

## **Corporate Governance and Audit Committee**

**Tuesday, 20th June, 2017**

**PRESENT:** Councillor P Davey in the Chair  
  
Councillors J Bentley, P Harrand,  
N Dawson, A Sobel, J Illingworth and  
G Hussain

### **1 Chair's Opening Remarks**

The Chair welcomed Members to the first meeting of the New Municipal Year. Congratulations were offered to Councillor Alex Sobel on his recent election as Member of Parliament for Leeds North West

### **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 items identified where it was considered necessary to exclude the press or public from the meeting due to the nature of the business to be considered.

### **4 Late Items**

There were no late items of business.

### **5 Declaration of Disclosable Pecuniary and Other Interests'**

There were no declarations of disclosable pecuniary interest made at the meeting.

### **6 Apologies for Absence**

Apologies for absence were received from: Councillor K Bruce, Councillor J Heselwood and Councillor R Wood

### **7 Minutes of the Previous Meeting**

**RESOLVED** – That the minutes of the previous meeting held on 7<sup>th</sup> April 2017 were accepted as a true and correct record.

### **8 Matters Arising from the Minutes**

Minute No. 62 – Procurement Assurance Report – At the previous meeting Members had requested information on the value of off/non-contract spend and contracts that had been entered into by waiver. It was reported that

having reviewed the information with the Chair, it was considered too detailed. It was the wish of the Chair that the information be summarised and circulated to Members at a later date.

## **9 Publication of Draft Statement of Accounts 2016/17**

The Chief Finance Officer submitted a report which presented the Draft Statement of Accounts 2016/17, prior to them being made available for public inspection.

Members were informed that the Chief Finance Officer had reviewed the 2016/17 accounts and certified that they were a true and fair view of the council's financial position and, that after consideration by the committee, the Accounts will be placed on deposit for public inspection and would be audited by the council's external auditors (KPMG) over the summer period. The final audited Accounts would be presented to the committee again in September for approval.

It was reported that the final outturn position for the year was a £0.8m use of the General Fund Reserve, which was £2.6m less than the figure budgeted for. Within this overall improved position there was an overspend of £7.9m against the Children's Services budget, which was offset by an underspend of £6.4m against the City Development budget and net savings across other directorates.

Members were informed that the Housing Revenue Account outturn position resulted in the use of £10.0m of its revenue reserves. This included the use of £7.7m of reserves set aside to contribute to the Swarcliffe PFI scheme and the Little London, Beeston and Holbeck PFI scheme, and was after additional contributions of £3m to the Major Repairs Reserve to fund future capital expenditure.

The Principle Finance Manager also advised the Committee that the council's net worth had increased during the year by £391m, and as at 31<sup>st</sup> March 2017 stands at £1,244m. Within this increase in the net worth, there has been an increase of £658m in the value of tangible fixed assets, partly offset by an increase in the net pension liability of £80m. Net borrowing for capital and treasury management purposes has increased by £174m, reflecting an increase of £163m in the capital financing requirement and a slight reduction in the level of revenue balances which can be used to offset external borrowing.

Members were informed the council's level of usable reserves decreased by £45m to £275m. The majority of the decrease was in ring-fenced reserves, with usable capital reserves decreasing by £12m and ring-fenced revenue reserves (primarily relating to the HRA and to schools) decreasing by £21m. The level of un-ring-fenced revenue reserves fell by £12m, primarily due to the planned use of £10m of health and social care reserves during the year.

The Principle Finance Manager reported that the position within the Collection Fund for business rates had slightly improved, with the closing deficit for 2016/17 having reduced by £25m to £49m, of which 49% (£24m) will fall on

the council. A significant element of this deficit (£22m for the council) was taken into account when setting the 2017/18 budget. The outturn position therefore meant that a further £2m would have to be recovered when the 2018/19 budget was set.

Members asked for further clarification on the differences between the net pension liabilities shown in the accounts and the triennial actuarial review which showed a 94% funding position. The Principal Finance Manager advised the committee that the triennial review was a forward-looking assessment which took into account the expected future growth in the pension fund assets. Employer contribution rates were based on the triennial review and not on the accounting position.

In response to a query, the Chief Officer (Audit and Investment) assured the Committee that KPMG were allowed to undertake consultancy work subject to applying for permission from the Public Sector Audit Appointments body; the necessary permission was sought and obtained. Members were advised that the nature of the consultancy work undertaken was with Children's Service, looking into traded income with schools and recovery rates.

Clarification was sought around the basis of some Key Performance Indicators: particularly focusing on whether the figures for; (i) the creation of 36,300 new jobs and (ii) the building of 3,306 new homes (In all sectors) were for in-year performance or were cumulative.

The Principle Finance Manager was unable to confirm the basis of the figures quoted and offered to make enquires with a view to circulating to Members once the information was available.

**RESOLVED** – To note the 2016/17 unaudited Statement of Accounts as certified by the Responsible Financial Officer, prior to their release for public inspection.

## **10 Annual Assurance Report on Employment Policies and Procedures and Employee Conduct.**

The Chief Officer Human Resources submitted a report which presented the Annual Assurance Report on Employment Policies and Procedures and Employee conduct.

The report provided assurances to the committee that employee conduct was properly managed, policies and procedures were fit for purpose, up to date, were routinely complied with and had been effectively communicated and monitored.

Members discussed the issue of gifts and hospitality and sought assurance that employees were registering gifts and hospitality and that monitoring arrangements were in place.

The HR Service Manager provided an assurance that declarations around gift and hospitality were been registered and monitored. Members were advised

that the rules on the acceptance of gifts and hospitality were communicated to managers and staff on an annual basis. Directors are required to approve individual declarations and on an annual basis they receive a full list of all the declarations that are made to allow them to identify any areas of concern.

Members discussed the Employment Engagement Survey noting that an overall engagement score of 7.5 out of 10 had been achieved. Members also requested further information on the % of staff without computer access and the extent to which such employees are engaged in the survey

A further query was raised about comparisons with other local authorities or other similar large organisations.

In responding, the HR Service Manager reported that the engagement survey was set around the council's core values and direct comparisons may be difficult to achieve, but further consideration would be given as to how to incorporate comparative information in future assurance reports

Members discussed the revised improving attendance policy introduced in August 2016. Members noted there had been an increase in days lost per FTE 9.31 days compared to 8.90 for the previous year and queried if there was an explanation for this.

The HR Service Manager said a new recording system (Self-service) introduced in early 2017 may have led to some variations in reporting and that future comparison information would be produced over a longer time frame.

One Member made reference to the take a "no wrong door" approach, suggesting that the introduction of the initiative as a council value was welcomed. Further information was sought on how the changes to the council values would be communicated to staff and Members.

Members discussed "Handling Disciplinary Matters" querying the number dismissals for sickness, suggesting that the figure for the current year appeared to be high and requested if it would be possible to receive data from the two previous years as a comparison.

Officers provided an assurance that the requested information would be provided

**RESOLVED** – To note and welcome the assurance provided in section 5 of the submitted report that employee conduct was properly managed, policies and procedures were fit for purpose, up to date, were routinely complied with and had been effectively communicated and monitored.

## **11 Annual Assurance Report on Corporate Risk and Performance Management Arrangements**

The Director of Resources and Housing submitted a report which presented the Annual Assurance Report on Corporate Risk and Performance Management Arrangements.

The report provided assurances to the committee that the Corporate Risk and Performance Management Arrangements were fit for purpose, up to date, were routinely complied with and had been effectively communicated and monitored.

Members discussed assurances around risk management, in particular cyber security.

One Member highlighted the recent cyber-attack on NHS systems pointing out that a number of council directorates often shared information with the NHS.

Reference was also made for single step authorisation, particularly for mobile devices and whether more sophisticated sign on was needed

The Chair requested that the report on Cyber Assurance and Compliance due to be brought back to Members in September provided specific coverage and assurance regarding the security of our 'ICT frontiers' to the outside world (specifically organisations with whom we work closely), security of mobile device usage and whether more sophisticated sign on processes were needed (e.g. a two-step process) and arrangements for dedicated cyber training for; Officers and Members should be addressed in that report

#### **RESOLVED –**

- (i) To note the assurance provided in section 5.1 of the submitted report that the Corporate Risk and Performance Management Arrangements were fit for purpose, up to date, were routinely complied with and had been effectively communicated and monitored.
- (ii) That the report on Cyber Assurance and Compliance due to be brought back to Members in September to also include more assurance regarding the security of our 'ICT frontiers' to the outside world (specifically organisations with whom we work closely), security of mobile device usage and whether more sophisticated sign on processes are required (e.g. a two-step process) and arrangements for dedicated cyber training for; Officers and Members should be addressed in that report

## **12 Annual Decision Making Assurance Report**

The City Solicitor submitted a report which presented the Annual Decision Making Assurance Report.

The report provided assurances to the committee that the systems and processes that form part of the council's decision making framework were fit

for purpose, up to date, were routinely complied with and had been effectively communicated and monitored.

Officers representing the Head of Governance Services & Scrutiny, the Chief Planning Officer, the Head of Service (Legal) and the Head of Elections, Licensing and Registration were in attendance to answer Members questions and queries

Referring to Planning matters, Members discussed the outcome of Planning Appeals Decisions for 2016-17 noting that of the 260 appealed decisions 63% had been dismissed, an 8% decrease on the previous year

The Head of Development Management suggested that changes in permitted development rights, the loss of a number PAS land appeals related to not having a 5 year land supply and the loss, on mass of 8 telephone kiosk appeals, all contributed to the decrease on the previous year.

Members also noted that of the 105 applications determined by Plans Panel in 2016-17, 11 were contrary to the recommendation put forward by officers

Members highlighted that although the majority of applications were determined in line with the officer recommendation, Members were often able to influence these applications by adding conditions or seeking changes to the design of the development.

Members requested that future Annual Assurance reports provide comparisons with other local authorities on headline figures and seek to highlight the impact made by members to decisions where officer recommendation is supported.

One Member referred to Strategic Planning Policy and in particular how long term problems may be identified and addressed at an early stage. In providing an example the Kirkstall Forge site was highlighted suggesting that as further development took place serious traffic and congestion issues may arise as a consequence.

Chair suggested that a discussion with Executive Member responsible may be a way forward.

Members considered the referral by the General Purposes Committee seeking the Committee's thoughts on whether an amendment to the definition of a key decision was necessary to exclude decisions relating to the receipt of external funding.

In the discussion that followed Members expressed caution about changing processes and procedure as a result of one example, suggesting instead to keep the matter under review.

**RESOLVED –**

- (i) To note the assurance provided in the submitted report by the Head of Governance and Scrutiny Support, the Chief Planning Officer, the Head of Service (Legal) and the Head of Elections, Licensing and Registration that the decision making framework in place within Leeds City Council was fit for purpose, up to date, were routinely complied with and had been effectively communicated and monitored.
- (ii) That decisions relating to the receipt of external funding be kept under review

### **13 Internal Audit Update Report April to May 2017**

The Chief Officer (Financial Services) submitted a report which provided a summary of the Internal Audit activity for the period April to May 2017 and highlighted any incidence of any significant control failings or weaknesses.

The Acting Head of Internal Audit presented an update on Internal Audit Activities during the period since the last meeting of the committee.

It was reported that there were no issues identified by Internal Audit in the April to May 2017 Internal Audit Update Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.

Whilst the update report to committee from Internal Audit assured the committee that the majority of the council's expenditure is made on contract, Members sought further information from the Chief Officer (PPPU) to establish a defensible estimate of the proportion and value of on and off contract spend within the council's expenditure.

Members made reference to paragraph 3.2.12 of the submitted report and the difficulty in obtaining assurance that value for money was being obtained when external providers of residential care and independent fostering agencies were being commissioned.

In responding the Acting Head of Internal Audit said that a follow up audit would be undertaken which would seek to ensure progress on these matters, which would be reported back to the Committee

#### **RESOLVED –**

- (i) To receive the Internal Audit Update report covering the period April to May 2017, noting the work undertaken by Internal Audit during this period
- (ii) To note there had been no limitations in scope and nothing had arisen to compromise the independence of Internal Audit during the reporting period

- (iii) That further details of on and off contract spend within the council's expenditure be circulated to Members in due course

#### **14 Internal Audit Annual Report and Opinion 2016-17**

The Chief Officer (Financial Services) submitted a report which drew to the attention of the Committee the annual internal audit opinion and basis of the internal audit assurance for 2016/17.

Members were informed that the overall conclusion was that on the basis of the audit work undertaken during the 2016/17 financial year, the internal control environment (including the key financial systems, risk and governance) was well established and operating effectively in practice. It was reported that there were no outstanding significant issues arising from the work undertaken by Internal Audit. The work undertaken to support this opinion had been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.

It was also highlighted that internal audit would also issue interim reports to the Committee if any significant matters arose which would warrant immediate attention.

**RESOLVED –** To receive the Internal Audit Annual Report and opinion for 2016/17 and note the opinion given. In particular:

- That on the basis of the audit work undertaken during the 2016/17 financial year, the internal control environment (including the key financial systems, risk and governance) was well established and operating effectively in practice; and
- That the work undertaken to support the opinion had been conducted in accordance with an established methodology that promoted quality and conformance with the International Standards for the Professional Practice of Internal Auditing; and
- That there were no outstanding significant issues arising from the work undertaken by Internal Audit
- To note that there had been no limitations in scope and nothing had arisen to compromise the independence of Internal Audit during the reporting period

#### **15 Annual Governance Statement**

The Head of Governance Services submitted a report of the City Solicitor which presented the Annual Governance Statement (AGS) to the committee for approval.

**RESOLVED –**



- (i) To agree that the draft Annual Governance Statement be released to accompany the draft accounts when they are placed on public deposit
- (ii) To note that a final draft of the Annual Governance Statement would be provided at the September meeting of the Committee which would also incorporate the external audit opinion

## **16 Work Programme 2017/18**

The Head of Governance and Scrutiny Support presented a report of the City Solicitor which set out the draft work programme for the 2017/18 year.

### **RESOLVED –**

- (i) To approve the draft work programme for the 2017/18 year
- (ii) To note the meeting dates for the Committee in the 2017/18 year as detailed within Appendix 1 of the submitted report

## **17 Date and Time of Next Meeting**

**RESOLVED –** To note that the next meeting will take place on Friday, 22<sup>nd</sup> September 2017 at 10.00am in the Civic Hall, Leeds.