter to every authority each year and has done so since 2003/04. The current letter continues the trend of recent years in that it is very brief and does not enter into any detailed assessment of the council's performance or the effectiveness of our approach.
- 2.2 The council has a complaints policy and procedure which has been in place for a number of years, co-ordinated by directorate customer relations officers. The arrangements have three aims: i) to make it easy for people to complain to the council; ii) for the council to resolve complaints at the earliest stage possible; and iii) for the council to learn lessons from complaints to prevent them from recurring. In order to make it easy for people to complain to the council, the council uses posters, leaflets and web content.
- 2.3 The council operates a two stage complaints process. In order to try and resolve the complaint as early as possible, at the first stage, complaints are dealt with by an officer or manager from the service complained about, who investigates the issues raised, looks to resolve them and responds to the customer within the relevant timescale.
- 2.4 Should the customer remain dissatisfied after this stage, they can take their complaint to the second stage of the complaints process. At the second stage, a more senior officer will investigate and respond to the customer's concerns. The officer will look at how the original complaint was dealt with and also respond to any further issues that the customer may have raised. Adult Social Care and Children's Social Care have separate statutory procedures, and East North East and West North West Homes ALMOs have a third stage.
- 2.5 A customer who progresses to the final stage of our complaints policy is advised in our response of their right to take their complaint to the LGO's office should they

remain dissatisfied with the outcome. The LGO advises customers to go through all stages of an authority's complaints procedure before investigating a complaint.

3 Main issues

- 3.1 This report covers the following issues relating to the LGO Annual Review Letter and summary:
- Overview of complaints to the council;
 - Patterns and trends of LGO enquiries and complaints;
 - Assessment of the effectiveness of the council's overall approach to complaints;
 - Implications of changes in roles and jurisdiction.

Overview of complaints to the council

- 3.2 LGO complaints are a very small proportion of complaints which are made to the council each year, summarised in **Appendix 2**. In 2012/13 the council received 5,409 stage one complaints with 440 (8% of all complaints) progressed to the second stage of our complaints process. Of those, 146 people (our figures, which differ very slightly from those of the LGO 2.7% of all complaints) complained to the LGO, of which 30 (0.6%) found fault. All final stage complaints responses indicate to the complainant that they have the right to take their complaint to the LGO.
- 3.3 In July 2013 an annual report on 2012/13 compliments, complaints and LGO cases was presented to the council's Customer Strategy Board, details of which are summarised in **Appendix 2**. As part of the annual report process, all directors are required to provide feedback on any trends in complaints identified over the year and what actions were taken to address them, with particular attention given to cases where the council has been instructed to make a payment. This process is important in delivering one of our objectives in relation to learning from complaints.

Patterns and trends of LGO enquiries and complaints

- 3.4 In previous years, the LGO has produced a detailed breakdown of the council's performance, including how many complaints were remedied during the LGO's investigation and the number of cases where the LGO identified only minor injustice. The LGO changed their way of handling complaints during 2012/13 and made the decision not to report this information for 2012/13 as it would not provide a comparable picture throughout the year. This change is reflected in the level of detail provided in this year's report compared to previous years' reports.
- 3.5 During 2012/13, the LGO issued decisions on 146 complaints (compared to 164 decisions in 2011/12). The number of decisions includes complaints where the LGO has used their discretion not to investigate or because the issue is outside of their jurisdiction. Of these 146 complaints, the LGO found fault in 30 of these cases, 10 cases were outside of the LGO's jurisdiction, and 1 complaint was withdrawn. The LGO found no fault in the remaining 105 cases (72% of all decisions received), which is a significant improvement compared to 56% of cases finding no fault last year. The

number of premature complaints received fell to 58 from 103 received during 2011/12. There is no apparent reason for the decrease in premature complaints this year.

- 3.6 The LGO made 27 formal enquiries, compared to 35 the previous year. The vast majority of investigations were conducted through requests for factual information (in the region of 80+ informal enquiries) without these cases progressing to a more formal investigation.
- 3.7 The average response time across the authority to the LGO's first formal enquiries has however increased this year and fell outside of the LGO's service standard of 28 calendar days. The average this year is 31 calendar days compared to last year's average of 26.5 calendar days.
- 3.8 The nature of complaints by service area is broadly similar to previous years, with around a third of all LGO decisions being about Housing. The next highest service area is Education and Children's Services, with 25% complaints (compared to 21% last year). In relation to complaint themes, it is worth noting that 14 complaints were received relating to blue badges, compared to 10 in 2011/12. This figure is low given the changes to the legislation from April 2012 affecting how individuals are assessed. It is also positive to note that the LGO did not find any evidence of fault in any of these 14 cases.
- 3.9 The total financial settlements agreed by the LGO for the previous 4 years are set out below:-

09/10 = 44 cases	£16,575
10/11 = 47 cases	£25,481
11/12 = 35 cases	£16,064
12/13 = 17 cases	£13,664

Both the total financial settlements made and the number of cases where the LGO considered that financial redress was appropriate have fallen this year, although this does point to a number of higher individual settlements.

Implications of changes in LGO role and jurisdiction

- 3.9 On 1 April 2013, the role and jurisdiction for investigating housing complaints passed from the LGO to the Housing Ombudsman, as set out in the Localism Act 2011.
- 3.10 The major change for the council is that complainants are required to take their case to a designated person, to see if the dispute can be resolved, before contacting the Housing Ombudsman. Any UK MP and any Leeds City Council Councillor can currently act as a designated person, and the council is investigating options for tenants to act as designated persons.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 As this report is providing the committee with information on past performance with regards to LGO cases, no consultation or engagement has been sought.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 The LGO has not highlighted any issues regarding Equality, Diversity, Cohesion or integration in the Annual Letter for 2011/12.

4.3 Council policies and City Priorities

4.3.1 The LGO has not raised any issues that would impact on council priorities or city priorities.

4.4 Resources and value for money

4.4.1 Complaints are free feedback from our customers on what we could or should do better. Any officer in the council who has service specialist knowledge can and will be called upon to investigate and respond to customer complaints as part of their daily duties. In doing so, if they identify and implement service improvements, it will ensure that we provide a better service in the future. Each LGO investigation uses a case conference approach, the aims of which are to ensure that the investigation is i) thorough and timely, and ii) actions are put in place to prevent similar problems from occurring.

4.4.2 When we investigate a complaint, if there is fault, the earlier it is identified and addressed, the more cost effective the process is. LGO cases have resource implications as the council should have resolved the issue earlier, but also have financial implications as the LGO has the authority to impose financial settlements. All cases of local settlement are reported to the Customer Strategy Board to ensure that lessons are learnt across the council.

4.5 Legal Implications, Access to Information and Call In

4.5.1 As this report is providing an update on past performance relating to LGO cases dealt with during 2012/13, it does not have any legal implications. None of the information enclosed is deemed to be sensitive or requesting decision and therefore raises no issues for access to information or call in.

4.6 Risk Management

4.6.1 As this report is providing an update on past performance relating to LGO cases dealt with during 2012/13, there are no significant risks identified by this report.

5 Conclusions

5.1 In previous years the Annual Review Letter has provided the council with valuable feedback as to the LGO's view on our performance during the previous year. The letter this year does not comment on the effectiveness of our arrangements, so this

report has focused in more detailed about the broader pattern and trend of complaints to the council.

- 5.2 This report has described the general arrangements in place for responding to complaints made by the public. It has also described how in practice the council has a balancing act, to make it easy for people to complain to the council, to resolve customer complaints at an early stage and to learn lessons from the issues raised through complaints.
- 5.3 The report has drawn on the overview of 2012-13 to show that the council is continuing to inform people of their right to complain to us. The report has also shown that the majority of complaints continue to be resolved at the first stage. It has also shown that good practice is in place, particularly for LGO and equality complaints, to ensure that lessons are learnt from complaints. The information detailed in this report enables us to give assurance that the current system is fit for purpose in this respect, and this provides assurance that complaints are operating as intended.

6 Recommendations

- 6.1 Members are asked to consider the issues raised in the LGO Annual Review Letter and the further contextual information provided.
- 6.2 Members are asked to confirm that the information provides external assurance as to the effectiveness of the council's approach to complaints.

7 Background documents

none

16 July 2013

Appendix 1

By email

Mr Tom Riordan
Chief Executive
Leeds City Council

Dear Mr Riordan

Annual Review Letter

I am writing with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2013. This year we have only presented the total number of complaints received and will not be providing the more detailed information that we have offered in previous years.

The reason for this is that we changed our business processes during the course of 2012/13 and therefore would not be able to provide you with a consistent set of data for the entire year.

In 2012/13 we received 150 complaints about your local authority. This compares to the following average number (recognising considerable population variations between authorities of a similar type):

District/Borough Councils-	10 complaints
Unitary Authorities-	36 complaints
Metropolitan Councils-	49 complaints
County Councils-	54 complaints
London Boroughs-	79 complaints

Future development of annual review letters

We remain committed to sharing information about your council's performance and will be providing more detailed information in next year's letters. We want to ensure that the data we provide is relevant and helps local authorities to continuously improve the way they handle complaints from the public and have today launched a consultation on the future format of our annual letters.

I encourage you to respond and highlight how you think our data can best support local accountability and service improvements. The consultation can be found by going to www.surveymonkey.com/s/annualletters

LGO governance arrangements

As part of the work to prepare LGO for the challenges of the future we have refreshed our governance arrangements and have a new executive team structure made up of Heather Lees, the Commission Operating Officer, and our two Executive Directors Nigel Ellis and Michael King. The Executive team are responsible for the day to day management of LGO.

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W: www.lgo.org.uk

Helpline: 0300 061 0614

Since November 2012 Anne Seex, my fellow Local Government Ombudsman, has been on sick leave. We have quickly adapted to working with a single Ombudsman and we have formally taken the view that this is the appropriate structure with which to operate in the future. Our sponsor department is conducting a review to enable us to develop our future governance arrangements. Our delegations have been amended so that investigators are able to make decisions on my behalf on all local authority and adult social care complaints in England.

Publishing decisions

Last year we wrote to explain that we would be publishing the final decision on all complaints on our website. We consider this to be an important step in increasing our transparency and accountability and we are the first public sector ombudsman to do this. Publication will apply to all complaints received after the 1 April 2013 with the first decisions appearing on our website over the coming weeks. I hope that your authority will also find this development to be useful and use the decisions on complaints about all local authorities as a tool to identify potential improvement to your own service.

Assessment Code

Earlier in the year we introduced an assessment code that helps us to determine the circumstances where we will investigate a complaint. We apply this code during our initial assessment of all new complaints. Details of the code can be found at:

www.lgo.org.uk/making-a-complaint/how-we-will-deal-with-your-complaint/assessment-code

Annual Report and Accounts

Today we have also published *Raising the Standards*, our Annual Report and Accounts for 2012/13. It details what we have done over the last 12 months to improve our own performance, to drive up standards in the complaints system and to improve the performance of public services. The report can be found on our website at www.lgo.org.uk

Yours sincerely

A handwritten signature in black ink that reads "Jane Martin". The signature is written in a cursive style with a horizontal line underneath the name.

Dr Jane Martin
Local Government Ombudsman
Chair, Commission for Local Administration in England

Appendix 2

1. Executive Summary

Complaints overview: despite an overall reduction this year, Q4 saw an increase over the previous quarter

During the last quarter, we received 1379 stage 1 complaints, compared to 1219 the previous quarter, meaning for the full year we have received 5473 complaints, a 10% reduction from the 6073 complaints reported for last year.

Effectiveness of complaint handling: fall in stage 2 complaints

The number of complaints being escalated to stage 2 (Q4 371, from Q3 415) has decreased in line with the fall at stage 1. Balanced against an increase in complaints about waste management, this indicators are a positive sign that overall we are improving the effectiveness of our handling of complaints. It is also worth noting that we have also had very few complaints about the council's handling of welfare reform changes, which started during Q4.

Responding to complaints within timescale: some significant concerns

The high level performance indicator for % stage 1 complaints responded to within timescale has declined over last quarter (a fall to 80% Q4 from 84% in Q3), and the year-end position of 79% is a small increase from last year's result of 77%, and is significantly short of the target of 95% agreed by Customer Strategy Board.

Over the full year, three ALMOs and Customer Access & Performance exceeded the target, one ALMO and two directorates fell slightly short, but two are highlighted as 'red' in failing to achieve target:

- Children's Social care (63%)
- Environment & Neighbourhoods (49%)

There has been no sign of sustained improvement through the year in these two areas. Further action is needed to ensure performance is consistent with the agreed performance standards of responding to complaints within 15 working days (and 20 working days for Children's Social Care complaints).

The average response time across the authority to the Ombudsman's first formal enquiries has increased this year. The average this year is 31 calendar days against the Ombudsman's service standard of of 28 calendar days, compared to last year's average of 26.5 calendar days.

Performance table overleaf - Note on R-A-G status and data quality

The parameters used for the performance (R-A-G) status are detailed below, based on the current corporate standard of responding to 95% of stage 1 & 2 complaints within timescale.

- 95% and above - Green
- 85 to 94% - Amber
- 84% and below - Red

For each directorate/ALMO, the top line represents this quarter's result, and the bottom line is last quarter's result.

Table 1 Complaint analysis Q4 vs Q3 – 2012/13		Volume of complaints received this qtr / prev qtr				Effectiveness of complaint handling			Responsiveness Performance indicators		
Directorate / ALMO	Service requests	Stage 1	Stage 2	Ombud -sman	Stage 2 complaints (% stage 1)	LGO - financial settlement YTD	LGO – fault found YTD	Stage 1 response within standard†	Stage 2 response within 15 wkg days	Ombud -sman ave days YTD	
Aire Valley ALMO	2	171	5	4		£175	3	98%	100%	28	
	1	148	19	2				96%	95%		
East North East ALMO	70	137	25	3		£350	2	99%	96%	30	
	46	161	23	2				94%	78%		
West North West ALMO	24	241	19	6		£500	5	95%	100%	33	
	16	225	27	3				88%	89%		
Belle Isle TMO	0	25	2	1		-	0	96%	100%	29	
	0	16	2	0				100%	100%		
Adult Social Care	0	86	17	6		-	1	95%		n/a	
	0	79	13	11				97%			
Children's Services	3	53	5	4		£5049	10	75%		27	
	1	67	3	4				73%			
City Development	67	57	11	7		£4250	1	88%	82%	31	
	38	54	10	7				93%	90%		
Customer Access & Performance	1	60	3	0		-	0	100%	100%	n/a	
	1	61	1	0				97%	100%		
Environment & Neighbourhoods	35	452	12	6		£1100	5	51%	50%	33	
	9	309	9	3				61%	56%		
Resources (& former Corporate Governance)	15	82	6	2		£2240	3	89%	100%	28.5	
	25	87	4	3				92%	100%		
Total	217	1364	105	39	6%	£13664	30	80%	84%	31	
	137	1207	111	35	8%			84%	83%		

† Corporate standard is 15 working days, Adult Social Care and Children's Social Care are 20 working days.

2. Commentary from Directorates / ALMOs failing to meet target in Q4

2.1 Children's

See Children's Services' year-end commentary on page 9.

2.2 Environment & Neighbourhoods

Housing Partnerships and Housing Support

Quarter 4 shows a significant decrease in the percentage of complaints responded to within the timescales from 89% to 33%. This may be as a result of a recent restructure which has meant a period of change and different staff acting as investigating officers who may be new to the complaints process. We are expecting an improvement in the response times as the complaints process has been reviewed, in particular focusing in sending timely reminders to all involved in investigating complaints and the admin of Siebel.

Parks and Countryside

Quarter 4 shows a significant decline in the percentage of complaints responded to 37% of complaints in comparison to quarter 3 at 67%. This could be as a result of the change in structure which has yet to be reflected on Siebel. Previously grass cutting complaints sat with either EAS or the ALMOs and now are within Parks and Countryside. Further to a meeting with Customer Services, EAS and the E&N DCRO, Parks and Countryside reported they have responded to the incoming complaints but not had the opportunity or resources to ensure this is reflected in Siebel. Parks and Countryside have identified 6 staff to be Siebel trained and are aware of the need to ensure Siebel is updated.

Waste Management

Looking at Quarter 4 vs Q3 (12/13) results, one reason for the increase seen is due to the severe and prolonged winter weather seen during Jan, Feb and March that resulted in two full service shut downs and the initiation of city wide service recovery. This combined with a major rerouting of residual waste collections for over 100,000 properties in the inner city areas, to increase overall service efficiency, but with an expected short term settling in period whilst these changes were implemented and embedded.

The Waste Management staffing structure changes were due to take place within 2012/13 however these were not agreed until Q4 2012/13. The implementation is ongoing and will be finalised in July during Q1 2013/14. This will have a significant impact on improved response rates as there will be an increased number of staff dealing with complaints on a day to day basis. A data cleansing exercise is currently taking place in conjunction with the Contact Centre, Supervisors and Team Managers with Waste Management and all cases which have been dealt with, but not closed down, will be finalised and updated on Siebel. This will provide a more accurate position moving into Q1 2013/14 and this should be evident when the performance figures are produced.

The service are also working very closely with Supervisors and Team Managers, which will involve embedding a new process of handling complaints and this will be rolled out in Q1 2013/14 when the new staff are in post. This will remove the need for Supervisors and Team Managers to access and update Siebel and this is where we have identified that some of the data is not truly reflective of where the service are on actually dealing with complaints.

Complaints relating to equality issues.

In 2010 changes were made to the CRM Leeds system. One of the changes was the inclusion of an 'Equality Related' tick box inside all complaints. This allows the investigating officer to flag up if a complaint has any equality or discrimination related aspects.

Services who have received complaints detailing equality issues have provided a brief commentary about the types of issues received over the reporting period and the outcome of the complaints.

In 2011-12, the council flagged up 19 complaints as being equality related, which would appear to be a significant under-reporting of complaints with an equality or discrimination aspect. During 2012-13 a pilot arrangement has been in place in City Development whereby a member of the Equalities team assists with the investigation of such complaints. The pilot has been successful in identifying and addressing problems at an early stage, with only one case progressing to stage 2, and is being rolled out across the council during 2013-14.

Table 2 Complaints containing equality related issues

Directorate	Equality cases identified on CRM Leeds 2012-13	Comments from DCROs on typical issues
AVHL	2	No comments
ENEHL	1	One complaint with a race discrimination aspect, from a tenant claims repairs have not been carried out because she is a gypsy, and that ENEHL are being racist against her due to this. Not upheld as discrimination.
WNWHL	3	Three complaints with an equality/discrimination aspect. Three from disabled tenants about delays in repairs. None were upheld as discrimination.
Adult Social Care	0	N/A
Children's Services	0	Eight complaints with an equality/discrimination aspect, but not logged as such on the CRM system. Three complaints about disability discrimination (one upheld), three about race discrimination (one partially upheld), one about gender discrimination (not upheld), and one where the equality category was not explicit.
City Development	15	The majority of complaints with an equality aspect were about disability/access. One complaint was upheld and two partially upheld.
Customer Access & Performance	6	Six complaints with an equality/discrimination aspect. Two about racial discrimination (none upheld), one about gender discrimination (not upheld), one about disability discrimination (not upheld), and two where the equality category was not clear (one partially

		upheld).
Environment & Neighbourhoods	8	Several complaints with an equality/discrimination aspect. All about access problems, such as missed bin wheel out services.
Resources	0	N/A
Total	35	

Annual summary (see table on page 8)

4.1 Volume of complaints

Looking at 2012-13 as a whole, the number of complaints at both stages 1 & 2 of the complaints procedure fell considerably. Both stage 1 and Stage 2 complaints fell by 10% (Stage 1 from 6,073 to 5473, and Stage 2 from 415 to 371). The level of complaints has fallen to its lowest level over the previous six years. Stage 2 complaints also fell by a similar rate over the previous year, and the number of Local Government Ombudsman (LGO) decisions received fell by 11% to 146 from 164 last year.

Members should note that the number of decisions received from the LGO can be different from the number of cases received (reported on page 2) owing to the number of investigations which start in one council year and end in a different council year. The number of decisions recorded below also includes complaints where the LGO has used their discretion not to investigate or because the issue is outside of their jurisdiction.

Table 3 Overview of performance

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Complaints - Stage 1	6,466	7,632	7,496	7,870	6,073	5473
Complaints - Stage 2	314	523	529	534	415	371
Ombudsman decisions received	183	170	172	165	164	146
Respond within standard	63%	72%	79%	86%	77%	79%

4.2 Effectiveness of complaint handling

Useful measures of the effectiveness of our complaint handling are:

- percentage of complaints that are escalated to stage 2
- amount of financial settlement agreed by the LGO
- % of cases where fault found by the LGO

These indicators point to how effectively we handle complaints at the earliest opportunity, particularly where we do not need to have the LGO intervene. The proportion of complaints escalated to stage 2 has remained at around 7-8% , the overall volume has reduced, and the LGO has found fault in around 20% of cases investigated.

In previous years, the LGO has produced further detailed statistics on the council's performance, including how many complaints were remedied during the LGO's investigation and the number of cases where only minor injustice identified. The LGO changed their way of handling complaints during 2012/13 and made the decision not to report this information for 2012/13 as it would not provide a comparable picture throughout the year.

The total financial settlements agreed by the LGO for the previous 4 years are set out below:-

09/10 = 44 cases	£16,575
10/11 = 47 cases	£25,481
11/12 = 35 cases	£16,064
12/13 = 17 cases	£13,664

Both the total financial settlements made and the number of cases where the LGO considered that financial redress was appropriate have fallen this year, although this does point to a number of higher individual settlements.

4.3 Responsiveness to customers

Overall, the % of responses within standard has increased slightly from 77% to 79% against a target of 95%. Although an improvement, this is somewhat disappointing, and possibly reflects both a tightening of resources and a lack of resilience in administering and investigating complaints within timescales at a time of significant organisational change.

Adult Social Care, Aire Valley Homes, East North East Homes and Customer Access & Performance have performed very well and exceeded the target at stage 1. Other areas are close (within 10%) to meeting the corporate target: Belle Isle TMO, City Development, Resources and West North West Homes. However, significant performance improvements are needed in the following areas:

- Children's Services (63%)
- Environment & Neighbourhoods (53%)

4.4 Ombudsman

The annual Local Government Ombudsman (LGO) letter to each local authority on its ombudsman complaints for 2012-13 is expected late July. In previous years, the LGO has provided an in depth assessment of the council's handling of complaints. With the restructuring/downsizing of the LGO and the transfer of responsibility for housing complaints to the Housing Ombudsman, it is unlikely that the council will receive very detailed feedback on our performance and effectiveness, as the LGO focuses its efforts on more serious cases.

During 2012-13, the LGO made 27 formal enquiries compared to 35 the previous year. The vast majority of investigations were conducted through requests for factual information (in the region of 80+ informal enquiries) without progressing those cases to a more formal investigation.

The council has not received any public reports in the last 12 months, compared to four last year, however the LGO has indicated that the findings in one current case may be considered by the Ombudsman because of there is a high financial settlement involved.

It is difficult to make any confident predictions about the impact on performance of the transfer from the LGO to the Housing Ombudsman of housing complaints.

Table 4 Complaint analysis 2012/13 vs 2011/12	Volume of complaints received this year / prev year				Effectiveness of complaint handling			Responsiveness Performance indicators		
	Directorate / ALMO	Service requests	Stage 1	Stage 2	Ombud -sman	Stage 2 complaints (% stage 1)	LGO - financial settlement YTD	LGO – fault found YTD	Stage 1 response within standard†	Stage 2 response within 15 wkg days
Aire Valley ALMO	9	605	59	11		£175	3	98%	96%	
	2	582	61	13	11%			96%	90%	
East North East ALMO	161	566	66	7		£350	2	98%	89%	
	105	510	56	10	11%			99%	82%	
West North West ALMO	69	956	95	13		£500	5	92%	91%	
	152	1077	102	20	10%			98%	97%	
Belle Isle TMO	1	53	4	1		-	0	92%	100%	-
	0	48	6	0	13%			94%	83%	
Adult Social Care	0	356	69	24		-	1	96%		-
	0	415	4	9	1%			79%		
Children's Services	17	302	13	32		£5049	10	63%		
	0	359	13	44	4%			55		
City Development	290	255	58	23		£4250	1	90%	86%	
	258	315	62	24	20%			88%	94%	
Customer Access & Performance	3	277	11	0		-	0	97%	100%	-
	13	338	7	0	2%			96%	57%	
Environment & Neighbourhoods	150	1659	34	20		£1100	5	49%	56%	
	248	2081	72	26	4%			53%	51%	
Resources (& former Corporate Governance)	86	380	31	15		£2240	3	91%	94%	
	24	348	32	19				81%	75%	
Total	786	5409	440	146	8%	£13664	30	79%	85%	
	802	6073	415	165	7%			77%		

† Corporate standard is 15 working days, Adult Social Care and Children's Social Care are 20 working days.

3. Commentary from Directorates / ALMOs failing to meet target in 2012-13

5.1 Children's Services

It is recognised that children's services continues to face challenges in responding to complaints within the statutory standard. Within Q1 and Q2 2011/12, issues were exacerbated due to a large scale restructure being taken across children's social work service which meant that staff levels were not always optimal. Additionally, movement within and restructuring of services meant that there was some difficulty of maintaining consistency in some cases. With the completion of this restructure, there are much clearer lines of responsibility.

The above should be considered in context of the following, however. Throughout 2012/13 there has been a consistent quarter on quarter increase on the number of complaints resolved within standard. This has been influenced by systematically providing early intervention support and guidance to complaints' investigators. A new series of training for newly appointed investigators and refresher training for others is to be rolled out across 2013.

5.2 Environment & Neighbourhoods

EAS and Localities

A high proportion of the complaints that are logged to Environmental Action Services relate to "parking". It is apparent that many of these contacts are actually appeals against fixed penalty notices (parking tickets) or are general correspondence. We are reviewing and refining the process to make sure that contacts that are not complaints are closed as soon as possible on Siebel and are handled through the appropriate process. We are acknowledging compliments centrally to save time and ensure the acknowledgements are sent out. Since Summer 2012 the admin supervisors in the localities/specialist teams have been the local point of contact for complaints. Complaints arrive centrally with Business Support from the contact centre and are allocated out as appropriate. We check the system 2-3 times a day so there should not be a delay in cases being passed to the teams for a response. Over the last few months the Business Support staff have gone back to checking complaints when they arrive to try to separate out those issues which are in fact service requests, rather than complaints about our service. If we identify a case is a service request, not a complaint it is acknowledged immediately and closed down with all further processing and monitoring being done on Uniform. We expect the response rates will improve over the summer with the finalisation of the recruitment and staffing levels.

Waste Management

Overall the number of complaints for 12/13 has reduced from the previous year (11/12) reflecting improvement activities within the service focussed on the reliability of recycling collections. A factor this year has been the increased number of complaints seen during the summer where the capacity of the garden waste collection service is overwhelmed, evidenced by the volumes of garden waste placed out for kerbside collection.

Regarding responsiveness of complaint handling, there is a relationship between the number of complaints received and the number responded to within standard timescales. This further evidences the lack of capacity within the service to handle complaints during peak times and the inability to adequately move resources from other services according to need.

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Report of the Director of Resources

Report to Corporate Governance and Audit Committee

Date: 20th September 2013

Subject: Audited Statement of Accounts and the Value for Money Assessment 2012/13

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary of main issues

1. KPMG have issued their audit report to this Committee (see attached). The report provides:
 - an unqualified opinion on the 2012/13 Statement of Accounts;
 - confirms that audit has identified no significant adjustments;
 - a view that the Annual Governance Statement complies with the CIPFA/SOLACE framework and that it is not misleading or inconsistent with other information they are aware of from their audit of the financial statements.
 - a value for money (VFM) conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

2. To date the Council has identified one post balance sheet event. This event relates to a provisional agreement to settle a contractual dispute within the Housing Revenue Account. The resulting provision is to be funded from an earmarked reserve.

3. The accounts have been certified by the Responsible Finance Officer as a true and fair view of the Council's financial position as at 31st March 2012.

Recommendations

4. Members are asked to receive the report of the Council's external auditors on the 2012/13 accounts and to note that there are no audit amendments required to the Accounts.
5. Members are asked to approve the final audited 2012/13 Statement of Accounts and the Chair to acknowledge the approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts.
6. On the basis of assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
7. Note KPMG's VFM conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

1 Purpose of this report

- 1.1 This Committee agreed to release the unaudited 2012/13 Statement of Accounts for public inspection on the 10th July 2013. Under this Committee's terms of reference, members are now required to approve the Council's final audited Statement of Accounts and consider any material amendments recommended by the auditors.

2 Background information

- 2.1 Under the Accounts and Audit (England) Regulations 2011, the Council's statutory finance officer, the Director of Resources, has certified that the Statement of Accounts presents a true and fair view of the financial position of the Council. On completion of the Audit, the regulations also require that the accounts are approved by resolution of a Committee and published, together with the auditor's opinion and report.

3 Main issues

3.1 Key External Audit Findings

3.1.1 Audit Opinion

KPMG have determined that the 2012/13 accounts give a true and fair view of the Council's financial position and they are therefore proposing to issue an unqualified audit opinion.

3.1.2 Audit Differences

On conclusion of the audit, KPMG identified no significant audit difference which required amendment to the accounts.

3.1.3 Audit Risks

KPMG's Financial Statements Audit Plan, as reported to this Committee on the 19th March 2013, identified one main area of risk in compiling the financial statements for 2012/13, Namely the Council's ability to meet the required savings target for the year. KPMG's audit report recognises that this risk has been addressed.

3.1.4 Audit recommendations

The audit report identifies three recommendations (see Appendix 1 of KPMG's report). All three relate to minor ICT control issues which have no significant impact on the accounts. All three are being addressed by management. There are no outstanding recommendations from previous years which require further Council action.

3.1.5 Use of Resources

KPMG are required to report to those charged with governance, any governance issues identified when discharging their statutory audit responsibilities. They have therefore included in their report an update on the Council's arrangements to secure value for money in its use of resources.

KPMG have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

3.1.6 Review of the Annual Governance Statement

KPMG have confirmed that, in their opinion, the statement complies with the CIPFA/SOLACE framework and that it is not misleading or inconsistent with other information they are aware of from their audit of the financial statements.

3.2 Post Balance Sheet Events

3.2.1 Under proper accounting practice the Council is required to consider any post balance sheet events which, if known at the time of the accounts being produced, would have significantly altered the Council's financial statements. If such events have occurred then the Council is required to amend the accounts if the cumulative value of the events would have a material impact on the Council's financial statements. Such events must be considered up until this Committee approves the final accounts and the auditors provide their audit certificate.

3.2.2 As at the 20th September there has been one such events, whereby the Council has reached a provisional agreement to pay £2m for works completed in respect of the Housing Revenue Account. As the payment is still subject to final agreement the Council has created a £2m provision which has been fully funded from earmarked reserves.

- 3.2.3 As outlined in para 3.2.1 above, any post balance sheet events must be considered up until the accounts are approved. As such a verbal update will be provided at Committee to confirm the final position.

3.3 Public Inspection Queries

- 3.3.1 Under the statutory timescales for public inspection of the accounts, the Council has had a number of enquiries requesting information in respect of PFI schemes; City Centre Management; the Trinity development and Kirkgate Market. Under statute, stakeholders have the right to question the auditors and request either an amendment to the accounts or the issuing of a public inspection report. As of the 20th September no questions have been raised to the auditors on these or any other issues.

3.4 Management Representation letter

- 3.4.1 The auditors are required by the Audit Commission's Code of Audit Practice to undertake the audit work on the accounts in compliance with International Standards on Auditing (ISAs). ISAs contain a mixture of mandatory procedures and explanatory guidance. Within the mandatory procedures are requirements to obtain written representations from management on certain matters material to the audit opinion. The management representation letter is designed to give audit such assurances. In respect of the 2012/13 accounts the letter is contained in the attached KPMG report as appendix 3. After consultation with appropriate officers, the Director of Resources has signed to confirm that officers are not aware of any compliance issues on the representation matters raised in the letter.
- 3.4.2 The Committee is asked to consider whether members are aware of any issues they want to bring to the auditors attention in respect of the matters addressed in the management representation letter. If there are no such issues the Committee is asked to agree that the Chair can sign the letter on behalf of the Committee.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 As this is a factual report based on past financial performance no public, Ward Member or Councillor consultation or engagement has been sought.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 As this is a factual report based on past financial performance there are no direct implications for equality, diversity, cohesion and integration.

4.3 Council policies and City Priorities

- 4.3.1 As this is a factual report based on past financial performance there are no direct implications for Council policies or City priorities.

4.4 Resources and value for money

- 4.4.1 KPMG's report includes an audit opinion on whether the Council has proper arrangements for securing value for money.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The Accounts and Audit (England) Regulations 2011 require the audited Statement of Accounts to be published before the 30th September. Under this Committees

terms of reference, members are required to approve the Council's final audited Statement of Accounts and consider any material amendments recommended by the auditors.

- 4.5.2 As this is a factual report based on past financial information none of the information enclosed is deemed to be sensitive or requesting decisions going forward and therefore raises no issues for access to information or call in.

4.6 Risk Management

- 4.6.1 External Audit identified three minor risks in their recommendations and officers have established new procedures and controls to mitigate these risks.

5 Conclusions

- 5.1 The external audit report provides the following assurances to members:
- An unqualified opinion on the 2012/13 Statement of accounts.
 - A value for money conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
 - Confirmation that in the auditor's opinion the Council's Annual Governance Statement complies with the CIPFA/SOLACE framework.
- 5.2 External Audit have made three recommendation in respect of minor ICT controls. The Council has put in place arrangements to comply with these recommendations.
- 5.3 As at the 20th September 2012 there has been one significant post balance sheet events identified. The 2012/13 accounts have been adjusted accordingly.
- 5.4 To date there are no public inspection queries which have require amendments to the accounts.

6 Recommendations

- 6.1 Members are asked to receive the report of the Council's external auditors on the 2012/13 accounts and to note that there are no audit amendments required to the Accounts.
- 6.2 Members are asked to approve the final audited 2012/13 Statement of Accounts and the Chair to acknowledge the approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts.
- 6.3 On the basis of assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
- 6.4 Note KPMG's VFM conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

7 Background documents¹

- 7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

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cutting through complexity™

Report to those charged with governance (ISA 260) 2012/13

Leeds City Council

September 2013

The contacts at KPMG in connection with this report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Mike McDonagh, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

This report summarises:

- the key issues identified during our audit of Leeds City Council's (the Authority's) financial statements for the year ended 31 March 2013; and
- our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.

Financial statements

Our audit of the financial statements can be split into four phases:



With the exception of the detailed findings from our work carried out on the Authority's IT systems, which is included in this report, we previously reported on our work from the first two stages in our *Interim Audit Letter 2012/13* issued in July. No reporting issues were identified at that stage.

This report focuses on the final two stages: substantive procedures and completion.

Our final accounts visit on site took place between 10 July and 16 August. During this period, we carried out the following work:

Substantive Procedures	<ul style="list-style-type: none"> ■ Planning and performing substantive audit procedures. ■ Concluding on critical accounting matters. ■ Identifying audit adjustments. ■ Reviewing the draft Annual Governance Statement.
------------------------	---

We are now in the final phase of the audit. Some aspects are also discharged through this report:

Completion	<ul style="list-style-type: none"> ■ Declaring our independence and objectivity. ■ Obtaining management representations. ■ Reporting matters of governance interest. ■ Forming our audit opinion.
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VFM conclusion

Our *External Audit Plan 2012/13* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. Subject to our review processes, we have completed our work to support our 2012/13 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority, other inspectorates and review agencies in relation to these risk areas.

Structure of this report

The structure of this report is as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the key findings from our audit work in relation to the 2012/13 financial statements.
- Section 4 outlines the key findings from our work on the VFM conclusion.

Our recommendations from our review of the Authority's IT systems and from our final audit work are included in Appendix 1. We have also reviewed your progress in implementing prior year recommendations and this is detailed in Section three.

Acknowledgements

We would like to take this opportunity to thank Officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages. The remainder of this report provides further details on each area.

<p>Proposed audit opinion</p>	<p>Our work is ongoing and we are currently undertaking our internal review process. Based on the work undertaken to date we anticipate issuing an unqualified audit opinion by 30 September 2013. We also expect to report that the wording of your Annual Governance Statement accords with our understanding.</p>
<p>Audit adjustments</p>	<p>We are pleased to report that our audit to date has identified no audit adjustments that impact on the general fund account, provision of services total or net worth of the Authority.</p> <p>The Authority will amend the presentational adjustments we identified during the course of the audit.</p>
<p>Critical accounting matters</p>	<p>We have worked with Officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.</p> <p>One area of discussion has revolved around the accounting treatment of grant income related to the Leeds City Region Leaders' Board. We have concluded that the grant income is appropriately reflected in creditors.</p>
<p>Accounts production and audit process</p>	<p>We worked with management during the course of the year to reduce the number of notes in the financial statements. This has led to a more streamlined set of financial statements that still meet the Authority's accounting requirements.</p> <p>The statement of accounts and supporting working papers continue to be prepared to a good standard. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>The Authority has implemented all of the recommendations in our <i>ISA 260 Report 2011/12</i> relating to the financial statements. As a result of last year's audit adjustment relating to schools converting to Academy status, we performed additional testing to provide assurance over the disposals of schools in the financial statements. From this work we did not identify any errors on accounting for schools transferring to Academy status.</p>
<p>IT control environment</p>	<p>We found the overall high level IT governance and management arrangements in place to be effective.</p> <p>For the systems assessed, we found the general IT controls over access to programs and data, program changes and computer operations to be generally effective.</p> <p>However, we found three control weaknesses which have been included in Appendix 1 and have previously been reported to management. These findings did not have a significant impact on our audit approach.</p> <p>Specific assessments have been made of the risk for each issue identified, with recommendations to address our areas of concern.</p>

This table summarises the headline messages. The remainder of this report provides further details on each area.

<p>Completion</p>	<p>At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas:</p> <ul style="list-style-type: none"> ■ Post balance sheet events review; ■ Final review of financial statements; and ■ Review of the final Annual Governance Statement. <p>Before we can issue our opinion we require a signed management representation letter. Our proposed wording for this is included in Appendix 3.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements. A full statement is included in Appendix 2.</p>
<p>VFM conclusion</p>	<p>Subject to our ongoing internal review process, we have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2013.</p>
<p>VFM risk areas</p>	<p>We have considered the specific VFM risks we set out in our External Audit Plan 2012/13:</p> <p>The Authority had a savings target of £55million for 2012/13 in order to deliver a balanced budget. We monitored the Authority's progress in achieving these savings throughout the year. The Authority achieved its savings target and achieved a further £6.7m savings against the budget. This was helped by a reduction in staff of 192 full time equivalents leaving through the Early Leavers Scheme, which exceeded the target of 180 leavers.</p>

Subject to our internal review processes, we anticipate issuing an unqualified audit opinion

The wording of your Annual Governance Statement accords with our understanding.

Proposed audit opinion

Subject to our internal review processes, we anticipate issuing an unqualified audit opinion by 30 September 2013.

Audit differences

We did not identify any misstatements that affected the Authority's net cost of services outturn, general fund balance or financial position.

We identified that some presentational adjustments were needed to ensure that the accounts were internally consistent and compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2012/13 (the Code)*. The Authority will be addressing these.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Critical accounting matters

Our VFM work identified one risk in respect of the Authority's financial standing. This risk also relates to our work on the financial statements related to our requirements around assessing the Authority's going concern. Further details of our work in this area are reported in Section four.

During the year one area of discussion has revolved around the accounting treatment of grant income related to the Leeds City Region Leaders' Board. We have concluded that the grant income is appropriately reflected in creditors in the Authority's accounts.

Section three – financial statements

Accounts production and audit process

The financial reporting and supporting working papers continue to be of a good standard.

Officers dealt efficiently with audit queries and the audit process was completed within the planned timescales.

The Authority has implemented both of the recommendations in our *ISA 260 Report 2011/12* relating to the financial statements.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	<p>The Authority has maintained its strong financial reporting process. In particular the foreword to the financial statements is particularly informative and effective in describing the key messages in the statement that follow</p> <p>We consider that accounting practices are appropriate.</p>
Completeness of draft accounts	<p>We received a set of draft accounts on 2 July.</p> <p>The accounts reflected the work we have undertaken with management during the course of the year to reduce the level of unnecessary disclosure, whilst still meeting the accounting requirements.</p> <p>We did not receive the Annual Governance Statement until 28 August. We request that in future the AGS is ready at the start of the audit in order to maximise the time we have to review the document and discuss any amendments required.</p>
Quality of supporting working papers	<p>Our <i>Accounts Audit Protocol</i>, which we issued on 18 March 2013 and discussed with the Principal Accountant and the Senior Financial Manager, set out our working paper requirements for the audit.</p> <p>The quality of working papers provided met the standards specified in our <i>Accounts Audit Protocol</i>.</p>

Element	Commentary
Quality of supporting working papers (continued)	<p>Working papers were made available to us when we requested them during the final audit. However, it is best practice for all working papers to be available at the start of the audit.</p>
Response to audit queries	<p>Officers resolved audit queries in a reasonable time.</p>
Group audit	<p>To gain assurance over the Authority's group accounts, we place reliance on audit work completed by BDO on the financial statements of Aire Valley Homes Leeds Ltd, North West Homes Leeds Ltd and East North East Homes Leeds Ltd.</p> <p>We currently await confirmation from BDO that there are no material matters arising from their audits of the subsidiary companies.</p>

Prior year recommendations

The Authority has now implemented all of the recommendations in our *ISA 260 Report 2011/12* relating to the financial statements.

Recommendations were made in respect of the information held to ensure disposals of schools transferring to academy status were accounted for in the correct year and that sufficient documentation was maintained to support the valuation of new and existing heritage assets.

We confirm that we have complied with requirements on objectivity and

independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Leeds City Council for the year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and Leeds City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 2 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Deputy Chief Executive & Director of Resources, a draft of which is included in Appendix 3. We require a signed copy of your management representations before we issue our audit opinion.

We are not asking for any specific representations from management for 2012/13.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;

- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no other matters that we need to report.

Our VFM conclusion
 considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

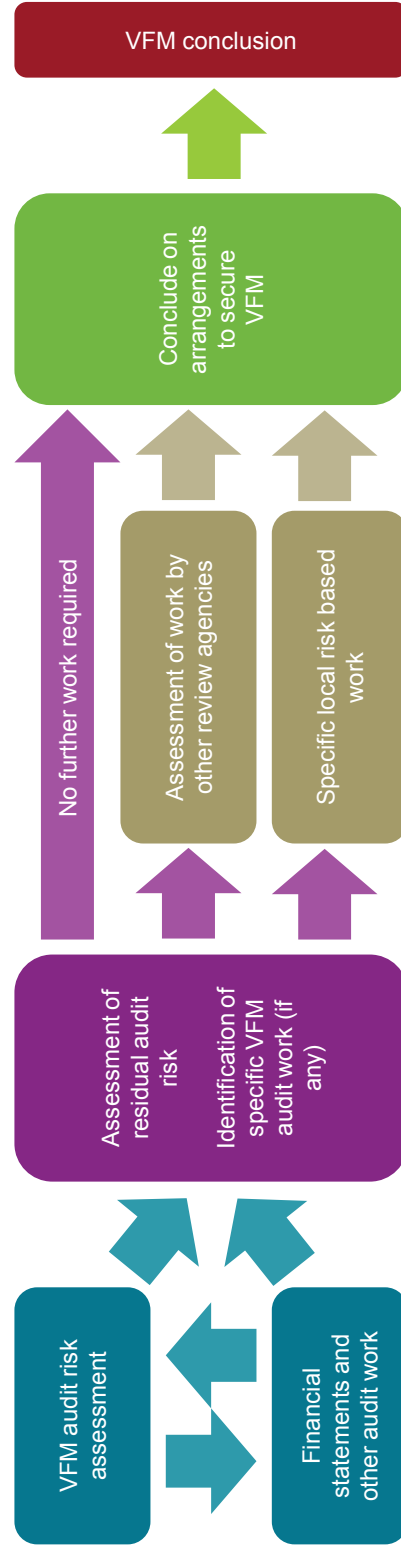
Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.



Conclusion

We are currently undertaking our internal work review process. Based on the work undertaken to date we have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

We identified one specific VFM risk.


In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

The Authority delivered an underspend of £6.7 million against the 2012/13 budget and has set a balanced budget for 2013/14.

Work completed

- In line with the risk-based approach set out on the previous page, and in our Audit Plan we have
 - assessed the Authority's key business risks which are relevant to our VFM conclusion;
 - identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;

- considered the results of relevant work by the Authority, other inspectorates and review agencies in relation to these risk areas.
- Key findings**
- Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

Key VFM risk	Risk description and link to VFM conclusion	Findings
	<p>The 2012/13 budget included a savings programme totalling £55.4 million. The majority of the planned savings were on track to be delivered at the planning stage of our audit. However, there was still some risk that these would not be achieved in full. All directorates were continuing to monitor their financial performance closely and were aware of the need to deliver a balanced budget.</p> <p>As at February 2013, the Authority was forecasting that it would underspend by £576,000 on its 2012/13 budget which reflected a net overspend of £1.3 million across the directorates, offset by £1.8 million of savings in finance costs.</p> <p>Prior to the announcement of the Local Government Finance settlement on the 19th December 2012, the Authority estimated that another £51 million in savings would need to be achieved during 2013/14 to address the further reductions to local authority funding. This is against a backdrop of continued demographic and demand pressures in Adult Social Care and Children's Services meaning it will become more and more difficult to deliver these savings in a way that secures longer term financial and operational sustainability.</p>	<p>The Authority has a history of identifying and delivering its savings plans. From our ongoing review of the monthly budget reports to Cabinet, we were satisfied that the Authority was closely monitoring the financial position through its financial management arrangements for 2012/13. We have also reviewed management's own assessment of the Authority's financial strength, including how the working capital and debt position impacts the Medium Term Financial Plan (MTFP) through the analysis of key ratios.</p> <p>The savings plans identified by the Authority, including the reduction in workforce and other efficiencies, were substantially delivered and therefore no additional audit procedures were required to address the risk identified in our audit plan.</p> <p>The Authority delivered an underspend of £6.7m on the original budget. This meant the requirement to use general reserves to cover the funding gap was only £0.2m instead of the planned £6.9m. This also allowed the Authority to increase earmarked reserves by £3.7m.</p> <p>A balanced budget was set for 2013/14 and progress is being made toward delivering the significant savings required (£51m).</p> <p>(Continued on page 10)</p>

We identified one specific VFM risk.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

The Authority delivered an underspend of £6.7 million against the 2012/13 budget and has set a balanced budget for 2013/14.

Key VFM risk	Risk description and link to VFM conclusion	Findings
		<p>One remaining risk relates to the contingent liabilities in the financial statements, which could be significant if they crystallise into an actual liability. However, we have reviewed both the general fund and earmarked reserves together to give us the assurance that the Authority has sufficient capacity to deal with this risk. We are monitoring this closely up to the sign off of the financial statements and VFM conclusion.</p> <p>The Authority has, following significant consultation, now set a formal MTFP to plan ahead for future years and for future assumed savings. This contributes to the Authority's financial management arrangements for securing ongoing financial resilience.</p>

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
<p>1 Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>2 Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>
No.	Risk	Issue and recommendation
1	3	<p>Physical access to server rooms</p> <p>It was noted in our prior year audit that there are a large number of staff with access to server rooms.</p> <p>We found that there are still 124 individuals with access to these centres, including 19 individuals with access to all data centres across the Authority. Inappropriate access to the server rooms can compromise the availability of the server which could impact the Authority's operations.</p> <p>Whilst this has not created an issue during the financial year, as best practice we recommend that the list of personnel who has access to the server room should be reviewed and access restricted to those personnel who require access.</p>
2	3	<p>Asset register programme change authorisation</p> <p>Although programme changes are tested before implementation, there is no process in place to authorise the changes.</p> <p>Consequently, there is a risk that unauthorised and/or erroneous changes may be made to the system.</p> <p>There were no issues arising as a result of this during the year. However, we recommend that the Authority implements a formal process for approving programme changes.</p>
Management response / responsible officer / due date		
<p>ICT are conducting a review of physical access to server rooms as part of the planned works to introduce new governance rules for the Data Centres. This will include restricting access to designated individuals. It will also include a log (potentially electronic via the card key system) of who has accessed the rooms and for what purpose.</p> <p>Responsible officer: Support Service Manager, ICT services.</p> <p>Due date: November 2013</p>		
<p>The authority will introduce a recording system to confirm when changes to the database have been agreed, and by whom.</p> <p>Responsible officer: Principal Accountant, Corporate Financial Management.</p> <p>Due date: September 2013</p>		

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
3	<p>3</p>	<p>FMS Starters Process</p> <p>As part of our prior year audit, we identified a weakness in the control for authorising new starters. We found that appropriate evidence was not retained for new starters who were granted access to FMS.</p> <p>Our current year testing identified four new users where no evidence of authorisation had been retained.</p> <p>This increases the risk of unauthorised access to the system which could impact on the integrity of financial data.</p> <p>We performed additional testing on the access rights of users who had not been authorised appropriately. No issues were identified through this testing.</p> <p>We recommend that a standardised process is implemented to ensure there is appropriate evidence for the authorisation of FMS starters.</p>	<p>The role of system controllers is now being centralised in order to ensure full compliance with authorisation controls. It should however be noted that the four cases identified relate to officers given low level access rights and therefore represented little risk to the integrity of the integrity of financial data.</p> <p>Responsible officer: Principal Accountant, Corporate Financial Management.</p> <p>Due date: November 2013</p>

Appendix 2: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission’s Standing guidance for local government auditors (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (Ethical Standards).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 Communication of *Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.

- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor’s professional judgement, the auditor is independent and the auditor’s objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor’s objectivity and independence may be compromised and explaining the actions which necessarily follow from this. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

General procedures to safeguard independence and objectivity

KPMG’s reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 2: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Leeds City Council for the financial year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and Leeds City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Appendix 3: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Leeds City Council ("the Authority"), for the year ended 31 March 2013, for the purpose of expressing an opinion as to whether these:

- i. give a true and fair view of the financial position of Leeds City Council and its Group as at 31 March 2013 and of its expenditure and income for the year then ended; and
- ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

These financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
 - give a true and fair view of the financial position of the Authority and the Group as at 31 March 2013 and of the Authority's and the Group's expenditure and income for the year then ended; and
 - have been properly prepared in accordance with the

CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 require adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority and Group from whom you determined it necessary to obtain audit evidence.
 5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
 6. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Appendix 3: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

7. The Authority has disclosed to you all information in relation to:

- a) Fraud or suspected fraud that it is aware of and that affects the Authority and the Group and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and

- b) allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that:
 - are statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - are funded or unfunded; and
 - are approved or unapproved,

have been identified and properly accounted for; and

- a) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Corporate Governance & Audit Committee on 20 September 2013.

Yours faithfully,

Chair of the Corporate Governance & Audit Committee, Chief Financial Officer



cutting through complexity™

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Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 20th September 2013

Subject: Annual Governance Statement

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary of main issues

1. The Council has a duty to undertake an annual review of the effectiveness of its system of internal control. Following that review a committee, in our case the Corporate Governance and Audit Committee, must approve an annual governance statement.

2. The review of effectiveness of the Council's Governance arrangements, has been informed by matters considered by;
 - Executive Board
 - Corporate Governance and Audit Committee (particularly assurance reports from officers reporting to the committee)
 - Reports and opinions from;
 - Internal Audit
 - External Audit
 - Inspectorates
 - Local Government Ombudsman
 - Appropriate enquiries of management and staff with relevant knowledge and experience.

3. The attached Annual Governance Statement has been prepared in accordance with proper practices specified by the Accounts and Audit Regulations 2011.

Recommendations

4. Corporate Governance and Audit Committee is asked to approve the attached Annual Governance Statement; and recommend that the Leader of Council, Chair of Corporate Governance and Audit Committee, Chief Executive and Director of Resources sign the document on behalf of the Council.

1 Purpose of this report

- 1.1 The purpose of this report is to present the Annual Governance Statement (AGS) to the committee for approval.

2 Background information

- 2.1 The Annual Governance Statement is a public statement on the adequacy of the Council's governance arrangements, and, as directed by the Accounts and Audit (England) Regulations 2011, must accompany the statement of accounts.
- 2.2 The Regulations, specifically Regulation 4(3), requires authorities to conduct a review at least once a year of the effectiveness of its systems of internal control in accordance with 'proper practices'¹. These proper practices have not been reviewed since 2007 and aspects, for example references to 'direction of travel statements, are outdated. However they remain broadly fit for purpose as a basis for preparing the AGS which appears at Appendix 1.

3 Main issues

- 3.1 Members may recall that last year, in light of the current financial climate, and the drive to reduce unnecessary bureaucracy, the Head of Governance Services further refined and streamlined the drafting process for the AGS.
- 3.2 This year, as last, the review of effectiveness has been undertaken on an ongoing basis including internal and external audit of our internal control processes, and matters that have been the subject of reports to Corporate Governance and Audit Committee, the Executive Board and other member forums. In addition Directors have reviewed the attached statement and have confirmed that, to the best of their knowledge and belief, all matters of significance have been disclosed.
- 3.3 Members will note that Section 5 of the AGS, the section dealing with significant governance issues, continues to directly link to areas for improvement identified in the Best Council Business Plan 2013 - 17. This reflects the extent to which governance issues have been embedded into corporate planning and performance management processes and provides a streamlined and sustainable structure to monitor identified areas for improvement.
- 3.4 KPMG have confirmed, in their report to those charged with governance (also on the agenda for committee today), that, having reviewed the Annual Governance Statement, they are of the opinion that the statement complies with Delivering Good Governance: A Framework, published by CIPFA/SOLACE in June 2007; and is not misleading or inconsistent with other information that they are aware of.
- 3.5 Corporate Governance and Audit Committee is asked to approve the attached Annual Governance Statement; and recommend that the Leader of Council, Chair of Corporate Governance and Audit Committee, Chief Executive and Director of Resources sign the document on behalf of the Council.

¹ CIPFA/SOLACE - Delivering Good Governance in Local Government Framework 2007

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 The Corporate Leadership Team has been consulted on content of the Annual Governance Statement, particularly to ensure that there are no omissions or misrepresentations.
- 4.1.2 The Annual Governance Statement links to the objectives of the Council Business Plan relating to consultation– specifically that all major decisions affecting the lives of communities can evidence that appropriate consultation has taken place.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The Annual Governance Statement links to the objectives of the Council Business Plan relating to Equality – specifically that all major decisions needing to evidence that appropriate consideration has been given to equality issues.

4.3 Council Policies and City Priorities

- 4.3.1 The Annual Governance Statement reports that whilst progress has been made in agreeing policies and implementing procedures to govern the management of data and information, a number of incidents of data loss have occurred during the year.
- 4.3.2 Following approval of the statement a review of the Council’s Code of Corporate Governance will be undertaken.

4.4 Resources and Value for Money

- 4.4.1 The Annual Governance Statement makes links to the objectives of the Council Business Plan relating to the budget and financial planning and management – specifically that all directorates work within their approved budget and that arrangements ensure the Council maintains revenue reserves.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The Annual Governance Statement is a public statement on the adequacy of the Council’s governance arrangements, and as directed by the Accounts and Audit (England) Regulations 2011, must accompany the statement of accounts.

4.6 Risk Management

- 4.6.1 The Accounts and Audit (England) Regulations 2011, specifically Regulation 4(3), requires authorities to conduct a review at least once a year of the effectiveness of its systems of internal control in accordance with proper practices. The system of internal control, including arrangements for the management of risk, assists the Council in effectively exercising its functions.
- 4.6.2 In addition the committee and the Executive Board have received regular reports which demonstrate that there is an on-going process for identifying, evaluating and managing risks.

5 Conclusions

- 5.1 The Annual Governance Statement concludes that key systems are generally operating soundly and, where weaknesses have been identified arrangements, arrangements are in place to resolve them.

6 Recommendations

- 6.1 Corporate Governance and Audit Committee is asked to approve the attached Annual Governance Statement; and recommend that the Leader of Council, the Chair of Corporate Governance and Audit Committee, the Chief Executive and the Director of Resources sign the document on behalf of the Council.

7 Background documents

- 7.1 None



Annual Governance Statement 2013

1. SCOPE OF RESPONSIBILITY

- 1.1 Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves.
- 1.2 At Leeds City Council we are responsible for ensuring that financial management is adequate and effective and that we have a sound system of internal control to enable us to carry out our functions effectively and efficiently whilst ensuring that there are arrangements for the management of risk.
- 1.3 We must conduct a review, at least once a year, of the effectiveness of our system of internal control and report our findings in an annual governance statement. The statement must be prepared in accordance with proper practices and be reported to a committee of Councillors. This document comprises our annual governance statement for 2013.
- 1.4 The statement should be read alongside our planning, performance management and accountability arrangements described in;
 - The Vision for Leeds 2011-2030
 - Our City Priority Plans 2011-2015
 - Best Council Plan 2013-2017.

Context

- 1.5 Our ambition is to be at the forefront of those local authorities that are able to demonstrate that they have the necessary corporate governance to excel in the public sector. We aspire to be the best local authority in UK, in the best City.
- 1.6 The changing needs of our citizens and communities, significant reductions in resources and central government reforms, present a challenge to all councils. In addressing these challenges we must ensure that governance arrangements support the effective delivery of services and management of risk.
- 1.7 By applying the principles in our Code of Corporate Governance (summarised below) and applying our local codes of conduct for Members and employees, we commit to devising and delivering services to the citizens of Leeds in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity.

1.7 Our Code of Corporate Governance outlines our governance principles;

- Focussing on the Council's purpose and community needs;
- Having clear responsibilities and arrangements for accountability;
- Good conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
- Developing the capacity and capability of members and officers to be effective;
- Engaging with local people and other stakeholders.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 Our governance arrangements are designed to manage risk to a reasonable level. The arrangements cannot eliminate all risks but can provide reasonable assurance of our effectiveness.

2.2 The governance framework has been in place for the year to the date of approval of this annual governance statement.

3. THE GOVERNANCE FRAMEWORK

3.1 Our governance framework in Leeds comprises the systems and processes, and culture and values that allow us to achieve our strategic objectives and establish the extent to which services are delivered in an appropriate and cost effective way.

3.2 These are summarised below;

- Our vision; that is our shared priorities and intended outcomes for citizens and service users documented in the Vision for Leeds, Best Council Business Plan and other documents contained in our Budget and Policy Framework;
- The committees, boards and panels we have established to ensure democratic engagement and accountability is central to our key and other important decisions;
- Our arrangements for the oversight and scrutiny of decisions and policy development by councillors;
- Delegation and sub delegation arrangements which document the roles and responsibilities of executive and non-executive councillors and our statutory (and other senior) officer functions;
- Our risk, performance and accountability arrangements that measure the quality of services; ensuring they are delivered in accordance with our objectives and that they represent the best use of resources;
- Our People Plan, Member Development Strategy, Values and codes of conduct which underpin how Members and employees work;
- Our arrangements for consultation and engagement with the community, particularly focussed to help ensure inclusivity;
- Our arrangements to safeguard our most vulnerable citizens including fully embracing the role of independent chairs of safeguarding boards for children and adults;
- A high performing and independent Internal Audit service that is well regarded by our External Auditors;

- Independent oversight and challenge provided by our External Auditors, Government Inspectorates and the Local Government Ombudsman;
- Our procedure rules and internal management processes for;
 - Financial management
 - Procurement
 - Information governance and data security
 - Health and safety
 - Decision making
 - Whistleblowing and complaints handling
 - Anti-fraud & corruption

4. REVIEW OF EFFECTIVENESS

- 4.1 We have a statutory responsibility for conducting, at least annually, a review of the effectiveness of our governance arrangements to ensure there is a sound system of governance and that those arrangements help enable us to secure continuous improvement in the way in which our functions are carried out. As part of this review we consider a combination of economy, efficiency and effectiveness factors – with the aim being to ensure that we secure continuous improvement in the way we carry out our duties to the citizens of Leeds.
- 4.2 Our review of considers decisions taken and matters considered by Full Council and committees appointed by Full Council, the Executive Board, Corporate Leadership Team (and Directors’ knowledge of the operation of governance arrangements within their directorates), the work of the Corporate Governance and Audit Committee, internal auditors, service managers, work undertaken by external auditors and inspectorates and the opinion of the Local Government Ombudsman.

A self-assessment of our effectiveness

- 4.3 Our planning, performance and risk management framework has enabled the Executive Board and Scrutiny to **Focus effectively on the Council’s Purpose and Community Needs**. Executive Board has reviewed the corporate risk register of the significant business risks facing the council and this Board and the Corporate Governance and Audit Committee have received positive assurances about the operation of the arrangements for identifying and managing risk.
- 4.4 These processes are fundamental to ensuring democratic accountability and are what makes Local Government a unique and meaningful tier of UK governance.
- 4.5 Our Executive Board and Scrutiny Boards have received regular reports on performance and we continue to make this information publicly available on our website. Despite an unprecedented reduction in resources and exceptionally challenging circumstances, overall, good progress is being made in delivering our City Priority and Council Business Plan objectives - with the majority of strategic priorities assessed as on-track or with only minor delivery issues. There are on-going delivery challenges in some areas, where, despite positive progress, there remains underlying complex issues to resolve, such as those relating to recent welfare changes.

- 4.6 Full Council has approved the new Best Council Plan in light of the significant changes to the context within which we operate and to reflect the medium-term financial strategy. We are now reviewing our performance management framework to ensure more streamlined reporting aligned with the new Plan.
- 4.7 Over the last two years an annual State of the City Report has been produced and endorsed by Council which provides a comprehensive analysis of progress against our Best City Priorities. The Leeds Observatory complements this by providing more detailed data and intelligence about particular topics, themes and issues.
- 4.8 Internally we have also critically assessed and challenged our assumptions and accepted ways of working. Our review of corporate services, 'the Enabling Corporate Centre', has resulted in a realignment of services to ensure clearer roles and lines of accountability and provides a sound basis from which corporate and support functions can add value to services and city-wide outcomes. A clear 'hub and spoke model has evolved, with a mix of corporate and locally based support functions.
- 4.9 The review has also identified the need for clearer leadership on factors affecting citizens and communities – particularly around welfare, benefits and poverty.
- 4.10 We have also looked outwardly, particularly at the arrangements for our Local Strategic Partnership, the Leeds Initiative. These are now driven by our Executive Members and Corporate Leadership Team; rather than by a discreet team at arm's length from the Council. These arrangements have given impetus to our partnership activities and to the propositions from the Commission on the Future of Local Government.
- 4.11 **Effective financial planning and management** – The 2012/13 budget included some difficult and challenging decisions and whilst not all planned savings have been achieved other savings have been identified and additional income secured, resulting in the final outturn being an underspend of £6.7m. The Section 151 Officer has ensured that effective budget monitoring and reporting arrangements, involving the Executive Board and Scrutiny have been put in place. Budget holders have also been made more clearly accountable for keeping expenditure within budget.
- 4.12 Given the scale of the financial challenges, the Corporate Governance and Audit Committee reviewed the arrangements in September 2013, noting that there were appropriate systems and procedures in place to ensure sound financial planning and management and that the authority's financial management arrangements conforms with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). In addition the Corporate Governance and Audit Committee undertook assessments of both the Treasury Management (November 2012 and Capital Programme approval arrangements (April 2013)

- 4.13 **Effective arrangements for accountability** - Our governance arrangements continue to evolve. The delegation scheme for Council and Executive responsibilities has been regularly reviewed and updated to reflect various legislative and organisational changes. Sub delegation arrangements are in place and provide a clear description of decision-making responsibilities below director level.
- 4.14 The transfer of functions relating to Public Health has resulted in a revised scheme of delegation to the Director of Public Health and a new sub delegation scheme from the director. A new function within these arrangements relates to clinical governance. Our Corporate Governance and Audit Committee is to consider a report from the Director of Public in November 2013 concerning the Council's clinical governance arrangements.
- 4.15 We use 'Health Act Flexibilities' to commission care using a budget pooled between ourselves and the NHS. This has served us well for the past 12 years. However we have recognised that, in the rapidly changing organisational landscape for NHS organisations and the significantly harsher financial climate, the agreements that had served well in the past were unlikely to do so in the future.
- 4.16 We have reviewed and revised our arrangements and introduced agreements that have the benefit of a contemporary overview of current (rather than historic) national policy and guidance, providing a clear rationale and governance for our partnerships. Our new Health and Wellbeing Board is an embodiment of this approach; providing an open and transparent forum through which joint work on improving health and wellbeing is progressed.
- 4.17 We have similarly reviewed our housing management arrangements to ensure the most effective management arrangements are in place to deliver a high quality, efficient service that offers value for money to tenants particularly given the current economic and social pressures facing public services. The review concluded that the previous Arms-Length Management Organisational (ALMO) model was no longer fit for purpose and that all services undertaken be integrated within direct council management with the significant improvements made in tenant engagement being retained and built upon.
- 4.18 The City Deal, agreed with Government in 2012, secured devolution of powers from Whitehall and investment to support economic growth. As part of that agreement, West Yorkshire authorities undertook to ensure that the most effective governance arrangements be in place for the new powers and investment funds. The form of those governance arrangements, a Combined Authority, has evolved since - with a target for implementation being Spring 2014.

- 4.19 We reported in our 2012 Statement that a business continuity review had taken place of all services. During 2013, this work has translated into the phased development of business continuity plans for critical services. In building a resilient organisation, business continuity is now being promoted with interdependent partner organisations and our supply chains through commissioning organisations such as Clinical Commissioning Groups and procurement. With the support of our Corporate Governance and Audit Committee good progress has been made in engaging with critical services and completing business continuity plans.
- 4.20 The Information Commissioner has served a monetary penalty notice on the council in respect of documents containing sensitive personal information being sent to the wrong recipient from within the Children's Services Directorate, and also issued the Chief Executive with an Undertaking as a result of a breach of security to an externally hosted website. Both incidents were reported to the Information Commissioner's Office by the authority voluntarily.
- 4.21 As a result of both incidents we have reviewed practice and procedures and implemented improvements to militate against a similar incident occurring again. Measures to improve the mailing procedures immediately adopted in Children's Services are being implemented across the council. As part of the Undertaking we have reviewed of existing contract and commissioning arrangements and extended information governance requirements as part of the council's new Procurement Framework. This has provided the Information Commissioner's Office with the required assurance that the Undertaking requirements have been appropriately implemented and, they are satisfied that this will support compliance to the Data Protection Act 1998.
- 4.22 We are continuing to strengthen our information governance arrangements and capabilities. We have implemented effective information governance policies and standards that provide our Corporate Governance and Audit Committee with the necessary assurance about the security of our information assets and data handling procedures. Our Senior Information Risk Owner, who is ultimately accountable for the assurance of information security at the council, is now fully trained in the role, and our Corporate Information Governance Team continues to monitor risks to information assets and manage the overall council approach to information governance.
- 4.23 **Effective Conduct Arrangements** - Our Conduct arrangements for Members have been substantially reviewed and amended due to changes in statutory requirements. The changes to the Members' Code of Conduct are compliant with the new duties placed on the authority by the Localism Act 2011; and changes to our complaint handling arrangements now place greater emphasis on a speedy informal resolution of concerns, rather than on lengthy, more protracted arrangements dictated by the previous statutory regime.
- 4.24 Registers of Interest for Elected Members and Employees have been maintained and arrangements are in place for the declaration of appropriate interests when decisions are taken. We have also appointed an Independent Person in accordance with our statutory responsibilities.

- 4.25 The Standards and Conduct Committee has operated in accordance the terms of reference approved by full Council and reported on its activities by way of an annual report in May 2013. No Leeds City Councillor, nor any Parish or Town Councillor (in the Leeds area), has been found to have failed to comply with the Code of Conduct adopted.
- 4.26 Following input from our Standards and Conduct Committee and Trade Union colleagues our Code of Conduct for employees was revised in March 2013. The Code now aligns with the Members' Code of Conduct providing more coherence between the two frameworks.
- 4.27 **Effective decision making arrangements** - Our decision-making arrangements are one of our significant governance controls, linking to all the governance principles that are set out in our Code of Corporate Governance.
- 4.28 In September 2012 the Secretary State for Communities and Local Government laid new Regulations with respect to the treatment of executive decisions and requirements relating to Executive Board meetings. The authority has operated in full compliance with the legislative requirements and assurances have been received by the Corporate Governance and Audit Committee in respect of;- planning and licensing functions; executive decision making and access to information. The committee, along with the Scrutiny Board (Resources and Council Services), has also progressed a review of Contracts Procedure Rules – impending changes – due for implementation in the autumn, will bring about improvements in contract management and clearer pathways for accountability, particularly around Member oversight of key procurement decisions.
- 4.29 In addition the Scrutiny Officer has reported to full council in relation to the Council's Overview and Scrutiny arrangements.
- 4.30 **Effectively developing skills and capacity** - The Chief Human Resources Officer – working closely with the Scrutiny Board (Resources and Council Services), has established a People Plan for the Organisation. This has been an important step in ensuring that our workforce has the skills, capability and capacity to meet the challenges facing the City. The arrangements for monitoring progress against targets in the People Plan were reported to Corporate Governance and Audit committee in June 2012. Action plans are in place to address the themes emerging from the engagement surveys.
- 4.31 Of particular significance has been progress on Appraisals - with 92% of staff receiving an appraisal in 2012. Whilst the full year appraisal figures have been encouraging, the percentage of staff receiving a mid-year review dropped. However, following a concerted effort, the completion of full year appraisals in 2013 has risen to 98%.
- 4.32 As community leaders, it is vital that our Councillors are supported to be as effective as possible. A variety of learning programmes have been in place which have been continually monitored and evaluated by Councillors to ensure that where needed new initiatives have been implemented quickly and effectively.

- 4.33 **Effective Engagement** - Our Best Council Business Plan identified improvement as being required in both consultation and equality considerations in the decisions that we take. Our end of year report (reported to Executive Board) for the percentage of important decisions that provide clear evidence of consultation is 85% and due regard for equality is 87%. Issues remain with the quality and consistency of the evidence provided to decision makers at the time of making the decision.
- 4.34 In addition the Annual Equality Report has also been produced and reviewed as part of the Q4 process and whilst we can show activity is happening across all our equality improvement priorities there is a lack of supporting data and analysis making it difficult to demonstrate impact and improvement in many areas. This is an area that continues to be challenged in the courts.
- 4.35 There has been increased effort in using digital channels to reach audiences with an improved website and a greater use of social media by a growing number of colleagues. Work is on-going to ensure that there are sufficient policy and technological safeguards to protect both employees and the council's reputation as social media use continues to grow
- 4.36 We also recognise the importance of engagement with staff and have seen a sustained improvements in the extent to which we provide what staff need to feel engaged. Our most precious resource remains the people we employ; set against the most severe and challenging economic circumstances our People Plan sets out our priorities for increasing the flexibility of our workforce to ensuring colleagues are enabled to meeting the council's objectives. It is vital that we understand the 'temperature' of our workforce and are sensitive to the views expressed. Our recent surveys of colleagues has shown an increase in staff completing the survey from 25% to 30% and good progress in meeting our people plan target for engagement with 74.85% of colleagues feeling engaged (set against our 75% engagement target).

Internal Audit Opinion

- 4.37 The annual report, from the Head of Internal Audit, objectively examined, evaluated and reported on the control environment within the council and provided an opinion about the adequacy of the systems and processes in place. Of significance for this statement the Head of Internal Audit concluded that the internal control environment, including the key financial systems, is well established and continues to generally operate well in practice.

An Independent opinion of effectiveness

- 4.38 In June 2013 KPMG wrote to the Deputy Chief Executive to confirm that all planning and interim audit work had been completed and that that work had not identified any significant issues that were necessary to report to the Corporate Governance and Audit Committee.

4.39 The Committee were advised of KPMG's opinion in July 2013.

“full reliance can be placed on Internal Audit's work¹ on the key financial systems and that Internal Audit are compliant with the *Code of Practice for Internal Audit in Local Government*.”

4.40 In our external auditor's annual report to those charged with governance, KPMG reported that this Annual Governance Statement complies with the CIPFA/SOLACE framework and that it is not misleading or inconsistent with other information they are aware of from their audit of the financial statements.

4.41 KPMG has also concluded that our we have “proper arrangements in place for securing financial resilience” and, we anticipate will provide an unqualified opinion on our accounts.

5. SIGNIFICANT GOVERNANCE ISSUES

5.1 From the planning and control environment work carried out by KPMG in their interim audit no significant issues were identified. This independent opinion from our External Auditors, provides considerable assurance in respect of the Council's arrangements. The External Auditor's recent Interim Audit assessed our organisational control environment as effective overall, with no significant issues or areas for improvement.

5.2 The wider context for local government remains challenging with the toughest financial settlement for decades; the continuing economic downturn; major policy reforms in welfare, education and health; a growing city and increasing demands for services. This is a challenge that requires a clear focus on what we do as well a change in the culture of how we work. The Commission on the Future of Local Government set out a new leadership style of civic enterprise. This is where the council becomes more enterprising, businesses and partners become more civic, and citizens become more actively engaged in the work of the city. The council will become smaller in size but bigger in influence, with the democratic mandate of members extended.

5.3 Despite this challenging environment we have outcome-focused plans which set out our ambitions that Leeds will become the best city in the UK by 2030.

The Best Council Plan sets out our outcomes that will drive our priorities over the next four years:

- Improve the quality of life for our residents, particularly for those who are vulnerable or in poverty;
- Make it easier for people to do business with us; and
- Achieve the savings and efficiencies required to continue to deliver frontline services.

¹ The Council's Head of Internal Audit function reports to the Corporate Governance & Audit Committee, every other meeting on significant matters arising in respect of the control environment.

- 5.4 These will be delivered through six best council objectives for the period 2013-17 which give more detail on how we will achieve our outcomes.
- Ensuring high quality public services
 - Dealing effectively with the city's waste
 - Building a child friendly city
 - Delivery of Better Lives programme
 - Promoting sustainable and inclusive economic growth
 - Becoming an efficient and enterprising council
- 5.5 Our values will continue to underpin how we work; Working as a Team for Leeds; being Open, Honest and Trusted; Working with communities; Treating people fairly & Spending money wisely.
- 5.6 Action plans have been drawn up to address recommendations arising from external and internal audit reports, findings from inspectorates and issues identified and reported by the Local Government Ombudsman.

6. ASSURANCE SUMMARY

- 6.1 Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making - collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services that meet all local people's needs. It is fundamental to showing public money is well spent. Without good governance councils will struggle to improve services.
- 6.2 From the review, assessment and on-going monitoring work undertaken and supported by the ongoing work undertaken by Internal Audit, we have reached the opinion that, overall, key systems are operating soundly and that there are no fundamental control weaknesses.
- 6.3 We can confirm, to the best of our knowledge and belief, and there having been appropriate enquiries made, that this statement provides an accurate and fair view.

Signed

Signed

Date

Date

**Councillor Keith Wakefield
Leader of the Council**

**Tom Riordan
Chief Executive**

Signed

Signed

Date

Date

**Councillor Ghulum Hussain
Chair, Corporate Governance
and Audit Committee**

**Catherine Witham
City Solicitor & Monitoring Officer**

Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 20th September 2013

Subject: Work Programme

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1 Purpose of this report

1.1 The Purpose of this report is to notify Members of the Committee of the draft work programme. The draft work programme is attached at Appendix 1

2 Background information

2.1 The work programme provides information about the 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 Main issues

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

3.2 The draft work programme is attached at Appendix 1

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 This report consults seeks Members views on the content of the work programme of the Committee, so that it might meet the responsibilities set out in the committee's terms of reference.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 There are no equality and diversity or cohesion and integration issues arising from this report.

4.3 Council Policies and City Priorities

4.3.1 The work programme provides a balanced number of reports and assurances upon which the committee can assess the adequacy of the council's corporate governance arrangements.

4.4 Resources and Value for Money

4.4.1 It is in the best interests of the Council to have sound control arrangements in place to ensure effective use of resources, these should be regularly reviewed and monitored as such the work programme directly contributes to this.

4.5 Legal Implications, Access to Information and Call In

4.5.1 This report is not an executive function and is not subject to call in.

4.6 Risk Management

4.6.1 By the Committee being assured that effective controls are in place throughout the Council the work programme promotes the management of risk at the Council.

4.6.2 The work programme adopts a risk based approach to the significant governance arrangements of the Council.

5 Conclusions

5.1 The work programme of the Committee should be reviewed regularly and be updated appropriately in line with the risks currently facing the Council.

6 Recommendations

6.1 Members are asked to consider and approve the work programme set out at appendix 1.

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE
WORK PROGRAMME**

8th November 2013		
Calderdale Shared Service Agreement	To receive a report updating the Committee on the latest position with regards to the establishment of a Social Care System in partnership with Calderdale MBC	Steve Hume Chief Officer (Resources and Strategy)
Business Planning Continuity	provide an update on the progress made in completing the outstanding Business Continuity Plans	Chief Officer (Audit and Risk) Tim Pouncey
Clinical Assurance Governance	To receive a report of the Director of Public Health to highlighting the risk to the service and the plans to mitigate against these.	Dr Ian Cameron
Transfer of Assets	To receive a report looking at the wider issues relating to transfer	Chief Officer (Assets Review) Paul Broughton
January 21th 2014		
KPMG – Annual Audit Letter – including opinion	To receive a report certifying grants and returns and to consider the Audit Fee letter.	Chief Officer (Financial Management) Doug Meeson
KPMG – Certification of Grant Claims and Returns	To receive a report certifying grants and returns and to consider the Audit Fee letter.	Chief Officer (Financial Management) Doug Meeson
KPMG – Approval of External Audit Plan	To receive a report requesting approval of the external audit plan	Chief Officer (Financial Management) Doug Meeson

CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

Internal Audit Quarterly Report	To receive the Internal Audit quarterly report	Chief Officer (Audit and Risk) Tim Pouncey
Treasury Management Annual Report	To receive the annually Treasury Management Report providing assurance on the processes used by the department	Chief Officer (Financial Development) Maureen Taylor
9th April 2014		
Internal Audit Plan	To receive a report informing the Committee of the Internal Audit Plan for 2013/14	Chief Officer (Audit and Risk) Tim Pouncey
Internal Audit Quarterly Report	To receive the Internal Audit quarterly report	Chief Officer (Audit and Risk) Tim Pouncey
Information Security Annual Report	To receive a report on the Council's Information Security arrangements.	Chief Officer (Business Transformation) Lee Hemsworth
Annual Business Continuity Report	To receive the annual report reviewing the Councils Business Continuity planning.	Chief Officer (Audit and Risk) Tim Pouncey
Annual Report of the Committee	To receive the Annual report of the Committee reviewing the work completed over the last year	Head of Governance Services Andy Hodson
Unscheduled Items		