



CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Meeting to be held in Civic Hall, Leeds on
Friday, 26th July, 2019 at 10.00 am

MEMBERSHIP

Councillors

P Grahame	J Bentley	P Harrand
A Scopes (Chair)		M Harrison
P Truswell		J Taylor
J Illingworth		
B Garner		

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 15.2 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 15.2, 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 consider apologies for absence (If any)</p>	
6			<p>MINUTES OF THE PREVIOUS MEETING</p> <p>To receive and approve the minutes of the previous meeting held on 25th June 2019.</p> <p>(Copy attached)</p>	1 - 12
7			<p>MATTERS ARISING FROM THE MINUTES</p> <p>To consider any Matters Arising from the minutes.</p>	
8			<p>ANNUAL ASSURANCE REPORT ON CORPORATE RISK MANAGEMENT ARRANGEMENTS</p> <p>To consider a report by the Director of Resources and Housing which presents the Annual Assurance report on the effectiveness of the Council's corporate risk management arrangements. The report updates the Committee on work carried out since the previous assurance report dated 26th June 2018 and summarises work planned for 2019/20.</p> <p>(Report attached)</p>	13 - 82

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9			<p>INTERNAL AUDIT ANNUAL REPORT AND OPINION 2018-19</p> <p>To consider a report by the Chief Officer (Financial Services) which brings to the attention of the Committee the annual Internal Audit opinion and basis of the Internal Audit assurance for 2018/19.</p> <p>(Report attached)</p>	83 - 110
10			<p>ANNUAL GOVERNANCE STATEMENT</p> <p>To consider a report of the City Solicitor which presents the Annual Governance Statement (AGS) to the Committee for approval.</p> <p>(Report attached)</p>	111 - 150
11			<p>APPROVAL OF THE AUDITED STATEMENT OF ACCOUNTS AND GRANT THORNTON AUDIT REPORT</p> <p>To consider a report of the Chief Finance Officer which presents the Council's final audited Statement of Accounts for approval subject to consideration of any material amendments identified by the Council or recommended by the auditors.</p> <p>(Report attached)</p>	151 - 194

Item No	Ward	Item Not Open		Page No
12			<p>WORK PROGRAMME 2019/20</p> <p>To receive a report by the City Solicitor which notifies Members of the Committee's Work Programme for 2019/20.</p> <p>(Report attached)</p>	195 - 200
13			<p>DATE AND TIME OF NEXT MEETING</p> <p>To note that the next meeting will take place on Friday, 22nd November 2019 at 10.00am in the Civic Hall, Leeds.</p>	

Third Party Recording

Recording of this meeting is allowed to enable those not present to see or hear the proceedings either as they take place (or later) and to enable the reporting of those proceedings. A copy of the recording protocol is available from the contacts named on the front of this agenda.

Use of Recordings by Third Parties– code of practice

- a) Any published recording should be accompanied by a statement of when and where the recording was made, the context of the discussion that took place, and a clear identification of the main speakers and their role or title.
- b) Those making recordings must not edit the recording in a way that could lead to misinterpretation or misrepresentation of the proceedings or comments made by attendees. In particular there should be no internal editing of published extracts; recordings may start at any point and end at any point but the material between those points must be complete.

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Agenda Item 6

Corporate Governance and Audit Committee

Tuesday, 25th June, 2019

PRESENT: Councillor A Scopes in the Chair
Councillors P Harrand, J Illingworth,
P Grahame, M Harrison, J Taylor,
P Truswell and B Garner

1 Appeals Against Refusal of Inspection of Documents

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

2 Exempt Information - Possible Exclusion of the Press and Public

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

3 Late Items

There were no late items of business identified.

4 Declaration of Disclosable Pecuniary and Other Interests'

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

5 Apologies for Absence

There were no apologies for absence.

6 Minutes of the Previous Meeting

RESOLVED – That the minutes of the previous meeting held on 22nd March 2019 were accepted as a true and correct record.

7 Matters Arising from the Minutes

The Head of Governance and Scrutiny Support reported that information requested by the Committee had been circulated to Members following the meeting in March 2019:

Minute No.70 – Referral to Scrutiny Board (Environment, Housing and Communities) of differential call times – The position of call answering times had been presented to Scrutiny Board in a recent the performance report

and offer made Executive Member to bring an action plan back to the Board for consideration.

Minute No.71 – Resolution (ii) – It was confirmed that further details of Leeds Bradford Airport planning had been provide to all Members.

Minute No.73 - Resolution (iii) – The Director of Resources and Housing had confirmed that the issue had been raised at CLT, guidance and training had also been issued to staff concerning Members' Need to Know. Resolution (vi) further consideration is being given to this through Member Management Committee with a view to and relaunch the training in September.

Minute No.75 – Reference to the new Procurement Strategy – Members noted that the July 2019 meeting of the Executive Board was to consider the new strategy.

Minute No.76 – The Head of Governance and Scrutiny Support confirmed that the appropriate director had been informed of the views expressed by Members.

Minute No.82 – It was confirmed that General Purposes Committee had recommended to the Annual Meeting that an Independent Co-opted Member be appointed to the Committee. Recruitment is likely to commence in the early Autumn, with representation from Corporate Governance and Audit Committee being involved in the recruitment process.

8 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 Support, the Chief Planning Officer, The Head of Service (Legal) and the Chief Officer, Elections and Regulatory were in attendance to answer Members questions and queries.

Referring to Decision Monitoring, Members queried how a significant impact on one or more wards was identified

Members were informed that the significant impact would be on a significant proportion of people in the area and would be more likely if there was a disproportionate impact on a specific group or the community in the area.

Reference was made to the List of Forthcoming Key Decisions, noting that officers had reviewed and amended the form by which officers request the addition of an issue to the list of forthcoming key decisions. Members requested if a copy of the revised form could be made available to Members.

Members were informed the requested document would be made available to Committee Members

Members noted that in terms of significant operational decisions and key decisions, City Development had seen an increase in both these areas in the last 12 months and queried if there was any particular reasons for the increase.

In responding, officers suggested further analysis was required and Members would be notified separately.

In relation to RIPA, the Head of Service (Legal) confirmed that no use of the RIPA powers had taken place over the past 12 months

There were no issues raised under Licensing Matters

Referring to Planning matters, Members noted there had been a slight reduction in the service's performance in relation to applications being determined in time or within agreed timescales. Members queried if there were any underlying issues to account for the dip in performance.

Members were informed that currently Planning Services were having resourcing difficulties, including being involved with a number of Public Inquiries which were resource intensive.

Members undertook to seek further assurances from the Chief Planning Officer in respect of the arrangements in place for Members to refer planning applications to Plans Panels for determination and the Governance arrangements for enforcement proceedings

The Chair thanked officers for their attendance and contributions.

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 the recently revised form by which officers request the addition of an issue to the list of forthcoming key decisions be circulated to Committee Members for information

- (iii) To circulate to Members an analysis as to why City Development had seen an increase in the number of; significant operational decisions and key decisions, in the last 12 months
- (iv) That the Chief Planning Officer be requested to provide further assurance around the arrangements in place for Members to refer planning applications to Plans Panels for determination and the Governance arrangements for enforcement proceedings

9 Role of the Caldicott Guardian

The Director of Adults and Health submitted a report which set out details of the role of the Caldicott Guardian and the organisational measures and assurances in place to support this role.

The Deputy Director Social Work & Social Care Service addressed the report speaking in detail as to how and why the role of the Calicott Guardian was established and the oversight it provides for the use and sharing of confidential patient information.

Members queried whether peer reviews and joined up working took place with other organisations in the City with Caldicott responsibilities.

Members queried if other organisations shared the same processes and bench marking arrangements as sharing such information may add value to our own processes.

The Chair suggested that it may be appropriate to receive an update at a future meeting and that this considers the steps taken to undertake benchmarking of Caldicott arrangements with other organisations

Members were supportive of the Chair's suggestion.

RESOLVED –

- (i) To accept this report as an addendum to the Annual Information Governance report
- (ii) To receive an update at a future meeting, setting out the steps taken to undertake benchmarking
- (iii) And that the next Annual Information Governance Assurance report, reports in detail on Caldicott Guardian arrangements

10 Applications Portfolio Programme - Update on Access Project

The Director of Resources and Housing submitted a report which provided an update on the current position on Access databases and compliance to PSN.

Members were informed that discussions had taken place with the Cabinet Office who had confirmed that;

“They were satisfied with the projects, provisions and positive focus from Leeds City Council, in responding to and tackling vulnerabilities which have a significant impact on the LCC network (and potentially) critical business processes. The solutions and remediation schedules for the highlighted vulnerabilities discussed were in principle acceptable, however, strong compensating controls and mitigation will need to be aligned to these and any other highlighted vulnerabilities as remediation projects and plans are in flight to address them”.

Members requested if the full text of the letter from the Cabinet Office could be circulated to all Members of the Committee.

Officers confirmed that the letter would be circulated to all Members of the Committee

It was reported that since the previous report in March, investigations had found that four of the previously ‘unknown’ Access databases were owned by West Yorkshire Joint Services. Members were informed that the project team were working with West Yorkshire Joint Services to assist in the replacement of these four databases.

Referring to section 3.7 of the submitted report, it was noted that only 1 database remained categorised as “unknown”. Members were informed that the intention now was to de-activate the system in order to see who comes forward to claim it.

The Chair thanked officers for their attendance, commenting that progress was been made.

RESOLVED –

- (i) That the contents of the report be noted
- (ii) To be assured that considerable effort is being undertaken to rectify the current situation with regards to the Council’s approach to maintaining PSN compliance and where progress has been made
- (iii) That a further update be provided in November 2019
- (iv) That the Cabinet Office letter, be circulated to all Members of the Committee

11 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 sought to provide assurance that:

- The requirements of employee conduct were established and regularly reviewed
- The requirements relating to employee conduct were communicated and feedback was collected on whether expected behaviours were being demonstrated
- Employee conduct was monitored and reported.

Members discussed the issue of gifts and hospitality noting that no concerns were identified in the last annual review and there had been no referrals in 2018/19 to the HR casework team for any breach of the gifts and hospitality policy. Members also noted that in 2019 a benchmarking exercise on the gifts and hospitality policy was undertaken with the core cities which confirmed that the arrangements in place were broadly similar to other local authorities.

It was reported that Internal Audit will be reviewing the Register of Interests and Gifts and Hospitality processes within the 2019/20 Audit Plan

Officers from Grant Thornton (The Council's External Auditors) suggested that gifts and hospitality was a particular area of scrutiny for other public sector organisations, who often required a nil declaration process.

The Chair suggested that it would be appropriate to seek a change to the Council's arrangements for declaring gifts and hospitality, particularly Directors' acceptance of offers of gifts and hospitality be reviewed to ensure there is third party oversight of offers prior to these being accepted and; that a process be introduced whereby the annual review of gifts and hospitality requires 'nil returns' to be submitted.

Members were supportive of the proposal and requested that the Chair write to the Chief Executive to seek his support to the proposed changes.

RESOLVED –

- (i) To note the positive assurance provided in section 5 of the submitted report that the requirements of employee conduct were established and regularly reviewed
- (ii) That the requirements relating to employee conduct were communicated and feedback was collected on whether expected behaviours were being demonstrated
- (iii) That employee conduct was monitored and reported.

- (iv) That the Chair, on behalf of the Committee write's to the Chief Executive to seek his support in recommending: that arrangements for Directors' acceptance of offers of gifts and hospitality be reviewed to ensure there is third party oversight of offers prior to these being accepted and; that a process be introduced whereby the annual review of gifts and hospitality requires 'nil returns' to be submitted.

12 Grant Thornton Audit Progress Report

The Chief Finance Officer submitted a report which provided the outcome of Grant Thornton's IT audit and of progress in delivering their overall audit of the Council's accounts and value for money arrangements.

The Chair welcomed Gareth Mills, Engagement Lead (Grant Thornton) to the meeting.

Members were informed that Grant Thornton's audit had two key objectives, to give an opinion on the council's financial statements (including confirming whether the annual governance statement was consistent with their understanding), and to review and report on the council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

It was reported that specialist IT auditors had carried out a review of the council's key financial systems, the outcome of this work is presented in the submitted report. Grant Thornton had made one recommendation, relating to generic user accounts on the Academy Housing Benefits system. This had been assessed as a lower level risk which could give rise to inconsequential misstatements. It was understood that whilst the generic accounts are deactivated on the live system, there remains a risk that they could be wrongly activated and misused. Managers for the service had therefore responded that they would reduce the number of such accounts and introduce a monitoring system to confirm that the remaining generic accounts had not been activated.

Referring to paragraph 3.3 of the submitted report, Members queried whether the recommendation relating to journals arose from specific consideration of the Council's approach to this which Grant Thornton consider is not sufficiently robust or alternatively, whether the recommendation is one made generically by Grant Thornton to its Local Authority clients.

Members were informed that journals were low risk for local authorities, and that the controls already in place had been subject to a risk assessment and were judged to be satisfactory in the view of the Finance team. Financial Management would be undertaking a risk assessment of the financial system and that this will be reviewed by Internal Audit once it is complete.

Members queried with Grant Thornton if they were satisfied with the Council's response.

Members were informed that Grant Thornton were satisfied with the Council's response, but their recommendation remained in place and was not withdrawn, it was suggested that the situation may be reviewed at the next audit.

Members suggested that although there was no financial loss associated with journals, an incorrect position could be reported.

It was suggested by Grant Thornton that Public Sector journals could be manipulated to provide financial outcomes, but it was emphasised that there was little scope for individuals to gain financially from this, and Leeds City Council had appropriate mechanisms and controls in place.

It was suggested that Internal Audit's review of the FMS risk assessment should particularly look at the compensating controls in place in respect of journals.

RESOLVED – To receive and note the audit progress report presented by Grant Thornton

13 Publication of Draft Statement of Accounts 2018/19

The Chief Finance Officer submitted a report which presented the draft unaudited 2018/19 Statement of Accounts which are currently available on the Council's website for public inspection. The Statement of Accounts are also included with the agenda as a separate document and the Draft Annual Governance Statement (required to be published at the same time as the draft Accounts).

Members noted the following main financial issues raised by the 2018/19 unaudited accounts:

- The final outturn position for the year was a £2.3m contribution to the General Fund Reserve, which represented a £3.0m underspend in comparison to the figure budgeted for.
- The Housing Revenue Account outturn position was a £2.2m usage of revenue reserves, which was represented a £1.1m lower use of reserves than was budgeted for.
- The council's net worth has decreased by £244.5m and stands at £1,414m. The most significant factor in this reduction was an increase in the net pensions liability of £214m, largely as a result of changes in the actuarial assumptions affecting the current value of the liabilities.

- Net borrowing for capital and treasury management purposes has increased during the year by £84m, in comparison to an increase of £132m in the capital financing requirement, and the value of fixed assets rose by £59m.
- The council's level of usable reserves has increased by £32m to £312m during the year. The majority of this increase relates to ring-fenced reserves (usable capital reserves have increased by £18.6m and ring-fenced revenue reserves by £4.5m), however there has been an increase of £7.3m in non-ring-fenced revenue reserves.
- The Principal Financial Manager said that in June and July last year a series of Briefing Sessions on the Statement of Accounts for 2018/19 were provided to Members, were Members requiring similar arrangements to those provided last year.
- The Committee were supportive of the suggestion and requested that the necessary arrangements be made.

RESOLVED –

- (i) To note the 2018/19 unaudited Statement of Accounts as certified by the Responsible Financial Officer, prior to their release for public inspection
- (ii) That arrangements be made for a Briefing Session on the accounts in advance of the meeting on 26th July 2019.

14 Internal Audit Update Report March to May 2019

The Chief Finance Officer submitted a report which provided a summary of the Internal Audit activity for the period March to May 2019 and to highlight any significant failings or weaknesses.

Members were made aware of a fraudulent request for a change to a creditor's bank details that resulted in a payment being diverted to a fraudulent bank account (Paragraph 3.2.12 of the submitted report). It was reported that a check had not been carried out in accordance with the procedure in place. The matter has been reported to the police and, since that time, the importance of maintaining vigilance has been reinforced and an additional independent verification check has been added within the system.

Members queried how the incidence of fraud had come to light.

Members were informed that a creditor who had not received payment had alerted finance officers.

It was reported that during the period 1st March to 31st May 2019, 12 completed Customer Satisfaction Questionnaires had been received, Members queried how many questionnaires had been issued.

Members were informed that the number of Customer Satisfaction Questionnaires issued and returned would be provided at the next meeting in July.

Members queried if enough dedicated resources were available for internal audit investigations.

In offering comment, the Council's External Auditors (Grant Thornton) said many public sector organisations often reduce their internal audit resource but more investigation was focused on the key high risk areas.

RESOLVED –

- (i) To receive the Internal Audit Update Report covering the period from March to May 2019 and note the work undertaken by Internal Audit during the period covered by the report.
- (ii) To note that there have been no limitations in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.
- (iii) That details of the number of Customer Satisfaction Questionnaires issued and returned be provided at the next meeting in July.

15 Interim Annual Governance Statement

The City Solicitor submitted a report which presented a copy of the Interim Annual Governance Statement for comment. Members were informed that the Authority was under a duty to release an Interim Annual Governance Statement to accompany the Accounts when they are placed on deposit. The Interim document had been signed by both the Council's Section 151 Officer and Monitoring Officer and was available for Member comment and consideration.

Members were informed that the Interim Statement would require further updating in light of assurances received by Committee at this meeting and would also need to reflect relevant matters considered by the Executive Board and others in the period prior Committee approving the final document in July.

RESOLVED – That the interim Annual Governance Statement be received, noting that the final document would be brought back to the next meeting in July for final approval

16 Work Programme 2019/20

The Head of Governance and Scrutiny Support presented a report of the City Solicitor which set out the ongoing Work Programme for 2019.

One Member suggested that further consideration was required around technical procurement/ single tender waivers process. It was agreed that further discussion on this issue would be discussed with the Chair and reported back to Members in due course.

Following discussion at today's meeting it was agreed that the following items be added to the Work Programme:

- Applications Portfolio Programme - Update on Access Project (November 2019)

RESOLVED – That, with the inclusion of the above, approval be given to the draft work programme as set out in the Appendix of the submitted report and indicative meeting dates for 2019/20

17 Date and Time of Next Meeting

RESOLVED – To note that the next meeting will take place on Friday, 26th July 2019 at 10.00am in the Civic Hall, Leeds.

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Report of the Director of Resources and Housing

Report to Corporate Governance and Audit Committee

Date: 26th July 2019

Subject: Annual assurance report on corporate risk management arrangements

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes X No
Has consultation been carried out?	<input type="checkbox"/> Yes X No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes X No
Will the decision be open for call-in?	<input type="checkbox"/> Yes X No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes X No

Summary

1. Main issues

This annual report presents assurances to the Corporate Governance & Audit Committee on the effectiveness of the council’s corporate risk management arrangements: that they are up to date; fit for purpose; effectively communicated and routinely complied with. It explains the current arrangements and an update on work planned during 2019/20 to review the authority’s Risk Management Policy. The review will include key themes around reporting, accountability, together with latest guidance, updated standards and any changes in statutory / government requirements of risk management in local authorities.

- This report is supplemented by the Annual Corporate Risk Management Report which summarises how the council manages its most significant risks and was reported to the Executive Board on the 26th June 2019.
- The report provides one of the sources of assurance the Committee is able to take into account when approving the Annual Governance Statement. It also enables the Committee to fulfil its role under the council’s Risk Management Policy and the Committee’s own Terms of Reference to review the ‘adequacy of the council’s Corporate Governance arrangements (including matters such as internal control and risk management)’.

2. Best Council Plan Implications (click [here](#) for the latest version of the Best Council Plan)

- To help the council achieve its vision to be the UK's best council and best city, there is a need to understand and manage the risks that could threaten delivery of the outcomes and priorities as set out in the Best Council Plan (BCP).
- The council recognises that risk management is a vital activity to help achieve the ambitions, outcomes and priorities set out in the BCP. The council is not risk averse; risk is present in all its services, operations and activities. It is council policy to identify, analyse and manage the risks, as both a potential threat and an opportunity.

3. Resource Implications

- In the context of increasing budget constraints, risks to public services and the potential impacts on vulnerable people in particular can go up and so the need for us to have strong risk management arrangements remains essential.
- Should any risk arise, there could be significant consequences on the council's resources including fines and penalties, time and cost of implementing corrective action and increased levels of monitoring required.

Recommendations

- a) Corporate Governance & Audit Committee is asked to receive this report on the council's corporate risk management arrangements and note the assurances in support of the Annual Governance Statement, due for consideration and approval by this Committee at today's meeting.

1. Purpose of this report

- 1.1. This annual report presents assurances to the Corporate Governance & Audit Committee on the effectiveness of the council's corporate risk management arrangements. It updates the Committee on work carried out since the previous assurance report dated 26th June 2018 and summarises work planned for 2019/20.

2. Background information

- 2.1. The council's risks arise from a variety of sources, some of which are out of our direct control such as a global economic downturn or major weather event. Others stem from changes in government policy and the shifting needs and make-up of our communities. Such changes bring uncertainties that can pose threats that need addressing but also bring opportunities to exploit. Managing both aspects of risk relies on the council working effectively with partners across the public, private and third sectors and with the people of Leeds themselves.
- 2.2. Through the arrangements outlined in this report, the council seeks to embed an effective risk management culture across its values, and in the behaviour of all its staff and elected members. This responsibility extends to managing risks with our key partner organisations to ensure they are aware of and are compliant with our risk management policy.
- 2.3. In recent times, local authorities and communities have experienced a wide range of significant risks: the increased National Threat Level, cyber-attacks, adverse weather conditions and high profile safeguarding incidents. In the context of ongoing financial pressures and risks to public services, the potential impacts on vulnerable people in particular can increase and so the need for us to have strong risk management arrangements remains essential.

3. Main issues

3.1. Risk Management 2018/19

- 3.1.1. During 2018/19, assurance on the adequacy of the council's risk management arrangements was demonstrated by the following:
 - Skilled, experienced staff within the council's Intelligence and Policy Service (IPS) who lead on the authority's central risk management function. Their responsibilities include maintaining the council's Risk Management Policy and corporate risk register, facilitating risk management workshops and providing training and guidance, drawing on up to date good practice and legislative and regulatory requirements.
 - Corporate, directorate, programme and project risk registers continue to be maintained, with significant risks escalated to appropriate boards and management teams as required. This includes providing quarterly updates on the risk status of the council's programmes and projects to the Strategic Investment Board as part of the corporate risk register, and an opportunity for all directors to raise prospective risks through quarterly BCP reports to the Corporate Leadership Team (CLT- the council's Chief Executive and directors).
 - Financial risks are included within both the corporate and directorate risk registers with updates also provided to Executive Board and Full Council

through the budget reports and to Executive Board through Medium-Term Financial Strategy (MTFS) reports. An annual assurance report on the financial management and control arrangements was reviewed by this Committee on 22nd March 2019, the report providing assurance that the council has robust arrangements in place for proper and effective financial control, governance and other financial management activities.

- The corporate risk register continues to house the most significant risks to the council including the seven 'standing' corporate risks that will always remain on the register. Assurances for these 'standing risks' as well as those for two additional risks currently rated as 'very high' are included in the Annual Corporate Risk Management report for Executive Board. These risks are:
 - Safeguarding children
 - Safeguarding adults
 - Health and safety
 - City resilience (emergency planning)
 - Council resilience (business continuity management)
 - Finance (both the in-year budget risks and medium-term financial sustainability)
 - Information management and governance
 - Insufficient school places
 - Major cyber-incident
- The latest corporate risk map continues to be published on the council's internal intranet and externally through the leeds.gov website.
- The risk management arrangements take into consideration the National Risk Assessment (NRA), published by the Cabinet Office. The NRA captures the changing risk landscape affecting the UK and is also used to inform the more local West Yorkshire Community Risk Register. A member of the council's Resilience and Emergencies Team (RET) attends the West Yorkshire Resilience Forum Risk & Capabilities Sub Group which provides an excellent conduit for horizon scanning of changes to risks and threats. Together the NRA, West Yorkshire Community Risk Register and the work of the West Yorkshire Resilience Forum informs the review and update of the council's corporate risks on City Resilience and Council Resilience. The member of RET was instrumental in reviewing the NRA from a West Yorkshire perspective to ensure key risks were reflected in the WYCRR. The key risks from the review were incorporated into a short [ebook](#)¹, which aims to help communities be better informed, prepared and be able to respond to an emergency.
- The guidance and template for Committee and Executive Board reports for decision making require authors to detail the risk management aspects as part of the mandatory 'Corporate Considerations' section.
- Council directorates continue to administer their corporate risks on the '4Risk' software. However, as the software is nearing the end of its contract period, a free in-house Share Point solution to replace 4Risk is being developed.
- Quarterly meetings continue to take place between IPS and Internal Audit to share information on:

¹ Please note that the ebook link provided is designed to be viewed on a mobile device.

- Emerging themes from Internal Audit reviews and reports regarding control weaknesses / failures and risks arising;
 - Feedback to Internal Audit on any new risks/risk areas identified and any changes to existing risks; and
 - Risk management work undertaken across the council e.g. risk workshops and training delivered.
- Regular meetings also continue to take place between IPS and Insurance to share relevant information between the two services and to consider the insurance aspects of the corporate and directorate level risks.
 - Risk management workshops continue to be offered to council services. In 2018/19, IPS facilitated workshops on:
 - Information management and governance risks for the Communities and Environment directorate
 - Procurement and Commercial Services
 - Replacement software for the council's Housing functions
 - During the year a high level of focus was placed on considering the implications and risks to the council and the city from the UK's withdrawal from the European Union (Brexit). A cross-council Brexit working group has met regularly and a series of Brexit risk management workshops were held on the following themed areas:
 - Infrastructure and supplies
 - Business and economic impact
 - Health and social care
 - On the 20th March 2019, the council's Executive Board considered a [report](#) – 'Update on Leeds City Council's preparations for the UK's exit from the European Union'. The report referenced the risks facing the council from Brexit and that they would continue to be monitored through the council's existing risk management processes.
 - Risk management training sessions continue to be offered to council staff and are combined with risk workshops where possible. During the year training sessions were delivered to staff taking over risk management duties in Legal Services, Public Health.

3.2. Partnership risk management

3.2.1. Partnership risks generally cover two main areas:

- Partnerships of a commercial and contractual nature (such as those for major suppliers or construction schemes) tend to have risk management arrangements included in the terms and conditions of their contracts. In accordance with the council's Contract Procedure Rules, risk registers are required for all partnerships and projects with a value above £100k.
- Risk management arrangements for partnerships of a more strategic nature (such as Third Sector Organisations and other public sector organisations) tend to be less well defined. Due to the differing nature of these strategic partnerships, a single risk management methodology is harder to apply, in part because the council is not always the lead organisation in the partnership (e.g. with the West Yorkshire Combined Authority). Where this is the case, the council may be required to adopt the partner's risk management arrangements.

3.2.2. The 2017/18 annual assurance corporate risk management report highlighted an opportunity for additional central guidance to be developed to support the consistent and effective management of partnership risks across the authority. The guidance on Partnership Risk Management, including a set of principles, has been included in a partnerships advisory note developed jointly between colleagues from the council's Intelligence and Policy Service, Financial Services and Governance Service. Once the advisory note has been circulated for further comment and then formally approved, training will be developed and made available across the council to help ensure it is embedded. The guidance will also include links to the council's Risk Management Policy (as outlined in 3.3.2 below).

3.3. Risk Management 2019/20

3.3.1. Following the refresh of the [Best Council Plan](#) (BCP) for 2019/20 – 2020/21 (approved by Full Council in February 2019), work is underway to review and update the council's Risk Management Policy to ensure it is properly aligned to the ambitions, outcomes and priorities set out in the BCP. The update will also consider latest guidance, updated standards, and any changes in statutory / government requirements of risk management in local authorities.

3.3.2. Other work planned for the year includes:

- Following the refresh of the BCP, a proportionate review and update of the council's Risk Management Policy is underway to ensure it remains properly aligned to the organisational ambitions, outcomes and priorities set out in the plan. The update will take into account the latest guidance, updated standards (including ISO 31000²), and any changes in statutory / government requirements of risk management in local authorities. The Risk Management Policy update will include reference to the guidance being developed to support the consistent and effective management of partnership risks across the authority.
- In March 2019 the council declared a 'Climate Emergency', setting out a commitment to make Leeds carbon neutral by 2030. The council's corporate risks are to be reviewed to ensure their details fully consider the implications of the Climate Emergency.
- Continuing to support the cross-council work being done on Brexit.
- An annual refresh of the council's guidance and template for Committee and Executive Board reports for decision making along with continued support to report writers.
- Carrying out a review of the financial risks facing the council to ensure they are still relevant, properly described and their ratings are correct. More detail on the key financial risks and their management will be provided to the Executive Board through the updated MTFS in July 2019.
- Finalising the development of the in-house risk management 'Share Point' system and piloting it across a sample of directorates before full roll out.
- Benchmarking the risks on the council's corporate risk register with those from other core city Local Authorities.

² In 2018, the International Organization for Standardization (ISO) issued updated risk management guidelines (ISO 31000).

- Bringing together experienced project managers from across the organisation to consider the council's project management methodology (including project risk management), tools and templates, and to share best practice.

4. Corporate considerations

4.1. Consultation and engagement

- 4.1.1. Key stakeholders continue to be engaged in maintaining the council's corporate risk management arrangements. These include the Executive Board, Scrutiny Boards and the Corporate Leadership Team.

4.2. Equality and diversity / cohesion and integration

- 4.2.1. This is an assurance report with no decision required. Due regard is therefore not directly relevant.

4.3. Council policies and the Best Council Plan

- 4.3.1. The risk management arrangements in place support compliance with the council's Risk Management Policy and Code of Corporate Governance, through which, under Principle 4, the authority should take 'informed and transparent decisions which are subject to effective scrutiny and risk management'.
- 4.3.2. Effective management of the range of risks that could impact upon the city and the council supports the delivery of all Best Council Plan outcomes and priorities.

Climate Emergency

- 4.3.3. This report is an assurance report with no decision required. However, as the Climate Emergency is cross-cutting in nature, there will be links to many of the corporate risks. As part of the next formal quarterly corporate risk review, due in August 2019, risk owners will be asked to consider the implications of the Climate Emergency on their risks.

4.4. Resources, procurement and value for money

- 4.4.1. The risk management arrangements set out in this report help the council to target and prioritise resources to help reduce costs, deliver savings and achieve value for money.

4.5. Legal implications, access to information, and call-in

- 4.5.1. The council's risk management arrangements support the authority's compliance with the statutory requirement under the Accounts & Audit Regulations 2011 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.'
- 4.5.2. The corporate risk map is published on the council's leeds.gov website with annual reports to Executive Board on the council's most significant risks also publicly available.
- 4.5.3. No decision is required; therefore this assurance report is not subject to call in.

4.6. Risk management

- 4.6.1. This report provides assurances on how Leeds City Council manages the most significant risks facing the organisation and the city.

5. Conclusions

- 5.1.1. This report provides assurance on the council's corporate risk management arrangements. It provides one of the sources of assurance the Committee is able to take into account when considering approval of the Annual Governance Statement. It also enables the Committee to fulfil its role under the council's risk management policy and the Committee's own Terms of Reference to review the 'adequacy of the council's Corporate Governance arrangements (including matters such as internal control and risk management)'.

6. Recommendations

- 6.1. Corporate Governance & Audit Committee is asked to receive the annual report on the council's corporate risk management arrangements and note the assurances in support of the Annual Governance Statement, due for consideration and approval by this Committee at today's meeting.

7. Background documents³ - none

³ 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.



Annual Corporate Risk Management Assurance Report

June 2019



Leeds City Council’s 2019 Corporate Risk Assurance Report

To achieve the ambitions, outcome and priorities set out in our Best Council Plan, it is essential that we understand, manage and communicate the range of risks that could threaten the organisation and vital council services. This annual report provides assurance on how the council manages its most significant strategic risks.

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For more information on the council’s risk management arrangements please contact Coral Main coral.main@leeds.gov.uk or Tim Rollett timothy.rollett@leeds.gov.uk.



Introduction

The council’s risks stem from a variety of sources, many of which are out of our direct control: for example, global events such as an economic downturn, major conflicts or significant environmental events. Closer to home, more localised incidents can impact on communities, individuals, services, organisations and infrastructure. We also often have to respond quickly to changes in government policy and funding and must recognise and meet the evolving needs of our communities, particularly those of vulnerable people. Such changes, and the uncertainties they may bring, can pose threats that we need to address but also bring opportunities to exploit. Both aspects of risk management rely on the council working effectively with partners across the public, private and third sectors and with communities and individuals.

Risk Management Framework

The council’s risks are identified, assessed and managed using six steps:



These iterative steps enable us to:

- Understand the nature and scale of the risks we face.
- Identify the level of risk that we are willing to accept.
- Recognise our ability to control and reduce risk.
- Recognise where we cannot control the risk.
- Take action where we can and when it would be the best use of resources. This helps us make better decisions and deliver better outcomes for our staff and the people of Leeds.

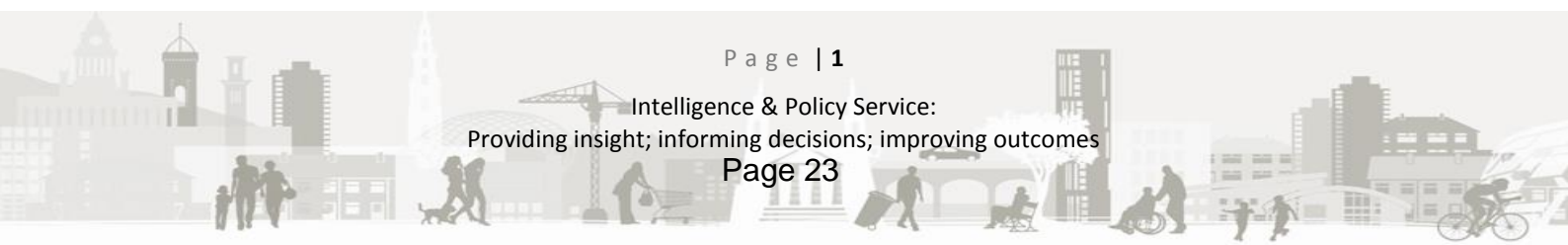
The steps are applied across the organisation through the Leeds Risk Management Framework: at strategic and operational levels and for programmes and projects. The adoption of the framework and compliance with it has helped embedded a risk management culture within the organisation. This report considers the strategic level: the arrangements in place to manage the council’s corporate risks.

Corporate Risks

Defining a corporate risk

Corporate risks are those of significant, cross-cutting strategic importance that require the attention of the council’s most senior managers and elected members. While all members of staff have responsibility for managing risks in their services, each of the corporate risks has one or more named ‘risk owner(s)’: members of the Corporate Leadership Team and a lead portfolio member who, together, are accountable for their management. The Executive Board as a whole retains ultimate responsibility.

Corporate risks can be roughly split into two types: those that could principally affect the city and people of



Leeds and others that relate more to the way we run our organisation internally. An example of a 'city' risk includes a major disruptive incident in Leeds or breach in the safeguarding arrangements that help protect vulnerable people; these are often managed in partnership with a range of other organisations. An example of a more internal 'council' risk is a major, prolonged failure of the ICT network.

How corporate risks are assessed and managed

Each corporate risk has a current rating based on a combined assessment of how likely the risk is to occur – its probability - and its potential impact after considering the controls already put in place. When evaluating the impact of a risk we consider the range of consequences that could result: effects on the local community, staff, the services we provide, any cost implications and whether the risk could prevent us meeting our statutory and legal requirements.

A consistent '5x5' scoring mechanism – included here at Annexe 1 - is used to carry out this assessment of probability and impact which ensures that the risks are rated in the same way. Target ratings are also applied for each risk based on the lowest probability and impact scores deemed viable to manage the risk to an acceptable level given the amount of resources available to deal with it. These are used to compare the gap between 'where the risk is now' to 'how low do we aim for the risk to go' and so help determine whether additional actions are needed to manage the risk down to the target level.

The greater the risk, the more we try to do to manage it if it is in our control and if that would be the best use of resources. The council recognises that the cost and time involved in managing the risk down to nothing may not always be the best use of public money and we factor this in when establishing the target rating and developing our risk management action plans.

Risks are reviewed and updated regularly through horizon scanning, benchmarking and in response to findings from inspections and audits, government policy changes and engagement with staff and the public.

Current corporate risks

The risk map overleaf at Figure 1 summarises the risks on the corporate risk register as at 26 June 2019 and also their ratings based on probability and impact scores.

The majority of the risks shown on the risk map will come and go as the environment changes, eliminating the risk or reducing it to a very low level. However, there are a set of 'standing' corporate risks that will always face the council and which are the focus of this report:

- Safeguarding Children
- Safeguarding Adults
- Health and Safety
- City Resilience
- Council Resilience
- Financial Management (in-year and the medium-term)
- Information Management

The remainder of this document discusses these 'standing' corporate risks in more detail, plus two additional risks increasingly of high significance – major cyber incident and school places, providing assurance on how the council, often in partnership, is managing them.

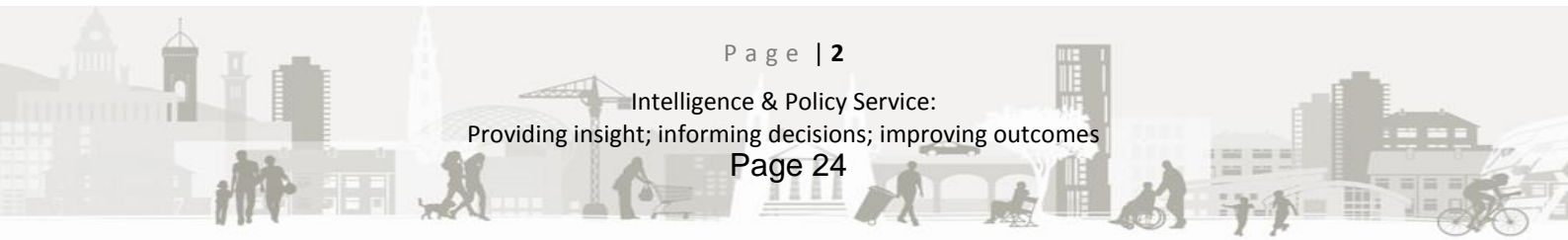


Figure 1: Corporate Risk Map at 26 June 2019
Supporting our Best City / Best Council ambitions



Safeguarding Children Corporate Risk Assurance

Overview

Leeds City Council has a legal duty to safeguard and promote the welfare of children. The potential consequence of a significant failure in safeguarding is that a child or young person could be seriously harmed, be abused, or die. Secondary effects of this include reputational damage, legal and financial costs, and management and staffing time. The council is strongly committed to improving the safeguarding of children and young people, contributing directly to our Best Council Plan outcomes, specifically for everyone in Leeds to be safe and feel safe, and our Best Council Plan (BCP) Child Friendly City priority.

Corporate risk: safeguarding children				
Risk description	Risk of harm, accident or death to a child linked to failure of the council to act appropriately according to safeguarding arrangements			
Accountability (Risk owners)	<i>Officer</i>	Director of Children and Families		
	<i>Member</i>	Councillor Venner - Executive Member for Children and Families		
Evaluation		<i>Probability</i>	<i>Impact</i>	<i>Overall rating</i>
	<i>Current</i>	3 (possible)	5 (highly significant)	Very high (red)
	<i>Target</i>	3 (possible)	5 (highly significant)	Very high (red)

Introduction

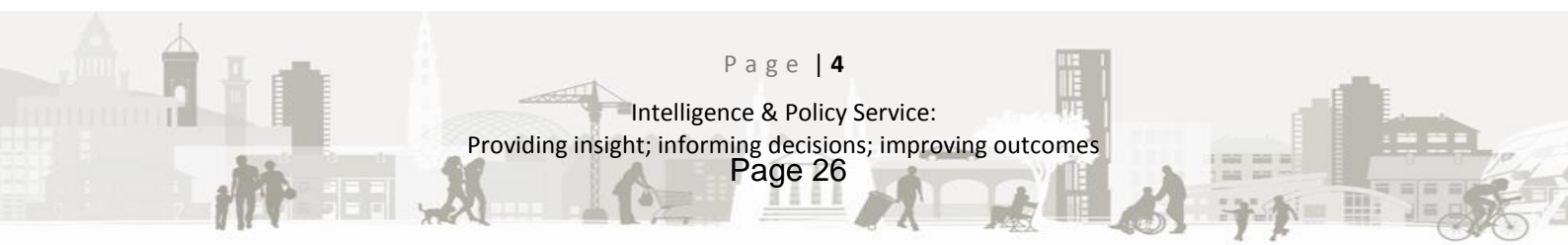
Between 2012 and 2017, the under-18 population in Leeds rose by 6%, compared to a 3.9% rise across England. The year-on-year growth in Leeds is higher than the England growth for each of the last five years. The growth has been concentrated, although not exclusively, in Leeds’ poorer communities, especially in areas considered in the most deprived nationally: Leeds had the greatest rate of child population growth in areas considered in the 3% most deprived nationally.

Children living in the 10% most deprived areas are ten times more likely to be in care or subject to a child protection plan than their peers living in the 10% most affluent areas. The rising diversity impact will be complicated, but some of the largest population rises are in ethnicities over-represented in the care cohort.

The causes of safeguarding failures are well-established both locally and nationally. High profile cases such as Victoria Climbié, Peter Connelly and Khyra Ishaq all re-emphasise similar lessons, and identify the same risks for children and young people.

What are the risks?

The consequences of a significant failure in safeguarding are that a child or young person could be seriously harmed, be abused, or die. This tragic outcome poses significant risks to the authority, including: a very high reputational cost; possible financial costs in compensation; management and staff costs in time and possible restructures; and, depending on the seriousness of failure, possible intervention by Ofsted and/or government.



Key risks include:

- Poor quality practice or lapses in professional standards by frontline workers.
- Lack of clarity of roles and responsibilities in relation to safeguarding.
- Failure to identify and properly manage safeguarding risks.
- A failure to listen properly to the views of the child or young person.
- Failures in communication and information sharing between professionals, both within the council and across partner agencies.
- Delay and drift within and between professionals and services involved in safeguarding.
- The impact of austerity on council and partners' budgets reducing workforce and services, therefore reducing the capacity for safeguarding good practice and improvement.

Risk management

How the council is managing the risks

The council is strongly committed to improving the safeguarding of children and young people. Safeguarding is a clear priority in corporate and partnership strategic plans and the authority has backed this up with a high level of investment in children's safeguarding, even in the challenging budget context.

The most thorough assurance for this risk is external inspection by Ofsted, who inspect and regulate services that care for children and young people. Ofsted inspected the council's Children and Families Service between 29 October and 02 November 2018, and rated the service as outstanding in a letter published on 18 December. The letter, states, "immediate and increasing risk to children is well recognised and matters escalate appropriately into statutory social work services." The letter identified a small number of areas for improvement; which can be viewed in full [here](#).

The development of council services involving children has been informed by challenge and scrutiny from external experts and leading practitioners and the extensive use of research to inform practice and service design. Leeds' role as a Partner in Practice (PiP) has strengthened co-operation with national government and other leading local authorities. Work continues with this extensive network of experts. The PiP programme sees the DfE work in partnership with leading local authorities to understand how they achieved good Ofsted ratings and how they can improve further, and to drive sector-led improvement between local authorities. The DfE make funding available to support this partnership work.

Safeguarding processes

The statutory responsibilities for safeguarding in Leeds are collectively held by Leeds City Council (through the Children and Families directorate), the local clinical commissioning group and West Yorkshire Police, through the Leeds Safeguarding Children Partnership (LSCP). The LSCP, an independent intermediary body, works with agencies to safeguard and promote the welfare of children and young people in Leeds.

Section 11 of the Children Act 2004 places duties on a range of organisations and individuals to ensure their functions, and any services that they contract out to others, have due regard to the need to safeguard and promote the welfare of children. The LSCP requires contracted providers to complete an online Section 11 audit toolkit which helps identify whether they have the necessary safeguarding arrangements in place. The toolkit also generates an action plan listing all the areas that the provider needs to improve on. Providers



are further monitored in terms of safeguarding practice through the council's contract monitoring arrangements.

The Integrated Safeguarding Unit provides an independent oversight from case management teams, offering challenge to those cases where children are most vulnerable, such as children subject to a child protection plan.

Whilst there are specific responsibilities for the safeguarding of children and young people under the Children Act 2004, all council staff have a moral and legal obligation to protect children and young people. The cross-council safeguarding policy helps employees to understand, recognise, and report a safeguarding concern. The cross-council safeguarding group comprises representatives from all directorates, who discharge the activities required to ensure a consistent approach to safeguarding is achieved and sustained across the authority.

The council's work within the Safer Leeds partnership (the city's community safety partnership, responsible for tackling crime and disorder) involves helping co-ordinate a response to reducing anti-social behaviour and offending amongst young people, as well as sharing vital intelligence on young people at risk of child sexual exploitation (CSE). Some children, such as those with disabilities, children looked after, care leavers, migrant children and unaccompanied asylum seeking children are particularly vulnerable to CSE.

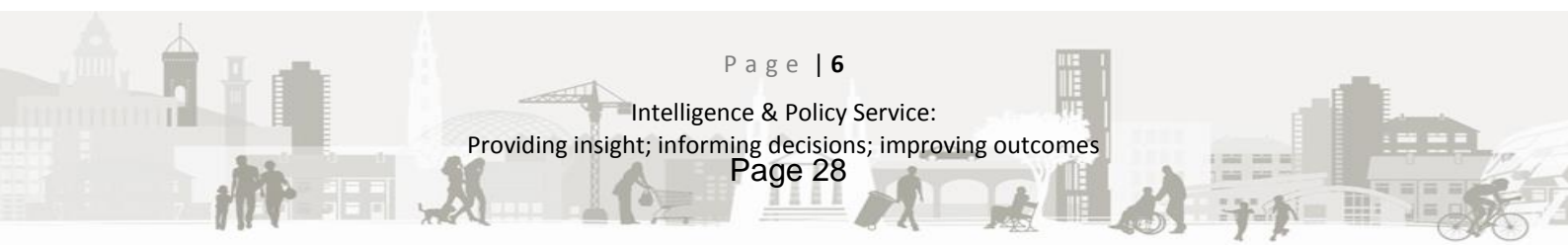
Mosaic is the Children's Social Work Service's case management system, offering a transparent view of the child through social care processes, thereby further strengthening safeguarding for the most vulnerable children. Since the system went live in November 2013 frontline workers have a clearer view of decision making; practitioners have to follow a defined workflow centred on best practice principles; and it is easier and quicker to locate appropriate information. More information on vulnerable children and young people is available in one central location, from which reporting and monitoring is readily available. This in turn facilitates improved oversight and challenge from senior managers through the use of regular performance reports, and the ability to 'self-serve' by running child-level reports directly from Mosaic.

Leeds is part of the CP-IS (Child Protection - Information Sharing) project. CP-IS, a secure system with clear rules governing access, connects local authority children's social care systems with those used by NHS such as Accident and Emergency, walk-in centres and maternity units. Medical staff are alerted if a child who is receiving treatment is subject to a child protection plan, or is a child looked after, with the system automatically providing contact details for the social care team responsible for them. Social care teams are alerted when a child they are working with attends an unscheduled care setting and Mosaic updates the child's record to indicate that the process has been triggered.

The improvement journey ('from good to great') to improve the outcomes for all children and young people in Leeds continues, particularly those who are in vulnerable situations. The increasing budget pressures due to government cuts place this strategy at risk, although recent successful bids for external monies have allowed Leeds to sustain and secure improvements, and to build on the successful strategy to hasten the pace of systemic change within the city.

Service improvement

Regular practice improvement meetings are held, focusing on social care practice. These meetings aim to identify and share good practice within social work teams, and identify and remedy any poor practice that



may have a negative impact on safeguarding activities.

The weekly referral review meeting is a multi-agency partnership meeting that focuses on decision making and practice issues. Good practice is identified and shared across teams; incorrect and/or unclear decision-making is promptly challenged. Team managers and service delivery managers are tasked with addressing these challenges, with the response reported to the next weekly referral review meeting. This focused approach ensures that decision-making at the Front Door (a 'duty and advice' function where professional conversations between qualified social workers and practitioners lead to an appropriate response where there are concerns about the safety of a child or young person) is constantly monitored so that safeguarding practice remains appropriate. Ofsted noted this meeting in their inspection outcomes letter, acknowledging the scrutiny and challenge of decision-making that occurs.

A new service, 'Futures', has been established to provide intensive support to mothers and fathers who are under 25, who are care experienced and have had a previous child removed. Positive outcomes and feedback has been evidenced from the young parents it seeks to support.

The council maintains an ongoing commitment to practice improvement, to ensure that staff have the right tools and support to deliver exceptional service to children and young people to improve their outcomes. Staff are encouraged to do "the simple things well", and are supported to deliver outstanding social work practice.

Innovation and external work

The council uses national experts to provide an external view and oversight of processes; benefits from peer working through the Association of Directors of Children's Services (ADCS) and other arrangements; has a comprehensive workforce development programme, supported by the LSCP; works restoratively with families; and has introduced more evidenced-based and integrated work with partners to both intervene early in the life of problems and to effectively identify and prioritise where there are high risk cases. The centre of excellence, established with Innovation Fund monies, will allow greater sharing of best practice with local authorities across the country.

In 2015, Leeds successfully bid for funding from the Department for Education's Innovation Fund, resulting in £4.6 million coming in to underpin 'Family Valued', an innovative programme that aims to embed a family-centred way of working across services in Leeds and particularly in the relationship between the children's social work service and the most vulnerable children and young people. A further bid to the fund was made in 2016/17 and has resulted in £9.6 million being allocated to Leeds over the next three years. Restorative early support (RES) teams have been established in eight high-need clusters, with plans being developed for all neighbourhoods of the city. RES teams bring additional capacity and a common practice model into high-need areas to ensure closer working between practitioners in the council, schools, and partner agencies.

What more do we need to do?

The November Ofsted inspection rated Leeds' children's social care services as outstanding. Included in the letter were areas where Ofsted felt further improvement could be made (none related directly to safeguarding). These areas for improvement identified by Ofsted had previously been recognised by Children and Families and were already important aspects in the Children and Families Improvement Plan



2019/20. The actions are:

- Developing and embedding the new Leeds Practice Model, including revised approaches to assessment and plans, particularly around the individual characteristics of children and families.
- Continuing to strengthen multi-agency cooperation and decision-making at the Front Door including focused work with health colleagues, embedding the new Multi-Agency Child Exploitation (MACE) arrangements with the police for high risk missing and CSE cases and developing further restorative approaches to Domestic Violence work.
- Implementing the Residential Review to remodel LCC residential provision, with new purposes, expanded integrated support around each home and intensive workforce and leadership development.

At the end of March, the council completed a self-assessment to inform the 'Annual Conversation' with Ofsted inspectors. This was, in light of ongoing high performance and recent inspections, a positive meeting. As reported previously, the main concerns are to continue to improve in the following areas:

- Consistent involvement of Health colleagues in child protection discussions.
- Consideration of individual characteristics such as culture and ethnicity in assessment and planning.
- Continuing to improve residential services and support for care leavers.

Work is ongoing with key strategic partners to drive and embed a preventative agenda to ensure that children and families get the help that they need at the earliest opportunity.

Further information

- [Ofsted inspection outcome letter](#)
- [Leeds Children and Families Improvement Plan 2019/20](#) (via 20 March 2019 Executive Board, pp79-102)
- [Leeds Safeguarding Children Partnership](#)
- [Section 11 auditing \(via the LSCP\)](#)
- [One minutes guides](#) on a range of topics relevant to Children's and Families, including the [Front Door Safeguarding Hub](#), and [Leeds Innovations and Partner in Practice Programme](#)
- [Safer Leeds](#)



Safeguarding Adults Corporate Risk Assurance

Overview

The council is committed to ensuring that adults whose circumstances make them vulnerable to the risk of abuse or neglect are given the safeguarding and support they need. Safeguarding is a clear priority in our strategic plans, including those we have with our partners. The potential consequences of a significant failure in safeguarding are that an adult at risk could be seriously harmed, abused or die. Further implications include loss of public confidence in the council, significant reputational damage, legal and financial costs and the management and staffing resources required to deal with a failure.

The council works closely with partner organisations, including the NHS and the Police, to manage this risk through the Safeguarding Adults Board (SAB), directly contributing to our Best Council Plan outcomes for everyone in Leeds to be safe and feel safe; around people enjoying happy, healthy, active lives and living with dignity and staying independent for as long as possible.

Corporate risk: Safeguarding adults				
Risk description	Failure of (a) staff in any council directorate to recognise and report a risk of abuse or neglect facing an adult with care and support needs in Leeds; (b) staff in adult social care to respond appropriately, in line with national legislation and safeguarding adults procedures			
Accountability (Risk owners)	<i>Officer</i>	Director of Adults and Health		
	<i>Member</i>	Councillor Charlwood, Executive Member for Health, Wellbeing & Adults		
Evaluation		<i>Probability</i>	<i>Impact</i>	<i>Overall rating</i>
	<i>Current</i>	2 (unlikely)	4 (major)	High (amber)
	<i>Target</i>	2 (unlikely)	4 (major)	High (amber)

Introduction

The Care Act 2014 and the Care and Support Statutory Guidance (revised March 2016) require each local authority to establish a Safeguarding Adults Board with three core statutory partners: the local authority, the NHS Clinical Commissioning Groups (CCGs) and the Police.

The Care Act 2014 states: *‘The main objective of a SAB is to assure itself that local safeguarding arrangements and partners act to help and protect adults in its area who have care and support needs and are at risk of abuse and neglect.’*

The Care Act 2014 also states that the local authority must make enquiries (or cause others to do so) if an adult in its area is at risk of abuse or neglect, has care and support needs, and because of those needs, cannot protect themselves from the risk of abuse or neglect they face. The purpose of such enquiries is to establish whether any action is needed to safeguard the adult, and if so, by whom.

The safeguarding duty that the local authority has for adults in its area includes both safeguarding adults at risk and making enquiries about allegations of abuse and neglect. Both these duties are carried out in partnership with other statutory Leeds SAB members, including the Police (in the case of criminal abuse or



neglect) and the NHS, Housing and Safer Leeds colleagues.

In each local authority area the Director of Adult Social Services (DASS) has a statutory role to lead partnership arrangements for safeguarding adults.

What are the risks?

The main consequence of a significant safeguarding failure is that an adult at risk suffers violent abuse, serious harm and/or ultimately death. Such a tragic outcome would be a failure in the local authority's legal and ethical duty in safeguarding its citizens. The consequences that could impact on the council and/or the city if safeguarding processes are not followed include loss of public confidence in the council, legal and financial costs (such as the payment of compensation) and the management and staffing resources required to deal with a failure.

Reputational damage could occur to the council when individuals at risk or their families are not identified as being so and suffer harm or are dissatisfied with either the protection or the thoroughness of the enquiries undertaken. Conversely, people or organisations alleged to have caused harm can challenge the fairness and the thoroughness of the process.

Parties in both situations can make complaints which may result in associated press coverage, ombudsman enquiries and even judicial review. Where a council employee is the person alleged to have caused harm, the way that services are run and the implementation of internal staffing policies can be questioned.

The main sources of a safeguarding adult risk for the council are summarised as:

- Failure to identify and manage safeguarding risks.
- Failure of frontline staff to correctly identify and deal with an actual or potential safeguarding episode under the terms of the Multi-Agency safeguarding procedures and statutory requirements of the Care Act 2014.
- Staff in any agency working with the council fail to follow their own safeguarding procedures in managing actual or potential safeguarding episodes, resulting in the local authority failing in its own statutory duty under Section 42 of the Care Act 2014.
- Poor quality practice or lapses in professional standards by frontline workers.
- Failures in communication and information sharing between professionals both within the council and across partner agencies.
- Delay and drift within and between professionals and services.
- Lack of clarity of roles and responsibilities with regards to safeguarding vulnerable adults.
- A failure to listen properly to the views of the child, young person or adult.

Risk management

How the council is managing the risks

Cross-council safeguarding

Whilst there are specific responsibilities for the safeguarding of children and young people under the Children Act 2004, all council staff have a moral and legal obligation to protect children, young people and adults. The cross-council safeguarding policy helps employees to understand, recognise, and report a



safeguarding concern. A cross-council safeguarding group exists with representation from across the whole organisation to help facilitate an all-embracing approach to safeguarding.

The Leeds Safeguarding Adults Board (SAB)

The Leeds SAB was constituted in 2009 and has an independent chair. The current incumbent, Richard Jones CBE, was appointed in September 2015. The chair is accountable to the council's Chief Executive.

The SAB is required to have an annual strategic plan, describing how each member will contribute to its strategy, and to produce a report each year of the activity of the Board and its members which is presented to the council's Executive members. A new plan is currently in draft and is being circulated to partners for consultation and further input.

New Safeguarding Procedures came into force on April 1st 2019, and whilst this does not significantly change the way that individuals are safeguarded in Leeds, the approach is more person-centred and focussed upon outcomes.

The DASS is actively involved in the running of the SAB and meets regularly with the Independent Chair. These meetings extend to the Executive Member for Health, Wellbeing and Adults too. The Independent Chair also meets periodically with the Leader of the council and attends Scrutiny Board and Executive Board annually. This arrangement ensures that senior officers in the council and elected members are aware and able to influence the work of the Leeds SAB.

Safeguarding Adults Reviews

The Care Act 2014 requires SABs to undertake Safeguarding Adults Reviews when:

'An adult in its area with needs for care and support (whether or not the local authority has been meeting any of those needs) if:-

- a.) There is reasonable cause for concern about how the SAB, members of it or persons with relevant functions worked together to safeguard the adult; and*
- b.) The adult has died, and the SAB knows or suspects that the death resulted from abuse or neglect (whether or not it knew about or suspected the abuse or neglect before the adult died); or*
- c.) The adult is still alive, and the SAB knows or suspects that the adult has experienced serious abuse or neglect'.*

Safeguarding adults reviews are undertaken by the Leeds SAB and overseen by an Executive Group which includes the DASS and Independent Chair.

The main risk associated with Safeguarding Adults Reviews is failing to highlight areas of practice that could be improved, potentially resulting in both legal claims and/or reputational damage to the council.

Management of Risk for Individuals

Services in the council's Adults and Health Directorate work within a Quality Assurance Framework that enables compliance with procedures and supports staff to manage the safeguarding risk. Independent quality and risk audits are undertaken which also provide further assurance that the risks are being



properly managed. Management audits also take place against the quality assurance framework in place for in-house provision.

A further check is made of information required by the Care Quality Commission (CQC), the independent regulator of health and social care in England. To ensure robust high quality risk management in protection plans, risk is central to the safeguarding process, with promotion of a positive approach, rather than one of risk avoidance.

The Safer Leeds Executive is the city's statutory Community Safety Partnership involving the council and relevant key partners such as the Police. Safer Leeds has responsibility for tackling crime, disorder and substance misuse and undertaking Domestic Homicide Reviews (DHRs). Safeguarding is a key theme running through all the work and priorities of the partnership, some of which are shared with the council, including:

- Anti-social behaviour
- Domestic violence and abuse (DVA)
- Youth crime and on-street violence
- Organised offending
- Local drug markets
- Hate Crime (Community Cohesion, Prevent/Radicalisation)
- Street Support

Safer Leeds provides additional support to other partnership boards and delivery groups linked to safeguarding:

- Safeguarding (Sexual Exploitation, Modern Slavery, Human Trafficking, Honour-Based Abuse)
- Complex needs (Mental Health, Alcohol and Drugs)
- Road Safety and Safer Travel

The SAB has done extensive work around learning lessons from DHRs that apply to adults with care and support needs. Lesson learned are disseminated widely and in a number of ways, including via the Leeds Safeguarding Children's Partnership and also integrated into areas such as domestic violence training to relevant council staff.

A Performance and Quality Group meets every two months with a focus on monitoring and promoting quality. The meetings are chaired by the Head of Service for Safeguarding, with the Police, NHS and relevant stakeholders attending. Actions have included developing strong links between council staff and the Hospital Safeguarding Staff to help improve quality in referral outcomes.

In addition to the above risk management arrangements, the safeguarding adults risk forms part of the council's corporate risk register and is reported each quarter to the Corporate Leadership Team which consists of the council's Chief Executive and directors.

What more do we need to do?

The cross-council safeguarding group is currently auditing its approach to safeguarding adults and children. The findings are to be used to inform the approach to learning and development and also to update the content of relevant guidance documents. The group is also seeking to strengthen its links with the SAB,



Community Safety Partnership and Safeguarding Children's Board. This will aim to improve the city's strategic approach to safeguarding.

The council plans to:

- Continue joint work with the NHS Leeds Clinical Commissioning Group (CCG) and the Care Quality Commission, to ensure that quality concerns in regulated care services are picked up early and prevented from developing into safeguarding concerns;
- Continued implementation of the new policies and procedures which are focussed upon outcomes rather than process. Work is being done in conjunction with the Leeds Safeguarding Children's Partnership and Safer Leeds on the 'Think Family, Work Family', a joint safeguarding protocol for co-ordinating the support families receive from services working with children and adults, where parenting capacity is impacted.
- Ensure safeguarding training is fit for purpose and is quality assured;
- Ensure that the priorities of the Leeds SAB are being met;

The Leeds Street Support Team has a main outcome of, 'Improved quality of life and well-being for street users and a safe, inclusive and welcoming city centre for everyone. Linked to this, they have a main focus on the safeguarding (in the broadest sense) for people in need on the streets, addressing criminality and anti-social behaviour. A pilot scheme relating to working with individuals who are abusive in relationships is into its second phase. A series of sessions are taking place focussing on the issues relating to individuals who are abusive in relationships and with a view to skilling up council staff to work more effectively within DVA situations.

Further information

Further information, including all procedures and forms, is available on the Leeds SAB website:

www.leedssafeguardingadults.org.uk

Please also refer to the [Safer Leeds](#) website



Health and Safety Corporate Risk Assurance

Overview

Health and safety is about saving lives, not stopping people living. The council continues to support the Health and Safety Executive’s (HSE) campaign for sensible risk management, one that is based on practical steps to protect people from harm and suffering – not bureaucracy. This is important as the council is responsible for delivering a wide range of services and activities across the city.

Taking a risk-averse approach to health and safety could be damaging to the council’s reputation. Instead, a sensible approach allows the council to focus on the real risks to its own staff and members of the public and set an example to others. As a large, diverse organisation that delivers most services in-house, council employees face a variety of hazards which must be managed to prevent the risk of injury, death, chronic health conditions, legal challenge and reputational damage.

Health and safety priorities are agreed by the council’s Corporate Leadership Team and these are underpinned by policies, procedures, training and audit reviews. A positive culture of safe and healthy working is encouraged and developed jointly with workforce trade union representatives.

A positive approach to the management of health, safety and wellbeing contributes to the ambitions of the council to encourage a city which is enterprising, efficient and healthy and which has a positive influence on the wider public health and wellbeing in the city and beyond.

Corporate risk: Health and safety				
Risk description	Risk of an health and safety failure resulting in death, injury, damage or legal challenge (either criminal or civil)			
Accountability (Risk owners)	<i>Officers</i>	Chief Executive and Director of Resources and Housing		
	<i>Member</i>	Councillor J Lewis, Deputy Leader and Executive Member for Resources		
Evaluation		<i>Probability</i>	<i>Impact</i>	<i>Overall rating</i>
	<i>Current</i>	3 (possible)	4 (major)	High (amber)
	<i>Target</i>	2 (unlikely)	4 (major)	High (amber)

The ratings are ‘high’ because even with strong controls in place to mitigate against a health and safety incident, the scope of the risk is very broad and covers a wide variety of hazards across all council services. Even a single health and safety failure could have a major impact.



Introduction

The council has a number of roles, responsibilities and duties with regards to health and safety at work. These include:

- As a duty holder with large numbers of employees.
- As a service provider with large numbers of clients, visitors, pupils etc.
- As a landlord with a large portfolio of buildings and land.
- As a regulator through Environmental Health.
- As a large-scale procurer of goods and services which can influence safety and health through the supply chain.

The council believes that it can only achieve its Best City and Best Council ambitions by ensuring these roles are fully integrated in its plans. This is not just about legal compliance, but is also a moral and ethical duty of care. It also encourages organisational performance by influencing a positive culture, reducing sickness absence and driving down costs associated with lost time and damage to equipment. The link between health and safety, wellbeing and inclusion is also strong and helps to provide an inclusive and supportive workplace.

What are the risks?

- That a serious incident occurs, causing death, injury or chronic ill-health to employees, clients or service users (including pupils) arising from the many services that the council provides or commissions. Should serious incidents occur, the council is committed to identifying any lessons learned and taking forwards recommended actions.
- Enforcing authorities such as the Police, West Yorkshire Fire and Rescue Service or the Health and Safety Executive (HSE) can undertake lengthy investigations if things go wrong and these may require suspension of services or closure of buildings. HSE inspectors can enforce health and safety standards through enforcement notices requiring improvements to be made: these can either prohibit an activity or allow time to comply, enabling satisfactory remedial action to be taken. During the past 12 months, and for the sixth consecutive year, the council received no formal Improvement or Prohibition Notices from the HSE or Fire Service
- Prosecutions can also be brought against the council following serious breaches of health and safety law. This can result in substantial fines, adverse publicity, a public enquiry or possible negligence manslaughter charges. The changes to the sentencing guidelines for health and safety offences two years ago have resulted in large, seven figure fines for some local authorities.
- Civil claims for compensation can also be brought against the council by employees or members of the public injured due to the council's work activities.
- A poor health and safety record also affects: staff morale and engagement, productivity and increased costs due to lost working time as a result of accidents, sickness absence and agency/overtime payments. It may also negatively impact on the council's ability to tender for work.



The consequences of a health and safety risk arising include:

- HSE investigations and/or a public enquiry.
- Adverse publicity resulting in significant reputational damage and a loss of public confidence in the council.
- Legal action being taken against the council.
- Council services and facilities unable to function or even closed down.
- Unlimited fines.
- The council becoming totally risk averse (rather than being risk aware). This could have an adverse impact on undertaking activities such as school trips or our willingness to host major events in the city.

Risk management

How the council is managing the risks

Priorities

Eight key priorities for health, safety and wellbeing for a three-year period were agreed by the council's senior leadership team and endorsed by Executive Board on the 14th December 2016, after consultation with key stakeholders, including services and Trade Unions. These are: stress and mental health; building/staff security; risk management; managing safety in the council's vehicle fleet; fire safety (especially in council-owned housing stock); musculo-skeletal disorders; violence and aggression; and health-related matters.

Compliance

Health and safety management in the council is based on an approach advocated by the HSE. This is realised through our own Organisational Health, Safety and Wellbeing Policy which sets out the roles and responsibilities of staff, and a series of core and operational Health and Safety Policies, jointly agreed with the trade unions. Compliance with the Policy is checked via internal and external audits and reviews by management teams across the council.

A wide range of guidance and information on health & safety matters is available to council staff on the internal Intranet system including:

- Contact details for competent health and safety advice
- Accidents and incidents in the workplace
- Fire Safety
- Personal protective equipment
- Risk assessments
- Mental Wellbeing

Accountability and performance

The Chief Executive is ultimately accountable for the health and safety of council employees and service users. To assist him to undertake this role he, the Director of Resources and Housing has responsibility for



apprising him of health and safety performance. In turn, the Director of Resources and Housing is supported by a team of professionally qualified Health and Safety Advisers and Occupational Health Practitioners, led by the Head of Health and Safety.

In addition to these specific roles, the council's Health and Safety Policy details individual accountabilities for every level of employee. The Leader of the council also has a responsibility to ensure that decisions taken by elected members do not compromise the health and safety of staff or service users.

The Head of Health and Safety meets monthly with the Director of Resources and Housing to provide health and safety assurance and performance and assurance reports are also submitted to the council's leadership team and Executive Board. A 'Health, Safety and Wellbeing Priority Board' has also been established to share best practice across the council. This is chaired by the Director of Resources and Housing and attended by senior leaders from high hazard services and supported by Human Resources (including health and safety).

Co-operation and consultation (safety committees)

Co-operation and consultation with the workforce on health and safety matters is extremely positive. There are corporate, directorate and service level Health and Safety Committees in place. The Deputy Leader (Executive Member for Resources) chairs the Corporate Health and Safety Committee: a method of employee consultation made up of managers and employee representatives who meet regularly to discuss issues of mutual concern. In addition, working groups have been set up covering specific issues such as estates management.

Insurance arrangements

The council's arrangements dealing with the Health and Safety risk include both public and employer's liability insurance. The adequacy of the liability insurance arrangements is tested by benchmarking with other local authorities and informed by advice from the council's insurance brokers. The council's Insurance Section supports the Health and Safety team to assist with achieving a safer working environment for all employees and visitors through ongoing discussions and learning from experience gained from handling compensation claims.

Risk management – Specific work undertaken during 2018/19

Estates Management

The council has a large property portfolio, including those we own and occupy, those we lease out and some we lease in. These premises represent a significant asset, but can also pose a significant health and safety hazard if not managed effectively. For this to happen all council services must work closely together to ensure that properties are: inclusive, surveyed, inspected, maintained pro-actively and repaired promptly.

Essential pro-active maintenance includes: fire risk assessments, management of asbestos, Legionella control, inspections of lifts and other equipment and security. The work undertaken on fire safety, for example, and the agreement the council has in place with the Fire Service, was extremely important when reviewing housing stock and other large buildings in the wake of the Grenfell Tower tragedy.



Schools

Schools must always be safe environments for children, young people and staff. Much work was undertaken in 2018/19 to support this, including: regional workshops on school security, work to address the issue of weapons in schools; helping staff to address increasing levels of violence and aggression and a conference to support the health and wellbeing of school leaders.

Employee Wellbeing

The Employee Wellbeing Strategy has continued to promote mental wellbeing, physical health, healthy lifestyles and a culture of wellbeing with many specific initiatives. The recent refresh of the Best Council Plan (approved by Full Council in February 2019) included extending the Best Council ambition to incorporate 'healthy', with a focus on the health and wellbeing of staff.

Access and Inclusion

The next phase of the 'Changing the Workplace' programme to modernise council offices making them better places to work in and to improve the experience of disabled colleagues, is being supported by the council's Health and Safety team.

Security

Work continues to improve the physical security of buildings and to address aggression directed at members of staff in front-facing services. This has also included training for elected members and provision of lone working safety devices.

Staff Health

The council continues to provide access to an Occupational Health Service, an Employee Assistance Programme including counselling, access to physiotherapy (in certain circumstances), and a range of other support networks for staff.

Health and Safety Policies

Work has been undertaken on standardising, simplifying and sharing all health and safety policies across the council. During the past year, two policies have been revised and agreed in conjunction with Trade Union colleagues: the Organisational Health, Safety and Wellbeing Policy and the Cooperation and Consultation on Health and Safety Matters Policy.

Access to Competent Health and Safety Support

The council's Health and Safety Team has worked to better enable resources to be directed at the areas posing the highest risks. Examples of this include a new way of providing more information via 'self-service' for those working in office locations and a Health and Safety Enquiry Line.

Collaboration

The Leeds Health and Care Academy is a 'one workforce' approach taken by health and social care employers in the city to tackle common employment issues through improved collaboration. Recent topics of focus for the Academy include recruitment, induction and training. A member of the council's HR service led on Improving Working Lives, a strand of work for the Academy looking at how the health, safety,



wellbeing and inclusion of the workforce is managed. Mental wellbeing was the first area for collaboration, specifically around Mental Health First Aid.

What more do we need to do?

To instil and maintain a positive health and safety culture the council needs to continually seek to improve. With this in mind the current challenges are:

- Violence, Aggression and Abuse – this continues to be an area of focus for the council. It is an issue both in some public-facing council premises and with staff and Members carrying out their duties in the community. A council-wide lone working solution is to be procured in addition to revised policy, guidance and training.
- Mental Wellbeing – we will continue our work with Trade Unions colleagues and other partners to prevent, identify and support people with mental health problems. This will include a Supporting Staff at Work Charter and guidance, which will include the need for managers to hold a Wellbeing Conversation with staff – this has been trialled successfully during the past year.
- Work-Related Ill-Health – we must continue to look for innovative ways to prevent workers from exposure to hazardous substances like silica dust or wood dust through better tools, on tool extraction, dust reduction, personal monitoring and health surveillance.
- Performance Management – a procurement exercise for the development of an electronic health and safety management system is due to commence later this year. It is essential that this system is in place to improve the monitoring and reporting on health and safety incidents as well as providing useful management information to drive future best practice.
- Wellbeing, Inclusion and Diversity – the workplace setting will continue to be used to promote health and wellbeing. A ‘social model of disability’ approach will also be embedded to help remove barriers that prevent disabled colleagues being the best they can be at work.

Further information

A copy of the council’s Health and Safety Policy can be accessed by staff and members on the council’s Intranet Site. Members of the public can obtain a copy by contacting Chris Ingham (Head of Health and Safety) at chris.ingham@leeds.gov.uk or by calling (0113) 3789304.

www.hse.gov.uk

As noted above, we are regularly updating our webpage ‘Fire safety in high rise buildings’ (available [here](#))

General information on health and safety can be found on the Health and Safety Executive website

www.hse.gov.uk



City Resilience Corporate Risk Assurance

Overview

Leeds is a city that is continually growing in size and stature. Attractive for the location of businesses of all types and sizes as well as hosting an increasing number of major sporting and cultural events – all contributing to helping Leeds develop as a major city and visitor destination in the UK.

However, Leeds and its businesses, residents and visitors must also be prepared to respond to and recover from disruption.

Leeds, like any other major city, can suffer disruption caused by the impact of a major incident or emergency. Disruption could be a severe weather event, major fire, public protests or a terrorist attack. Disruption can be caused by planned events, placing pressure on the city through increased footfall and impact on the transport infrastructure, for example through associated road closures.

Disruption can impact for several hours, days, weeks and even months (as in the case of the Salisbury chemical attack) whilst investigations, clear-up and recovery is completed.

It is essential that the council, along with partner agencies, businesses and organisations work together to build city resilience: developing plans, preparing to share resources and assets to protect ourselves and having the capability ‘ready to go’ to provide an effective response and recovery to major incidents and emergencies should it be required.

There is already a range of tried and tested plans and arrangements for major incidents both within the city and those that cut across borders affecting the wider region. However, it is increasingly important for the city not to become complacent but to continue to work together to develop our resilience to protect businesses, communities and visitors. This corporate risk assurance report aims to set out some of the work in progress or recently completed in the previous 12 months to build on our city resilience.

Corporate risk: City resilience				
Risk description	Risk of significant disruption in Leeds			
Accountability (Risk owners)	<i>Officer</i>	Director of Resources & Housing		
	<i>Member</i>	Councillor J Lewis, Deputy Leader and Executive Member for Resources		
Evaluation		<i>Probability</i>	<i>Impact</i>	<i>Overall rating</i>
	<i>Current</i>	3 (possible)	5 (highly significant)	Very high (red)
	<i>Target</i>	2 (unlikely)	4 (major)	High (amber)

Introduction

The Civil Contingencies Act 2004 (CCA 2004) sets out the statutory duties and community leadership role to ensure that the city collectively and continually works to enhance its resilience and manage its vulnerabilities in light of learning from incidents and emergencies both in the UK and internationally.



The CCA 2004 (Part 1) 'Emergency Preparedness' sets out the roles and responsibilities for those involved in emergency planning and response at local level. The CCA 2004 identifies responders as either Category 1 or Category 2.

Category 1 responders are organisations at the core of the response to most emergencies, such as Police, Fire & Rescue, National Health Service, Ambulance Service, Environment Agency and Local Authorities.

Category 2 responders are less likely to be involved in the heart of planning work, but will respond to emergencies that affect their own sector or co-operate with Category 1 responders providing a multi-agency response. Category 2 responders include; utilities and transport companies, Highways Agency and Health & Safety Executive etc.

Category 1 and 2 responders together form the West Yorkshire Resilience Forum (WYRF). The WYRF is the council's key partner organisation for city resilience, supporting co-ordination of the actions and arrangements between Category 1 and 2 responders to provide the most effective and efficient response to civil emergencies when they occur.

Leeds City Council and partner agencies work together to identify, assess, prevent, prepare to respond to and recover from the emergencies and disruptions within this corporate risk and to continue to develop its community leadership role.

This assurance report focuses on the adequacy of the council's arrangements to deal with the impact of the risk including supporting a multi-agency response to play an effective contribution in the overall city response to a disruptive event.

What are the risks?

There are three factors relating to the impact of significant disruption in Leeds. The first is the causative event, the second is the way that Leeds as a city responds to the event and the third is how quickly and effectively the city can recover.

The council and partner organisations through the WYRF are continuing to work closely together to make the city as safe as possible for all. By working together, learning from previous experiences, training and exercising and putting in place plans to develop a multi-agency capability this should help achieve an effective response and recovery from incidents and disruptions in the city.

Risk management

How the council is managing the risks

There is a 'top down' approach to managing risk. At the top, there is the National Risk Assessment (NRA) setting out all resilience related risks which the UK faces. The NRA informs the West Yorkshire Community Risk Register (WYCRR) which contains all risks from the NRA applicable to the West Yorkshire region. The WYCRR forms the basis of multi-agency emergency planning and is used by the WYRF and partner organisations to ensure that the identified risks are being appropriately managed and to inform development of their local risk registers. The WYCRR is used to inform the council's corporate risk on City Resilience.



The following paragraphs aim to describe key pieces of multi-agency/collaborative planning and preparation implemented or in progress to ensure that we protect our people, the economy, environment, infrastructure and way of life from all major incidents that could affect us directly.

West Yorkshire Level

A multi-agency response to a major emergency in the towns and cities of West Yorkshire is co-ordinated through the WYRF which comprises representatives from the emergency services, the five West Yorkshire local authorities and other partner agency (Category 1 & 2) responders along with voluntary and faith organisations as required.

The WYRF drives collaboration through strategic, management and sub-group meetings and regular training and exercising opportunities. The WYRF is the process by which the organisations (on which the duties of the CCA 2004 fall) co-operate with each other in peacetime (planning and exercising) and during response and recovery phases to an emergency. The WYRF brings together the multi-agency expertise required, ensuring that Category 1 & 2 responders are co-operating with each other. A senior officer from the council attends WYRF strategic level meetings, whilst other officers attend management level meetings, chair/co-chair and/or attend all sub-group meetings. This level of engagement with the WYRF ensures that the council has a lead role in shaping and driving the work of the WYRF. The WYRF has developed and maintains a set of robust plans and arrangements for an effective multi-agency response to emergencies underpinned by the sharing of information, resources and regular training and exercising.

Leeds Resilience Group

On a local level, the council hosts Leeds Resilience Group (LRG) meetings. The LRG attendance includes local Category 1 and 2 responders along with other partner organisations that fall outside of the WYRF catchment such as representatives from the universities, transport and utilities companies.

The LRG meetings provide an opportunity for partners to receive information relating to developments, events and incidents in the Leeds area, share learning, experiences and support campaigns and exercises etc. The LRG considers risks and threats facing the city and will act as an information sharing body in the event of a major incident.

Planning for Emergencies and Incidents

The council maintains a core set of plans in readiness to respond to a range of incidents and emergencies that could impact the city. These include the Emergency Management Plan (EMP) which covers a multi-agency response to emergencies and includes arrangements for multi-agency strategic and tactical co-ordinating groups. Other Leeds based plans include:

- Leeds Recovery Plan,
- City Centre Evacuation Plan,
- Leeds Flood Plan,
- Severe Weather Plan,
- Reception Centre Plan,
- Unexpected Deaths Plan (Excess Deaths and Mass Fatalities),



- Leeds Outbreak Plan,
- Leeds Pandemic Influenza Response Plan,
- Chemical, Biological, Radiological and Nuclear (CBRN) Plan; and
- Leeds Animal Health Plan.

The development of plans and response capabilities is informed by learning and experience from previous emergencies (both local and national) and regular testing and exercising to provide assurances that the plans will work should they be activated.

Emergencies and disruptive events cover a range of issues; examples in Leeds over the last 12 months include:

- Major gas leak requiring evacuation of properties/closure of roads (Hawthornthwaite and A64).
- Fire in sewers requiring road closures (Holbeck).
- Several major water main bursts cutting water supply to St James Hospital requiring road closures and diversions (Burmantofts).
- Several suicide attempts affecting road network/transport infrastructure (City Centre, M621 and A64).
- Murder scene requiring evacuation of residents/rest centre (Armley)
- Vehicles colliding into residential properties (Morley, Headingley and Armley).
- Road traffic accident/fuel spill causing congestion (Hunslet).
- Gas main fire requiring evacuation of 15 properties (Bardsey).
- Road traffic accident with HGV colliding into two shop units (Merrion Centre).
- Bridgewater Place closures and high-sided vehicle diversions due to high winds.
- Suspicious device requiring closure of Crown Point Bridge creating congestion in and out of the city.

Planned Events

Leeds increasingly hosts a range of major sporting and cultural events such as Tour de Yorkshire, World Series Triathlon, Half Marathon, Leeds West Indian Carnival and Leeds Music Festival at Bramham Park, all promoting the city and bringing in a high visitor footfall. Such events require road closures and traffic diversions, causing varying degrees of disruption to businesses and residents. Being outdoors, these events are also susceptible to severe weather and create crowded places which form a potential target for terrorist and other extremist activities.

For planned events in Leeds, arrangements to mitigate any issues are considered through the Strategic/Safety Advisory Group (S/SAG).

Now approaching four years since its inception, the S/SAG continues to maintain good levels of engagement and support from partner agencies that together comprise the S/SAG. The critique and challenge of event documentation and arrangements by the S/SAG and provision of feedback helps to support event organisers to deliver safe and successful events. Event organisers are increasingly recognising the value in being able to access professional advice at SAG and Multi-Agency meetings. The learning is supplemented with occasional informative seminars hosted by the S/SAG for event organisers to gain



additional knowledge relating to specific topics to enhance event planning.

There are some planned events which fall outside the scope of sporting and cultural, such as protest marches and political events.

Regarding the former, Leeds has had numerous protests in the previous 12 months, both static and marching protests by a range of pressure groups and affiliations. Regarding the latter, Brexit is a good example where the council has considered and planned for a range of potential impacts.

A Brexit Officer Working Group was formed to commence planning for the potential impacts of a no-deal exit on Leeds and in response, a 'Leeds Strategic Response Plan' has been developed.

Protecting the City Centre

The installation of the City Centre Vehicle Access Scheme (CCVAS) is making good progress. The scheme sees CCTV controlled/automatic rise/fall bollards installed at each of the entry/exit points to the city centre pedestrianised area. As well as reinforcing the current traffic regulation order for delivery vehicles, it will act as a deterrent/prevent the use of vehicles from carrying out an act of terrorism or crime. The scheme will go live in phases from early May 2019.

Protection for the city from river flooding has been completed with the implementation of the Flood Alleviation Scheme (FAS). A severe weather event in March 2019 causing the river level to rise in the Aire catchment triggered the initial activation of the Knostrop moveable weir, which was effective in dropping the river level by approximately 1 metre.

Exercising and Testing

The WYRF continues to hold at least one multi-agency exercise per year, with two exercises were held in 2018. The first was a flu pandemic scenario, the second a recovery scenario following a major terrorist incident in Leeds City Centre. These exercises are designed to ensure effective co-operation and collaboration in response to a major emergency affecting the city and potentially the region. On a more local basis, the council arranged a series of three city wide exercises to test emergency and business continuity plans and arrangements for businesses and organisations based in Leeds city centre (April, May and July). The first two exercises were fully subscribed. The initial exercise highlighted the benefits of different businesses and organisations talking to each other and sharing and being aware of each other's plans and arrangements.

Communication/Warning & Informing

Communication is the backbone to achieving an effective response to emergencies. It is essential that responding agencies are able to share information. The UK Government has developed and is endorsing the use of Resilience Direct, a free to use tool which is a fully accredited and secure information sharing platform accessible to the UK's response community.

Progress with the roll-out of Resilience Direct continues across Leeds and West Yorkshire with a steady rise in partners undertaking training. Resilience Direct is being piloted on a number of events and exercises and also as a repository for event management documentation.



Leeds Alert is the joint Leeds City Council/West Yorkshire Police warning and informing system to which businesses and organisations can register to receive messages warning of emergencies and planned events in the Leeds area, it has currently around 1,400 registrations and continues to grow. Associated with Leeds Alert are the twice yearly Leeds Alert Network Events. The events hosted by the council are well attended by businesses and organisations who attend to hear guest speakers present on a range of resilience related topics. Attendance is around 180 persons representing approximately 140 – 150 businesses.

In order to ensure correct and accurate information is conveyed to businesses and organisations regarding major national and international incidents, as well as other important information, the council continues to forward (via the Leeds Alert warning and informing system) Cross-sector Safety & Security Communications (CSSC) messages.

The CSSC messages (issued by the National Business Crime Centre) help to counter inaccurate news items reported by the media/social media. The messages are also a conduit to essential information, with recent messages signposting to a range of counter-terrorism campaigns and guidance on how to protect and improve organisational resilience.

What more do we need to do?

Enhancing city resilience is a continual process. Taking on board learning from incidents, events and exercising, adapting to changes whether technological or regulatory and maintaining a focus on shifting risk and horizon scanning - all informing planning and preparedness. There has been a notable increase in closer working and network building across partner agencies that are likely to collaborate together in a multi-agency response to an emergency or major incident in Leeds. The WYRF is encouraging closer working, helping to develop an understanding of how each of the agencies work, their resources and assets, capacities and limitations. Council officers are working alongside businesses and organisations in Leeds to build a safer city and working with the public to help develop greater community resilience.

There will always be opportunities to build on the work completed to date and ongoing developments and initiatives to enhance city resilience include:

- Continue to review, revise and develop emergency plans and arrangements using learning from incidents, emergencies and exercising.
- Continue to exercise, both internally and externally to test both council and multi-agency response and recovery arrangements.
- Provide briefings, training and exercising to the council workforce and organisations within the city.
- Broaden the use of Resilience Direct across Leeds City Council responder staff in support of wider partnership integration and collaboration.
- Raise awareness of risks (threats and hazards) using the West Yorkshire Community Risk Register and develop mitigating actions and plans in readiness should any of the risks be realised.
- Work together with businesses and other organisations in Leeds to develop greater resilience in the city, for example by promoting Leeds Alert, the 'warning & informing' system.
- Review and enhance S/SAG processes and procedures.



- Progress further phases of the City Centre Vehicle Access Scheme to protect further public spaces and events.
- Continue to support national counter-terrorism campaigns and initiatives such as 'SCaN' (See Check and Notify).

The high expectations placed on the council by the public and government to be able to effectively respond to and recover from a major emergency in Leeds drive the continual review and development of our emergency plans and arrangements. The message is 'resilience is everyone's business' and the council is actively promoting this message both internally and externally to businesses and other organisations. By working together collaboratively Leeds can be assured of an effective council and partner response in the event of a major emergency.

Further information

Please click [here](#) to view the range of city resilience information for businesses and the public available on the council's website.

The West Yorkshire Police website contains details of the [West Yorkshire Resilience Forum](#) and also the [West Yorkshire Community Risk Register](#)



Council Resilience Corporate Risk Assurance

Overview

Disruptive incidents impacting council services range from short duration which can quickly be dealt with by the service or function impacted, or a more prolonged and widespread disruption that can affect several services and functions for a number of days or weeks. Some disruptions may have a limited impact on a single internal function, but where front line services are disrupted, then there is potential for communities and vulnerable people to be impacted.

Corporate risk: Council resilience				
Risk description	Risk of significant disruption to council services			
Accountability (Risk owners)	Officer	Director of Resources & Housing		
	Member	Councillor J Lewis, Deputy Leader and Executive Member for Resources		
Evaluation		Probability	Impact	Overall rating
	Current	3 (possible)	5 (highly significant)	Very high (red)
	Target	2 (unlikely)	4 (major)	High (amber)

The introduction of the Civil Contingencies Act 2004 (CCA 2004) sets out a statutory duty on local authorities to have arrangements in place to maintain critical services in the event of an emergency. The duty particularly relates to the functions that are important to the health, welfare and security of the community. All local authorities must have in place arrangements to be able to:

- Continue to deliver critical aspects of their day-to-day functions in the event of an emergency if the impact on the community is to be kept to a minimum;
- Continue to perform ordinary functions that are important to the human welfare and security of the community and its environment; and
- Assess the resilience of organisations that the council relies on, or delivers services through.

The council meets the duty through the implementation of Business Continuity Plans.

However, a significant, prolonged and widespread business continuity impact on council services will require the Emergency Management Plan (EMP) to be activated. The Emergency Management Team (Council Gold) will be convened to provide strategic direction to the response and recovery, with the Tactical Coordinating Team (Council Silver) managing the council’s response and ensuring that Gold objectives are met and implemented.

Whatever the nature and scale of the disruptive incident, the individual critical services will have activated their Business Continuity Plans to be able to continue the delivery of their critical functions.

What are the risks?

The risk relates to significant disruption to council services and failure to effectively manage emergency incidents. The risks, hazards or threats to council services come from a wide range of sources with the potential to impact the council’s people, premises, ICT and supplier’s of goods and services with impact



from the disruption potentially affecting the citizens and communities of Leeds.

By focussing on the impact, the consequences of the disruption on critical services can be assessed and Business Continuity Plans developed to document the actions required to protect the service should a disruptive incident or emergency occur.

Risk management

How the council is managing the risks

The risk focuses on the following four key areas:

1. Business continuity arrangements prove inadequate.
2. Industrial action and its potential to cause wide-spread disruption to council services and the city.
3. ICT failure due to the high dependency of all council services on the digital infrastructure.
4. Emergency/contingency planning arrangements across the authority are inadequate.

The four risk areas are recognised by senior management with support and directorate engagement in place through the Directorate Resilience Groups (DRGs). The DRGs lead on progressing directorate resilience related work ensuring that adequate response and recovery capabilities are in place and that Business Continuity Plans are implemented and up to date for the critical functions within the directorate.

The council's Corporate Governance & Audit Committee and the Corporate Leadership Team (CLT - the council's Chief Executive and directors) provide support from the top by promoting and progressing emergency and business continuity planning across the council.

This corporate risk assurance report aims to set out some of the work currently in progress or completed in the last 12 months to manage each of the four risk areas and develop greater council resilience.

1. Business continuity

Business Continuity Plans contain arrangements to maintain or recover the council's critical services to 'business as usual' level following a disruptive event. Business Continuity Plans include procedures in the event of loss of people (staff), premises, ICT, suppliers and providers of goods and services, and loss of plant and machinery.

Within the council, there are currently 79 services identified as having one or more critical functions, each with its own Business Continuity Plan. To identify whether a service has any critical functionality a Business Impact Analysis is completed.

To ensure consistency in approach and that key risks are properly considered, the council has developed templates and guidance that services use to carry out the Business Impact Assessments and inform the Business Continuity Plans.

As a minimum, each Business Continuity Plan is reviewed annually. However, revisions can be made more frequently, triggered by internal changes to the scope or nature of service, or resulting from learning from incidents and exercises. Planning for the potential impact of a no-deal EU Exit on council services has triggered an additional review of Business Continuity Plans, particularly in relation to supplies and



contracts.

Business Continuity and Emergency Plans are regularly tested and exercised. Exercising and testing is either scheduled, or by exception with full support from the council's Resilience & Emergencies Team. Desktop exercises are completed on request to test individual Business Continuity Plans whilst exercises to test emergency plans can be completed as part of a wider multi-agency exercise arranged and co-ordinated by the West Yorkshire Resilience Forum.

In January 2019 the council hosted a training and exercising day for council officers likely to play a role in responding to an emergency. The event included a series of partner delivered briefings and concluded with an exercise. The event was well attended with representation from across all council directorates.

Some council frontline services are provided externally and it is therefore essential to obtain assurance that the commissioned providers are resilient. Assessments have been completed on those providers business continuity plans with the output from the assessments in the form of a template containing documented feedback and recommendations along with a 'level of confidence' rating (Red, Amber or Green). Where the recommendations are implemented, the subsequent assessment can record a higher 'level of confidence' rating.

Under the requirements of the Civil Contingencies Act 2004, local authorities are required to provide Business Continuity Management advice and guidance to business and voluntary organisations. This continues to be achieved by the hosting of the twice yearly Leeds Alert¹ Network Events. The events invite representatives from businesses and other organisations registered with Leeds Alert to attend and listen to presentations from a range of guest speakers. The aim is for organisations attending to be able to take away learning to improve their own organisational resilience.

Assurances relating to the council's business continuity arrangements are provided to the council's Corporate Governance and Audit Committee through the Annual Business Continuity Report. This year's report, dated 16th March 2019, provided the committee with an update regarding training and exercising, collaborative/multi-agency working and learning from previous incidents and events, both locally and nationally.

There was additional critique this year as resilience and emergency planning was the subject for a council Scrutiny Board working group. The paper developed to set the scene for the working group focussed on the alignment between the council's emergency planning and business continuity arrangements and the requirements set out in the eight chapters of the CCA 2004. This was a valuable exercise in its own right and confirmed that the council's current arrangements meet the duties set out in the CCA 2004.

The response from both the Corporate Governance & Audit Committee and the Scrutiny Board working group was positive and supportive of the work completed and arrangements implemented.

2. Industrial Action

There have been no instances of industrial action involving council staff in the previous 12 months.

¹ Leeds Alert is the joint Leeds City Council / West Yorkshire Police warning and informing system to which businesses and organisations can register. It currently has over 1,400 registrations.



The council's HR service continues to maintain a documented procedure in readiness for a council-wide multi-discipline response to industrial action. The procedure sets out a joined-up approach for all council services to manage the impact of industrial action and has been developed using documentation and learning captured from previous industrial action events.

The council remains subscribed to regular bulletins from RED (Resilience & Emergencies Division, part of the Ministry of Housing, Communities & Local Government) for notification of industrial action nationally and regionally.

Externally, the protracted industrial action by the RMT Union over the introduction of driver operated trains failed to cause any significant impact on council staff travelling to and from work. The council's critical services were notified in advance of the industrial action and arrangements agreed to support staff having difficulties with travel to and from work.

3. ICT

Business Continuity Plans are maintained in readiness for activation should an ICT incident or outage occur. As a minimum, the plans address:

- Invoking the required response/recovery and deployment of resource;
- Accessing back-up data;
- Restoration of data, information services, communications and support; and
- Recovery of the council's ICT infrastructure, for example in the event of a major cyber-attack.

A separate risk assurance on a major cyber incident affecting the council can be seen later in this report.

4. Emergency/contingency planning arrangements

The council has a strong commitment to developing and implementing emergency and business continuity planning arrangements and is actively promoting the message that 'resilience is everyone's business.'

The following is a summary of current and planned work which demonstrates this commitment:

- Maintaining alignment with the duties of Civil Contingencies Act 2004.
- Co-operation and collaboration with the five West Yorkshire Local Authorities, emergency services, other partners and voluntary and faith organisations enabled through the West Yorkshire Resilience Forum.
- Hosting the Leeds Resilience Group comprising local responders that fall outside of the West Yorkshire Resilience Forum such as the universities, transport and utility companies.
- Building links with neighbouring local authorities outside West Yorkshire, such as Harrogate and York.
- Co-ordinating the work of the Safety Advisory Group for events in the Leeds area, offering critique and advice to event organisers to ensure the highest possible standards of public safety and wellbeing of those who could be affected by such events.
- Developing and maintaining the Leeds City Council Emergency Management Plan (including the 'mini-guide') inclusive of a multi-agency response to and recovery from a major emergency.
- Taking a lead role in the promotion and training of Resilience Direct, the government preferred



system for sharing information and mapping between responders.

- Maintaining a strong focus on risk management. From the top-level National Risk Assessment to the regional West Yorkshire Community Risk Register which helps to inform the council's corporate, directorate and service level risk registers.
- Developing and maintaining a suite of emergency plans to counter the risks contained within the West Yorkshire Community Risk Register.
- Maintaining arrangements for the council to be able to quickly respond to a rise in the National Threat Level from 'severe' to 'critical' including a revised council Building Security Policy setting out additional security arrangements to be implemented at council buildings.
- Demonstrating that the council can quickly assemble a team of officers to input into preparing and planning for the potential implications of a major event as in the case of a no-deal EU Exit. This required the convening of a Brexit Officer Working Group, facilitation of a series of risk workshops and development of a Leeds Strategic Recovery Plan. An elected member working group also played a central role in highlighting key issues facing the council and the city since the EU referendum and fed into the preparatory response work.
- Delivery of a half day training event, 'Providing an effective response to and recovery from a major emergency in Leeds' for council officers likely to be involved in a response to an emergency.
- Recognising that councillors have a key role in response to an emergency (political, civic and community leadership roles) and a proposal to hold briefings based on the Local Government Association publication 'A councillors guide to civil emergencies' to help develop a greater understanding of councillor involvement.
- Learning from incidents and emergencies, both local and national to inform development and revision of emergency plans and arrangements.
- Regular review, revision and exercising of emergency and business continuity plans.
- Council directors playing into the annual West Yorkshire Resilience Forum 'Gold' exercise which in 2018 focussed on recovery from a terrorist attack in the city centre.
- Capturing actions and initiatives from various sources to improve council resilience and recording the actions in the draft 'Leeds City Council Organisational Resilience Improvement Plan'.
- Adapting the 14 Day Plan national guidance setting out a framework of actions in response to public impact following a terrorist incident.
- Directorate Resilience Groups providing assurance to each director that the resilience arrangements and response capabilities of the directorate are implemented, maintained and developed in line with changing risks.
- Maintenance of the Emergency Control Centre and its resources in a state of readiness to host the council's response to a major emergency.
- On-site presence of the council at the scene of an emergency via the Emergency Coordination Vehicle. Equipped as a mini-office for responding council staff, it also acts as a focal point for members of the public to seek information and reassurance.
- All services assessed as critical have Business Continuity Plans implemented.
- Managing the Leeds Alert warning and informing system which currently has in the region of 1400 registrations (and increasing) used for the issue of information relating to incidents and events in



Leeds.

- Maintaining the @leedsemergency Twitter account for warning and informing purposes, currently has around 8,000 followers.
- Maintaining a range of emergency and business continuity planning guidance and templates on the council's InSite pages, accessible by staff and elected members.
- Hosting the twice yearly Leeds Alert Network Event featuring a range of informative presentations to help improve organisational resilience.

What more do we need to do?

The message 'resilience is everyone's business' is key to ensuring that the council through its staff and other resources is best prepared to respond to an emergency affecting the council (and city).

Responsibility for building resilience does not just sit with the teams who have a direct role in providing a response: they know their capabilities, roles and responsibilities and are well trained and experienced. Responsibility for resilience also needs to be embraced and understood by all staff as much as health and safety, and equality and diversity. There is further progress to be made in promoting this message and attaining the level of confidence that the council requires.

So, what more do we need to do?

- Continue to develop and maintain our emergency and business continuity plans and arrangements.
- Continue to learn from incidents and emergencies, locally and nationally.
- Continue to identify new threats and hazards and to prepare and plan our capabilities to be able to respond and recover in the event that such threats and hazards are realised.
- Continue to promote awareness of and familiarity with the Emergency Management Plan and 'Quick Guide' with staff that have a defined role to play in responding to an incident.
- Identify opportunities through volunteering, training and briefing sessions to help staff have greater self-resilience during emergency incidents and to be able to provide support during response and recovery phases.
- Develop robust out of hours/on-call cover across the council, ensuring that such cover is not based simply on staff being available and able/willing to respond.
- Identifying and engaging in all opportunities and at all levels to exercise (internal and multi-agency) to develop staff confidence, support learning and identify areas for improvement.
- Continue to progress the role of Directorate Resilience Groups to lead on resilience and development of response and recovery capabilities within each directorate.

Although the council resilience described in this report sets out our current abilities to be able to respond to and recover from the impact of emergencies and disruptive incidents, there is always progress that can be made to strengthen our existing arrangements. Through the review and testing of our business continuity and emergency planning arrangements and by actively promoting the message that 'resilience is everyone's business', the council will be ready to be able to respond and recover effectively from incidents and disruption.



Further information

The Business Continuity Management Toolkit developed for use by council services can be accessed by staff and elected members on the council's Intranet site [here](#) under Toolkits – Managing a service.

The Business Continuity Institute's website provides further details and can be accessed [here](#)

Corporate Governance and Audit Committee papers including the [Annual Business Continuity Report](#)



Financial Management Corporate Risk Assurance

Overview

The ongoing challenge of reshaping and delivering council services within significantly reduced funding levels remains a significant risk in both the short and medium-term and this is reflected in two corporate risks: the first relating to the risks around balancing the in-year budget and the second around delivering the medium term financial strategy. Without this, delivery of all the Best Council Plan outcomes and priorities could be threatened.

In recent years the government has made major changes to the ‘core’ funding arrangements for local authorities, moving from a system where a significant element came from central government grants to one increasingly based on council tax and business rates. As such, local authorities are exposed to the financial impact of business rate appeals and re-valuations as well as changes to the council tax base.

Corporate risks: financial management				
Accountability (Risk owners)	<i>Officer</i>	Director of Resources and Housing		
	<i>Member</i>	Councillor J Lewis, Deputy Leader and Executive Member for Resources		
Corporate risk: in-year budget				
Risk description	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			
Evaluation		<i>Probability</i>	<i>Impact</i>	<i>Overall rating</i>
	<i>Current</i>	2 (unlikely)	1 (insignificant)	Low (green)
	<i>Target</i>	2 (unlikely)	1 (insignificant)	Low (green)
Corporate risk: Medium term budget				
Risk description	Failure to address medium term financial pressures in a sustainable way			
Evaluation		<i>Probability</i>	<i>Impact</i>	<i>Overall rating</i>
	<i>Current</i>	3 (possible)	3 (moderate)	High (amber)
	<i>Target</i>	3 (possible)	3 (moderate)	High (amber)

Introduction

The 2019/20 financial year is the fourth year covered by government’s 2015 Spending Review and again presents significant financial challenges to the council. The council has managed to achieve considerable savings since 2010 but the 2019/20 budget requires a further £22.6m of savings to be delivered.

The council continues to make every effort possible to protect the front line delivery of services, and whilst we have been able to successfully respond to the financial challenge so far, it is clear that the position is



becoming more difficult to manage. It will be increasingly difficult over the coming years to maintain current levels of service provision without significant changes in the way the council operates.

The [Best Council Plan](#) explains how this will be achieved: that, while continuing its programme of efficiencies, the council must continue to change what it does and how it does it, reducing costs, generating income, considering different service provision models and targeting its resources to where they are most needed and will have the most impact.

Although councils have a legal duty to set a balanced budget, there are clearly strong organisational reasons for ensuring that sound arrangements for financial planning and management are in place. The budget, as well as a means of controlling spending within the available resources, is also a financial expression of the council's policies and priorities. 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. This is all the more critical given the financial challenges that we are facing.

What are the risks?

Failure to adequately plan, both longer term and annually and to manage the budget in-year carries a number of specific risks:

- Not able to set a legal budget by the due date;
- That the budget does not reflect council priorities and objectives;
- That the budget does not adequately resource pressures and increases in demand;
- That the budget includes savings which are not deliverable;
- That unplanned or reactive measures would be needed in-year to deliver savings;
- That the council falls into negative reserves or that reserves are used impacting upon the medium-term financial strategy;
- That the revenue budget continues to be increasingly reliant upon capitalisation and one-off funding to sustain recurring expenditure;
- That the Section 151 officer² exercises statutory powers and restricts or stops all spending;
- Should the audit of the council's Statement of Accounts contain damaging comments, this could potentially result in increased audit and government inspections;
- That there may be an adverse impact on staff morale if working in a challenging budget climate; and
- That the council's reputation may be damaged.

Following the result of the 2016 European Union referendum, the country has faced a period of political, fiscal and economic uncertainty. There are likely to be implications for the national and local economy with consequent impact on the council's financial risks. Whilst it is still too early to assess potentially wide-ranging implications, the following risks need to be considered:

² The Local Government Act 1972 (Section 151) requires that an employee of the council is recognised as the responsible financial officer. In Leeds City Council that officer is the Chief Officer Financial Services.



- The potential for increased cuts in core government funding alongside possible increase in demand for council services.
- Rising inflation could lead to increased costs.
- Economic uncertainty impact on business rates and housing growth, with knock-ons to council tax, new homes bonus and business rate income.
- The general uncertainty affecting the financial markets could lead to another recession.
- An uncertain economic outlook potentially impacting on levels of trade and investment.
- Uncertainties around the cost of financing the council's debt, for example, due to interest rate volatility, could lead to increased costs

The ongoing management of the council's financial risks will need to take these – and possible impacts on partner organisations' funding - into account. Our service and financial strategies will be continually kept under review to keep track of developments with these risks.

Risk management

How the council is managing the risks

The duties of the council's Section 151 officer are crucial in how we manage these risks. These duties include:

- To report to Council on the robustness of the estimates and the adequacy of financial reserves;
- Certifying that the accounts are a true and fair view of the council's financial position; and
- Ensuring that the council's financial systems accurately record the financial transactions; enable the prevention and detection of inaccuracies and fraud and ensure that financial risk is appropriately managed.

Financial management within the council, both corporately and within directorates, is delivered by colleagues who are professionally and managerially responsible to the Chief Officer Financial Services (the Section 151 Officer).

Financial risks are managed through key duties including strategic financial planning, budget preparation and setting, in-year budget monitoring, closure of accounts and audit inspections. A summary of each is provided below.

1. *Strategic Financial Planning*

As part of the 2016/17 financial settlement, government set out an offer of a four-year funding settlement for the period 2016/17 to 2019/20 to any council that wished to take it up. Government stated that as part of the move to a more self-sufficient local government, these multi-year settlements could provide the funding certainty and stability to enable more proactive planning of service delivery and to support strategic collaboration with local partners; local authorities should also use their multi-year settlements to strengthen financial management and efficiency. Government committed to provide central funding allocations for each year of the Spending Review period should councils choose to accept the offer and on the proviso that councils had published an efficiency plan. In September 2016 a report recommending



acceptance of the government's offer of a four-year settlement was agreed at Executive Board and this certainty in respect of the council's Settlement Funding Assessment has helped determine the council's annual budgets since.

The current four-year settlement finishes at the end of the 2019/20 financial year, leading to significant uncertainties with regard to the level and allocation of future funding. We are actively engaging with government and local government representative bodies in developing these future funding arrangements and in understanding and, where possible, mitigating any inherent risks. Executive Board and Corporate Leadership Team (CLT – the council's senior management team) are kept abreast of these developments through regular reports.

2. Budget Preparation and Setting

Revenue

The process of compiling the revenue (day-to-day) budget starts soon after the budget-setting of the previous year and runs through to the approval of the budget by Full Council in February each year. There are numerous tasks, checks and approvals involved in setting the budget, including reviews of budget proposals by finance staff, CLT and Executive Board and agreement of initial budget proposals by Executive Board and submission to Scrutiny Boards for further review and challenge.

With limited resources, it is inevitable that elements of the budget will depend upon actions which have yet to happen, or upon assumptions that in reality may vary from those assumed at budget setting. As such, an important element of the budget process is an assessment of the adequacy of general reserves which takes into account an assessment of the risks related to the budget estimates.

Capital

In terms of the capital (spending on assets) budget a five-year programme is prepared. The programme is constrained by the same funding reductions as the revenue (day-to-day spending) programme as ultimately where capital schemes are funded from borrowing, this needs to be repaid from revenue. The level and type of borrowing is determined before the start of the year and a limit set in accordance with CIPFA's (Chartered Institute of Public Finance & Accountancy) Prudential Code. The objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. Any in-year revisions to the council's programme need to be approved by Council.

3. In-Year Budget Monitoring

Revenue

Revenue budget monitoring is a continuous process which operates at all levels throughout the council. Although council directors are ultimately responsible for the delivery of their directorate budget, operationally these responsibilities are devolved to budget holders across the various services.

Financial monitoring is undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk. Financial monitoring operates on a hierarchical basis, whereby the monthly projections are aggregated upwards to be reviewed by Chief Officers and Directors. The projections for the strategic accounts and for each directorate are submitted to



the Chief Officer Financial Services and CLT. Further review and challenge of the projections takes place by the corporate Finance Performance Group (a monthly meeting of the Heads of Finance, representing each council directorate), prior to monthly reporting of projections to the Executive Board and quarterly to relevant Scrutiny Boards.

Capital

The Capital Programme is closely monitored and quarterly updates are presented to Executive Board. In order to ensure that schemes meet council priorities and are value for money the following are in place:

- New schemes will only take place following approval of a full business case and identification of required resources;
- Promotion of best practice in capital planning and estimates to ensure that they are realistic; and
- The use of unsupported borrowing is based on individual business cases and the source of revenue resources to meet the borrowing costs is clearly set out.

One of the main risks in developing and managing the capital programme is that there are insufficient resources available to fund the programme. A number of measures are in place to ensure that this risk can be managed effectively:

- Monthly updates of capital receipt forecasts are prepared, using a risk-based approach, by the Director of City Development;
- Monthly monitoring of overall capital expenditure and resources forecasts alongside actual contractual commitments;
- Quarterly monitoring of the council's VAT partial exemption position to ensure that full eligibility to VAT reclaimed can be maintained³; and
- Provision of a contingency within the capital programme to deal with unforeseen circumstances.

Budget risks are reviewed each month, with key risks included within the Financial Health Monitoring reports to Executive Board and overarching strategic risks included in the corporate risk register.

4. Closure of Accounts

Getting our accounts produced on time and without audit qualification is important to ensure that we can properly account for the resources we have used during the year and that we understand the council's financial standing. The Chief Officer Financial Services is responsible for the closedown process, reviewing both the accounts themselves and the processes used to compile them, before certifying them as a true and fair view. Alongside the budget monitoring process, significant accounting decisions are referred to

³ Councils make a number of supplies of goods and services where VAT is charged at zero, lower and standard rate; in addition there are non-business and exempt supplies on which no VAT is charged. The VAT we charge to customers on our supplies is known as 'output tax'; the VAT we incur on purchases we make is known as 'input tax'. Output tax is paid to HM Revenue and Customs (HMRC) and input tax is claimed back from HMRC provided certain rules are observed. The general input tax rule is that the VAT a business incurs on purchases it makes in order to make a taxable supply can be reclaimed in full – 'recovered' - from HMRC, whereas the VAT incurred in making exempt or non-business supplies can't be reclaimed. However as a local authority, there are special rules that allow the council to reclaim the VAT incurred on purchases that are used in making non-business supplies. HMRC requires local authorities to complete an annual partial exemption calculation to show how much of the input tax they have claimed back in the year relates to the exempt supplies they have made. There is a de minimis limit set, whereby if the amount of input tax that relates to making exempt supplies is below that limit, you are entitled to retain the input tax attributable to exempt supplies (which has already been reclaimed during the year). However, if you exceed that limit, all input tax that has been reclaimed during the financial year in relation to exempt supplies would have to be repaid to HMRC. The de minimis limit is 5% of the total input tax that was reclaimed during the year.



the external auditors for review by their technical accounting team to ensure compliance with applicable accounting standards. For the closure of accounts 2018/19 the authority's external auditor is Grant Thornton.

5. *Audit and Inspection*

KPMG, who were the Council's external auditors prior to April 2019, provided members with independent assurance that, in their opinion, the accounts reflect a true and fair view of the council's financial position, that they comply with proper accounting practice and that the council has adequate arrangements in place regarding the management of its financial risks and potential impact on resource deployment. Internal audit also undertakes a number of reviews of our financial planning and monitoring arrangements.

At their meeting of the 30th July 2018, the Council's Corporate Governance and Audit Committee received the [Internal Audit Report and Opinion](#) for 2017/18 which is of relevance to the financial risks. The report provided an overall conclusion that, on the basis of the audit work undertaken during the 2017/18 financial year the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. There were no outstanding significant issues arising from the work undertaken by internal audit. At the time of writing, the Internal Audit Annual Report and Opinion for 2018/19 is due to be considered by the Corporate Governance and Audit Committee on 26th July 2019.

What more do we need to do?

The scale of the financial challenge for 2020/21 and 2021/22 was detailed in the [Medium-Term Financial Strategy](#) that was received at Executive Board in July 2018 with an update on this position being incorporated into the 2019/20 [Revenue Budget report](#) to Executive Board. This strategy is currently being refreshed to cover the five year period 2020/2021 to 2025/2026 and this will be considered at Executive Board in July 2019.

Key risks the refreshed strategy will have to take account of include economic uncertainty and interest rate volatility, demography and demand changes, and the ability to generate capital receipts. There are also a number of policy changes that will impact upon local authority financing:

- The implications of the government's future spending plans with regard to local government and other areas of the public sector from 2020/21 onwards remain unknown and therefore it is unclear to what extent "austerity" will continue after 2019/2020. The results of the government's spending review will be announced in the Chancellor's 2019 autumn budget statement;
- The outcome of government's Fair Funding review of the methodology which determines current funding baselines for local authorities, which are based on an assessment of relative needs and resources, won't be known until the autumn of 2019;
- Government's green paper on social care, setting out its proposals on improving care and support for older people and tackling the challenge of an ageing population has been delayed and so the implications are currently unknown;
- Government has re-stated its intention to move to 75% business retention nationally and further information is required with regard to the design of scheme especially with regard to business rate



resets and what the proposals will mean in respect of the current business rate pool arrangements.

The issuing of a Section 114 notice by Northamptonshire County Council in February 2018 - imposing financial controls and banning expenditure on all services except for its statutory obligations to safeguard vulnerable people - and the subsequently commissioned Best Value Inspection, has increased the focus on local authorities' financial resilience and sustainability. To support local authorities CIPFA will be releasing in the autumn its financial resilience index which aims to provide assurance to councils and their stakeholders on their financial stability. CIPFA is proposing to use a range of indicators based on published data to come to its conclusions. These include an authority's level of expenditure on both adult social care and children's services, level of reserves and use of reserves. In addition CIPFA are also proposing to issue their CIPFA Financial Management Code of Practice which will be applicable from April 2020. This code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The code will be based on a series of principles supported by specific standards and statements of practice which will provide the strong foundation to financially manage the finances of the council, manage financial resilience to meet foreseen demands on services and financially manage unexpected shocks in their financial circumstances.

The current and future financial climate represents a significant risk to the council's priorities and ambitions, and whilst we have been able to successfully respond to the challenge to date, it is recognised that we need to continue to develop our approach to medium-term financial planning beyond just identifying likely budget gaps to encompass a greater recognition of priorities and areas for disinvestment. This work is already underway through our medium-term financial planning which will be extended to cover 5 years. Given the scale of the challenge, it is clear that it will need to be subject to regular review as to progress, and to ensure that it becomes financially sustainable whilst being aligned to our Best Council Plan priorities. In the determination of both the in-year budget and the Medium Term Financial Strategy we will continue to ensure that our processes and assumptions are sufficiently robust, building on the effective controls we have in place to mitigate the risks.

Further information

Additional information is available on the council's website through the following pages:

- [Our financial plans](#)
- [Our financial performance](#)



Information Management and Governance Corporate Risk Assurance

Overview

Information is an asset like any other; we need it to do business and without it, business would stop. We need to manage information just as we do other assets, including our people, buildings, infrastructure and relationships with partners: managing the risks whilst also maximising opportunity and value. The most significant risk associated with a failure in information management and governance is death or serious harm that could have been prevented if information and data had been properly managed or disclosed.

All our services depend upon the effective management of information and data, so managing the risks in this area underpins the delivery of all our Best Council Plan outcomes and priorities.

Corporate risk: Information management and governance				
Risk description	Risk of harm to individuals, partners, organisations, third parties and the council as a result of non-compliance with information governance legislation and industry standards.			
Accountability (Risk owners)	<i>Officer</i>	Director of Resources and Housing		
	<i>Member</i>	Councillor J Lewis, Deputy Leader and Executive Member for Resources		
Evaluation		<i>Probability</i>	<i>Impact</i>	<i>Overall rating</i>
	<i>Current</i>	3 (possible)	3 (moderate)	High (amber)
	<i>Target</i>	2 (unlikely)	2 (minor)	Low (green)

The gap between the current and target ratings is due to ongoing work to ensure the council complies with the requirements of the General Data Protection Regulations (GDPR) and the Data Protection Act (DPA) introduced in May 2018.

Introduction

The main characteristics of information held by the council are summarised below:

- Personal information relating to identified or identifiable individuals – name, address, national insurance number etc.
- Special categories of personal information relating to individuals – racial or ethnic origins, physical or mental health etc.
- Commercially sensitive information such as legal and financial details.
- Personal and special categories of personal information on council employees.
- External information relating to the citizens and business users of Leeds.

The format of information held by the council covers both electronic and hard copy files, including social care files, legal and contractual documents, invoices, council tax and business rates records and correspondence.

The council, in line with recommended practice for public authorities in the UK, has to demonstrate that



the information it has responsibility for is properly managed.

What are the risks?

Failure to manage personal information properly could ultimately cause death, harm or significant distress to individuals. Along with not managing commercially sensitive information properly, the implications for the council could include loss of public confidence, a significant fine and reputational damage. Should a major information breach occur, enforcement action from the Regulator - the Information Commissioner's Office (ICO) - is likely.

On the 25th May 2018, a new data protection framework came into force, consisting of the GDPR and the Data Protection Act 2018. This new data protection framework builds on the principles contained within the original Data Protection Act 1998, but with a greater emphasis on fairness, transparency and accountability.

With the advent of the GDPR, the risk of a significant fine for the council increases if the authority is found responsible for a major breach of the regulations. Failing to manage information properly can also be a root cause of non-compliance with the council's legal duties, including human rights law, confidentiality, service specific legislation (adoptions law, children's law, council tax law, etc.) and access to information. The council could be subject to legal action and claims from stakeholders whose information was not handled properly.

Due to the wide ranging nature of the information management and governance risk, it is closely linked to other corporate risks managed by the council including Council Resilience, Major ICT failure and a Major Cyber incident.

Risk management

How the council is managing the risks

Existing arrangements in place for the information management and governance risk include:

- Policies and procedures for council staff including the Information Governance Policy.
- A wide range of guidance about managing information available to council staff on the internal Intranet site.
- Mandatory training for council staff on information management and governance.
- Staffing roles and responsibilities reflecting information management.
- Reporting to internal boards and committees such as the Corporate Leadership Team (the council's Chief Executive and directors), Information Management Board, Corporate Governance and Audit Committee and directorate management teams.
- Reviews and inspections, both internal and external.

Roles and responsibilities

Ultimate responsibility for information management and governance within the council lies with the Director of Resources and Housing, the organisation's designated Senior Information Risk Owner (SIRO), supported by the Chief Digital and Information Officer and Head of Information Management and



Governance.

All NHS organisations and local authorities which provide social services must have a 'Caldicott Guardian', a senior person responsible for protecting the confidentiality of people's health and care information and making sure it is used properly: in Leeds, the Caldicott Guardian is the Director for Adults and Health.

The Head of Information Management and Governance is the council's Data Protection Officer (DPO), a position required under the GDPR. The GDPR establishes some basic guarantees to help ensure that DPOs are able to perform their tasks with a sufficient degree of autonomy within their organisation. The main tasks of the DPO are: to inform and advise the council of its obligations under GDPR when processing personal data; to monitor compliance with the GDPR; to provide advice on data protection matters, particularly with regards to data protection impact assessments and other high risk processing activities; and to act as the contact point with the ICO supervisory body.

The Head of Information Management and Governance (IM&G) also oversees the effective underpinning of the council's operations in the following areas:

- Cyber Assurance and Compliance
- Information Access and Compliance
- Records Management
- IM&G Change and Initiatives

Alongside these individual roles, the council's Information Management Board (chaired by the Chief Digital and Information Officer) aims to ensure that:

- A good standard of information management and governance practice is embedded into council business processes;
- The council's Information Standards Policy is kept up to date and is fit for purpose; and
- Decisions made about information management and governance are properly communicated to the right stakeholders across the organisation.

Information Access and Compliance

In May 2018, a new data protection framework came into place consisting of the General Data Protection Regulation ('the GDPR') and the Data Protection Act 2018 ('the DPA 2018'). The DPA 2018 has a number of functions including implementing the EU Law Enforcement Directive, which applies to processing of personal data for law enforcement purposes, and setting out the duties, functions and regulatory tools of the regulator, the Information Commissioner's Office ('the ICO'). The new data protection framework builds upon the principles contained within the Data Protection Act 1998 with a greater emphasis on fairness, transparency, and accountability. It provides the ICO with enhanced regulatory tools which include the power to impose fines on data controllers who infringe the GDPR of up to 20 million euros in some cases with other infringements resulting in a maximum fine of 10 million euros. This two tier fine system represents a significant increase from the previous DPA under which the maximum liability was £500,000.

To implement the new framework, the council adopted a strategy that focused on nine work streams required to achieve compliance with the relevant articles in the GDPR and to ensure that appropriate policies, procedures and guidance were updated or created. The nine work streams were:



- 1 Demonstrating compliance with the principles contained within the GDPR.
- 2 Security of processing.
- 3 Security incident management (the requirement to notify the ICO of personal data breaches).
- 4 Data Protection by design and default (a requirement to carry out data protection impact assessment whenever the council uses new technologies, and the processing is likely to result in a high risk to the rights and freedoms of individuals).
- 5 Contractual arrangements with data controllers and processors.
- 6 Individuals' rights (the right of access; the right to restrict processing; the right to object; the right to rectification; and the right to erasure / be forgotten).
- 7 Lawfulness, fairness and transparency (requirement to have a legal basis for processing personal data with the threshold to utilise consent being higher than the previous DPA; and to provide further information within privacy notices than was previously stipulated).
- 8 Storage limitation.
- 9 Accuracy and data quality (requirements around data minimisation and accuracy including ensuring that inaccurate data is erased or rectified).

The GDPR implementation project has been materially finished as the work related to it has transferred to 'business as usual', there are some outstanding tasks that are due for completion shortly.

A GDPR Implementation Guide ('the Guide') has been produced, is being rolled out to relevant stakeholders across the council and is to be updated at regular intervals. The Guide includes information on key areas including:

- Key policies including those for Data Protection and Information Assurance.
- New procedures, including those for managing and investigating security incidents and personal data breaches.
- New Data Protection Impact Assessment template and guidance.
- Details of the council's records retention schedule.
- Information on how to raise awareness to staff e.g. via posters and guidance.
- Revised contractual documentation.

To ensure that Elected Members understand the new framework and the implications for their roles and responsibilities, a suite of documents and guidance was produced and tailored to their requirements. To help develop the suite, a Members' GDPR working group was established comprising councillors from across the political parties and the council's GDPR implementation team. Group support was also provided to Members on records management and retention.

A mandatory e-learning application has been developed for Members, tailored to their information management and governance requirements.

Records Management

Records management is an important part of information management and governance. Electronic and hard copy records need to be stored securely and have appropriate access controls, records need to be easily located when required and disposed of in accordance with policy. Work is in progress with the following records management areas:



- A project is ongoing to implement an Information Asset Register (IAR) and to raise awareness of the role of Information Asset Owners (IAO'S) across the council.
- Staff responsible for records management (Record Managers) are working with their respective IAOs to help analyse their information assets and identify any associated risks. This work is scheduled to be completed in December 2019 and progress is being monitored by the Information Management Board.

The Records Management Team also continue to monitor their annual work plan and aspire to improve and ensure consistency of records management approaches across the whole council and maintain compliance with the Data Protection Act/GDPR. Within this, high risk areas are being prioritised so that work can be completed on them first. Key priorities identified last year are progressing well and examples of ongoing records management work are summarised below:

- A project has been scoped with the aim of ensuring consistency in the management of employee records across the council to ensure compliance with the DPA principles;
- Across the council, a number of data scanning and digitisation projects are either underway or planned. To help ensure compliance with the GDPR and to generate efficiency savings.
- Data cleansing work is being done to reduce the storage of electronic records on the council's network drives by 60%. This work will also help mitigate the risk of breaching DPA principles. To date, over 2.5 million unnecessary files have been deleted.
- Improvements are being made to the council's paper records so that they can be more effectively managed and disposed of, thereby helping to reduce unnecessary storage costs. Last year thousands of paper records were sent for destruction or were organised for appropriate storage in line with the council's records management policy and the DPA.
- The various record management databases used by the council are being replaced by a single product, thereby enabling a more cohesive and compliant approach. Work is underway to cleanse the data held in the existing databases as well as disposing of unnecessary records in line with retention period rules.
- Raising awareness to staff across the whole council on their roles and responsibilities in relation to records and information management. This includes the ongoing availability of an information governance 'e-learning' package.
- The council's Records Management Plan was reviewed and updated in December 2018 to reflect changes in legislation and any organisational changes.

What more do we need to do?

During the coming year a number of information management initiatives are planned, aimed at mitigating the risk and bringing the council closer to full compliance. A number of the initiatives described earlier in this assurance report are work in progress and the following are new developments scheduled for 2019/20:

- Review of international transfers of personal data in line with GDPR and implications of no-deal Brexit.
- Implement the information management and governance elements of the Digital Economy Act.
- Further develop the information governance training programme for council staff.



- Develop a Regional Information Sharing Gateway.
- Update disaster recovery arrangements for paper records.
- Develop a Data Quality Policy and associated procedures and guidance.
- Review of the internal staff guidance on Managing Information.
- Develop an Information Management Strategy which sets out corporate rules around the management of e mails and administration rights around folder permissions and email quotas.

Further information

The council's Information Governance Policy can be accessed [here](#).

Additional information can be found on the [Information Commissioner's Officer \(ICO\)](#) website. The ICO is the UK's independent authority set up to uphold information rights in the public interest, promoting openness by public bodies and data privacy for individuals.



Major Cyber incident

Overview

With councils making more services available digitally, staff and elected members conducting more work online and working in a more collaborative way with partner organisations – which requires the sharing of resident and business data – ensuring cyber security arrangements are fit for purpose is a key priority.

All our services depend upon the effective management of information and data, most of which is administered via the digital infrastructure, so effective management of the cyber risk underpins the delivery of all our Best Council Plan outcomes and priorities.

Corporate risk: Major Cyber Incident				
Risk description	Risk to citizens, the council and the city as a result of digital crime, process failure or people’s actions			
Accountability (Risk owners)	<i>Officer</i>	Director of Resources and Housing		
	<i>Member</i>	Councillor J Lewis, Deputy Leader and Executive Member for Resources		
Evaluation		<i>Probability</i>	<i>Impact</i>	<i>Overall rating</i>
	<i>Current</i>	4 (Probable)	4 (Major)	Very High (Red)
	<i>Target</i>	2 (unlikely)	4 (major)	High (amber)

The gap between the current and target ratings is due to work being undertaken to ensure the council complies with the requirements of legislation introduced in 2018 and the controls set out by various Information Assurance standards. Details of this work can be seen in the ‘what more do we need to do?’ section in this report.

Introduction

As seen with high profile cyber-incidents, including the WannaCry ransomware attack which especially affected the NHS in 2017, and a significant number of attacks on private sector businesses, those with criminal or hostile intent will continue to try to breach security to steal the data we hold and/or damage our systems. Along with a fast changing technological environment, the ability and complexity of cyber-attacks is increasing, and therefore the measures adopted by the council need to be adequate to remain resilient against them.

Cyber risk has been identified by the UK’s National Security Risk Assessment as a ‘tier one risk’, one judged to be of the highest priority for national security over the next five years alongside terrorism and natural disaster.

What are the risks?

The council’s digital infrastructure is under constant attack from accidental and malicious sources, from



both inside and outside the boundary of our information technology (IT) network. These attacks attempt to disrupt the confidentiality, availability and integrity of our information and could also bring our systems and applications to a standstill. This could severely impact on the council's ability to deliver its critical services. Failure to adequately protect council systems and data from a cyber-attack could ultimately cause death, harm or significant distress to individuals.

A recent Distributed Denial of Service (DDoS) attack prevented council system users from accessing the internet for a short time, and also made the Leeds.gov website unavailable for the same period; this was later discovered to be due to a national attack on public services. Had the attack been prolonged, council services delivered digitally could have been more adversely affected, including those deemed as being of a critical nature, e.g. meals on wheels services, traffic lights, CCTV and the support provided to vulnerable children and adults.

With the advent of General Data Protection Regulations (GDPR), the risk of a significant fine increases if the council is found responsible for a major breach of the regulations. Failing to protect data can also be a root cause of non-compliance with the council's legal duties, including human rights law, confidentiality, service specific legislation (adoptions law, children's law, council tax law, etc.) and access to information. The council could be subject to legal action and claims from stakeholders whose information was not handled properly.

The council increasingly relies on collecting income for services such as Council Tax and Business Rates via electronic means such as payment cards and direct debit. A significant cyber-attack disrupting financial systems could result in a loss of income for the council.

Should a major cyber breach occur, enforcement action from the Regulator - the Information Commissioners Office (ICO) - is likely. If a breach of payment card holder data occurs, the investigation and fines would be significant depending upon how many records are breached and our level of compliance with the Payment Card Industry standard.

The implications for the council should a major cyber-attack occur and not be managed properly also extend to a loss of public confidence and reputational damage.

Due to the wide ranging nature of a major cyber incident, it is closely linked to other corporate risks managed by the council including Council Resilience, Major ICT Failure and Information Management and Governance.

Risk management

How the council is managing the risks

The council has already taken a range of steps to protect itself from cyber-attacks, including technical measures such as using firewalls and scanning services and adopting compliance regimes, such as that of the government's Public Services Network (PSN). Non-technical measures are also used, such as mandatory information governance training for staff, the regular reporting of cyber risk, and scenario planning for the eventuality of a cyber-attack.

These form part of a wide range of controls to ensure the cyber resilience of the council's systems and



information. At a high level, the controls can be categorised into the areas of people, process and technology and are summarised as follows:

People

The Director of Resources and Housing is the designated Senior Information Risk Owner (SIRO) and has ultimate responsibility within the council for information management and governance, including 'cyber'. The director is supported by senior officers: the Chief Digital and Information Officer and Head of Information Management and Governance, the latter being the council's accountable officer for 'cyber'.

Aspects of 'cyber' incorporated in training delivered to council staff and members include:

- Mandatory training on information management and governance.
- Training for elected members with a demonstration on 'Hacking'.
- Procurement training includes a demonstration of the potential cyber risks when purchasing systems.
- Training on the 'Cloud Principles' - guidance on how to configure, deploy and use cloud services securely - delivered to relevant staff and business partners.

Process

The council's Information Management & Governance Team review and update the policies and procedures they have responsibility for, ensuring they are kept up to date. New protocols have been written and published including those on passwords and a protocol for the acceptable use of council-provided systems and devices.

At the top of the council's governance structure for Cyber is the Information Management Board (chaired by the Chief Digital and Information Officer) the board aims to ensure:

- A good standard of information assurance and security practice is embedded into council business processes;
- The council's Information Assurance Policy is kept up to date and is fit for purpose; and
- Decisions made about Cyber/Information Assurance are properly communicated to the right stakeholders across the organisation.

The ISAaC (Information Security, Assurance and Compliance) Board, chaired by the Head of Information Management and Governance, supports and feeds into the Information Management Board.

Technology

The council uses a 'defence in depth' control strategy to protect its information assets. Layers of protection are built up to try and prevent attacks from breaching the council's IT network boundary. In the event of a cyber breach, the controls aim to protect information held on council devices and in the systems it has responsibility for. If a system or device were to be affected by a cyber breach, robust back-up and recovery plans are in place.

The council works with partner organisations to gain assurance across the supply chain. Controls maintained by the council in conjunction with its partners include:

- Contract terms, conditions and clauses include aspects relating to cyber security (where relevant).



- The adoption of fourteen 'Cloud Principles' from the National Cyber Security Centre.

Cyber Assurance and Compliance

The council has to demonstrate that it complies with a number of different information and cyber assurance and compliance regimes. Compliance is required so that the council can access services, networks and data owned and controlled by other entities and to process credit and debit card payments.

Public Services Network Code of Connection

In July 2018, the council achieved compliance with the PSN Code of Connection (CoCo), an independent security assessment of external and internal network infrastructure and devices, designed to meet PSN CoCo requirements. Compliance allows organisations to maintain a secure connection to the PSN.

An Information Technology Health Check (ITHC) was commissioned in November 2018 in line with the requirement of the PSN Code of Connection. The outcomes of the ITHC saw a reduction in the number of 'cyber-vulnerabilities' facing the council, the remainder of which are being managed via a series of projects.

The Cyber Stocktake

As part of the National Cyber Security Strategy, the Local Government Association (LGA) was granted funding from government to ensure that councils are as resilient against cyber-attacks as possible. In September 2018 every council in England completed an online cyber stocktake questionnaire concerning their cyber security arrangements. The stocktake aimed to:

- Capture existing cyber security arrangements
- Identify good practice – and those councils delivering it
- Identify risks – and those councils at risk.

Following the stocktake, the council successfully applied for funding from the LGA to help finance some of the improvements highlighted from the results of the cyber stocktake.

GDPR – Article 32

Work is underway to assess the adequacy of the council's IT applications against eight new rights for individuals⁴ provided by the GDPR. The work will also check that the security of the applications is in line with the GDPR legislation. A working group meets weekly to assess applications against a set of criteria and funding is made available to replace or upgrade any applications not meeting the standard.

Cloud Principles

All of the council's cloud applications (hosted off site) will be assessed by the end of June 2019 to meet PSN requirements.

What more do we need to do?

- Over the next year the council will undertake a series of initiatives aimed at mitigating the cyber risk and bringing the council closer to full compliance with the required standards. These include

⁴ The eight GDPR rights for individuals are: the right to be informed, the right of access, the right to rectification, the right to erasure, the right to restrict processing, the right to data portability, the right to object and rights in relation to automated decision making and profiling.



those of the PSN, Payment Card Industry Data Security Standard, the Data Security and Protection Toolkit and Her Majesty's Government Security Policy Framework, also incorporating the Minimum Cyber Security Standard (MCSS) for Government services.

- A service level risk register documenting the operational risks underpinning the corporate 'Cyber risk' is in development. The service level cyber risk register will include details of the controls in place and planned actions to mitigate against a cyber-attack on the council.
- Work is ongoing to address issues with 'remaining and soon to be unsupported' software and hardware, required to meet various compliance standards.
- Procurement is underway to implement a password tool on council systems and devices to prevent the use of guessable passwords.

Further information

The council's Information Governance Policy can be accessed [here](#).

Additional information can be found on the [Information Commissioner's Officer \(ICO\)](#) website. The ICO is the UK's independent authority set up to uphold information rights in the public interest, promoting openness by public bodies and data privacy for individuals.

National Cyber Security Centre [Cloud Principles](#)



School Places Corporate Risk Assurance

Overview

Ensuring that the supply of school places meets demand is a statutory duty of local authorities. This duty also includes the promotion of parental choice, diversity and fair access. In terms of meeting demand, local authorities are subject to constraints under the Education Act 2011. The Act requires that, where a need for a new school is identified, the local authority invites proposals to establish an academy or free school, with the decision over whether to go ahead ultimately taken by the Department for Education (DfE).

For schools that are already open - local authority maintained, voluntary aided or academies - they can be expanded through a prescribed process of consultation. However, local authorities cannot require academies or free schools to expand. The inherent tension between the statutory requirement for a local authority to provide school places, and the diminishing influence of the local authority in the building/expansion of schools means that there is a greater risk of not meeting the duty to provide sufficient school places in good quality provision that meet the needs of local communities.

Leeds has experienced a rising birth rate since the turn of the century, with approximately a third more births per year recorded now than in 2000. The increasing child population has progressed through the primary phase and is now increasing pressure on the secondary phase. Additionally, the demographic make-up of the city has changed due to migration, meaning that houses (and, therefore, schools) are required in different parts of the city. The Leeds Core Strategy⁵ makes land available for 56,000 new houses in Leeds by 2030, which will further increase the pressure on school places.

Corporate risk: school places				
Risk description	Failure to provide sufficient school places in good quality buildings that meet the needs of local communities			
Accountability (Risk owners)	<i>Officer</i>	Director of Children and Families		
	<i>Member</i>	Councillor Pryor, Executive Member for Learning, Skills and Employment		
Evaluation		<i>Probability</i>	<i>Impact</i>	<i>Overall rating</i>
	<i>Current</i>	3 (possible)	5 (highly significant)	Very high (red)
	<i>Target</i>	2 (unlikely)	5 (highly significant)	High (amber)

What are the risks?

The risk is that the council is not able to secure sufficient school places for every child in the city that wants one, and so is in breach of its statutory duty. The factors that could cause this risk to materialise are:

- Inaccurate pupil projection calculations, underestimating the need for school places in different parts of the city.

⁵ The Core Strategy sets out the spatial planning framework for the District. Central to its preparation has been the development of an approach which seeks to manage growth in a sustainable way, in balancing the overall, scale, distribution and phasing of development.



- Proposals to create additional schools places not being approved. If proposed expansions to existing schools, changes to the age ranges of existing schools, or proposals to hold a competition to create a new school are not acceptable to local communities or to elected members, this could result in Executive Board declining proposals.
- A lack of physical options for expanding existing schools or identifying potential sites for new schools in areas of need.
- A lack of capital funding to be able to implement proposals for creating additional places. Basic need proposals have been funded through the basic need capital programme funding⁶ from central government, in acknowledgement of the particular school place pressure in Leeds. However, schemes generally cost more than the funding provided by government, creating a financial pressure. Any capital budget deficit will affect not only our ability to meet the need for school places, but also on delivering other capital projects, such as the maintenance of the school estate.
- A conflict with developing national policy on changes to school governance. As increasing numbers of schools convert to become academies, or become sponsored academies, the maintained school estate is reduced, and correspondingly the council's scope for adapting this estate to population pressures is reduced. This does not prevent the local authority working with academies to commission school places, as local authorities still have overall responsibility for ensuring that there are sufficient spaces to meet demand locally, but the decision-maker over requests to expand pupil numbers at an academy is the Secretary of State, rather than the local authority.
- New housing developments adding additional pressure to both the primary and secondary phases. Where there is no existing capacity, housing developers are asked to contribute through section 106 agreements⁷.
- In-year demand across the primary phase continue to create pressures within the inner city areas as families continue to migrate to Leeds.

The consequences of the risk materialising would be:

- The council would be in breach of its statutory responsibility to secure sufficient school places.
- The council does not deliver cost effective solutions, which would bring close scrutiny on the council's ability to effectively manage its basic need capital budget through the publication of the national scorecards and, potentially, DfE intervention.
- Short-term solutions, such as temporary classrooms may be required. This could lead to poor quality teaching environments for some pupils, which could negatively affect educational outcomes, particularly for those pupils who are already at risk of poor outcomes. The additional costs also add to the pressure on the capital budget.

⁶ Basic need funding is the money given by government to local authorities each year to help them fulfil their duty to make sure there are enough school places for children in their local area.

⁷ Planning obligations, also known as Section 106 agreements (based on that section of The 1990 Town & Country Planning Act) are private agreements made between local authorities and developers and can be attached to a planning permission to make acceptable development which would otherwise be unacceptable in planning.



- Children may be expected to attend a non-local school where capacity exists. It is preferable to avoid this outcome since it means more of our youngest children travelling greater distances, impacting on attendance and attainment.
- The adverse impact on other potential capital spend priorities, such as children's centre maintenance and residential children's home improvements.

Risk management

How the council is managing the risks

The basic need programme represents the local authority's response to the demographic pressures in primary school provision. Since 2009, the local authority has created over 1,700 reception class places as part of the programme. This equates to an overall increase in school capacity of nearly 12,500 places. Projections also suggest that approximately 1,200 year seven places will need to be created by 2023, to manage an increasing primary school population as well as address planned housing demand. Accurate and detailed data modelling processes help project need and provide forecasting of the Leeds school place requirement (pupil projections) and helps inform the local authority's returns to the DfE, to ensure that the maximum amount of Basic Need capital funding is secured from central government to create the required places. Increased stakeholder involvement from the outset when developing options and proposals helps towards the strategy of creating sufficient places across the city.

Closer working across the local authority has raised the profile of this issue. A focused discussion at the council's Corporate Leadership Team (the council's senior management team, comprising its directors and Chief Executive) about the impact of demographic change on all council services has led to corporate working groups being established, of which basic need is a high profile strand. This closer working is reflected in the relationships built with housing agencies and the immigration service, to ensure a full picture of existing and projected provision is available.

Robust financial planning and continual budget forecasting supports continual cash flow monitoring, and realignment of contingencies balances as projects/programmes complete.

What more do we need to do?

As the demand for primary school places appears to have levelled out, for academic year 2019/20 an additional 50 reception places were added. With a stabilising birth rate, the need for primary school places has reduced longer term, with an additional 135 places projected for 2020/21, 60 additional places projected for 2021/22 and 60 additional places projected for 2022/23. The majority of this need is likely to be met through temporary solutions.

261 additional secondary school places have been made available for September 2019. Several schools have been able to offer additional places over their published admission number (PAN) to help meet localised demand. Plans continue to be developed to help meet the longer term demand for secondary school places with solutions likely to be a mixture of free schools, permanent expansions, schools taking over PAN or temporary solutions.

The delivery of the projected 1,200 secondary school (year 7) places by 2023 will be delivered through a



combination of new schools, expansions of existing schools, and changes to post-16 provision. Some solutions have already received approval, some are in, or are about to commence public consultation, and other solutions will be developed in the near future through consultation with key community stakeholders, to meet the demand for additional secondary school places.

Large housing developments as part of the site allocations plan will inevitably change the need for school places over the next 15 years, adding to the demand and pressure in some parts of the city. Staff across the council will work closely together, both at the planning stage and during implementation, to identify when and where additional provision is required due to increased housing. This will be the predominant source of additional demand for primary school places over the next four years.

Given the challenges above, particularly in relation to secondary school provision, delivering the required provision in a timely and cost-effective manner requires a whole council response and a continued focus.

Further information

All reports that seek permission to consult about the creation of new school places, reports on the subsequent outcomes of those consultations, and design and cost reports basic need projects are publicly available as Executive Board reports, available [here](#).

The DfE produce statistical first releases on national pupil projections for all local authorities in England. The most recent release is [here](#).

The Education and Skills Funding Agency provides data on the progress local authorities are making in delivering good quality school places. The most recent release is [here](#).



Annexe 1: Leeds City Council's Risk Evaluation Matrices

The tables below give guidance on assessing risks on a scale of 1 to 5 in terms of their probability and impact, based on the current controls in place. Together, the two scores combine to give a risk rating. Additional notes to help make an assessment and the risk map used to determine the rating are on the next page.

Qualitative and quantitative descriptions are included to help evaluate a broad range of risks and give a level of consistency across the council's risk registers. However, you may have additional criteria you want to consider when carrying out your risk assessment or it may be that you need to adjust the thresholds up or down in an impact area such as finance / cost so please treat the tables below as a starting point. Also please bear in mind that risks will change (e.g. new information becomes available; the environment changes) so you will need to review your risk assessments frequently and adjust them as necessary.

Probability

Probability score	1	2	3	4	5
Descriptor	Rare	Unlikely	Possible	Probable	Almost certain
Frequency <i>How often might it / does it happen</i>	This will probably never happen / recur	Not expected to happen / recur	Might happen or recur occasionally	Will probably happen / recur but it is not a persisting issue	Will undoubtedly happen / recur, possibly frequently
Likelihood <i>Will it happen or not over the risk timescale</i>	Less than 5% chance	Around 10% chance	Around 25% chance	Around 60% chance	Around 90% chance

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Impact

Impact score	1	2	3	4	5
Descriptor	Insignificant	Minor	Moderate	Major	Highly significant
Health & Safety <i>Impact on the safety and wellbeing of the public and staff</i>	No ill effects.	Short-lived / minor injury or illness that may require First Aid or medication. Small number of work days lost.	Moderate injury / ill-effects requiring hospitalisation. Risk of prosecution from enforcement agencies.	Single fatality and/or long-term illness or multiple serious injuries.	Multiple fatalities and / or multiple incidences of permanent disability or ill-health.
Environment / community	No effect on local infrastructure, communities or the environment.	Superficial damage to local infrastructure (e.g. minor road) but little disruption caused.	Medium damage to local infrastructure (e.g. minor road) causing some disruption.	Key elements of local infrastructure (e.g. school, major road) damaged causing major disruption.	Extensive damage to critical elements of local infrastructure (e.g. school, hospital, trunk road) causing prolonged disruption.

Impact score	1	2	3	4	5
Descriptor	Insignificant	Minor	Moderate	Major	Highly significant
Service interruption¹	Negligible. No impact on services.	Minor inconvenience for service users and staff. Services quickly restored.	Some client dissatisfaction but services restored before any major impacts.	Major disruption to service delivery. This could be through a single event or a series of outages.	Massive disruption to services. Recovery difficult or even impossible.
Staff	No impact on staff or service delivery.	Short-term low staffing level that temporarily reduces service quality. No impact on staff morale.	Medium-term low staffing level / insufficient experienced staff to deliver quality service. Some minor staff dissatisfaction.	Late delivery of key objective / service due to lack of experienced staff. Low staff morale.	Non-delivery of key objective / service due to lack of experienced staff. Very low staff morale.
Finance / cost² <i>Impact on relevant budget (e.g. service, project). Includes risk of claims/ fines.</i>	No or minimal financial cost. Budget risk register: £0 - £499k	Losses / costs incurred of 1-2% of budget. Budget risk register: £500 - £999k	Losses / costs incurred of 3-5% of budget. Budget risk register: £1000k - £1,499k	Losses / costs incurred of 6-10% of budget. Budget risk register: £1500k - £1999k	Losses / costs incurred of more than 10% of budget. Not covered by insurance. Budget risk register: Over £2m
Statutory duties / inspections	No or minimal impact or breach of guidance / statutory duty.	Minor breach of statutory legislation / regulation. Reduced performance rating if unresolved.	Single breach in statutory duty. Challenging external recommendations / improvement notice.	Several breaches in statutory duty. Enforcement action and improvement notices. Critical report. Low performance rating.	Multiple breaches in statutory duty. Prosecution. Complete systems / service change required. Severely critical report. Zero performance rating.
Projects / Programmes <i>(Time / Cost / Quality – for Cost impacts see ‘Finance / cost’ above)</i>	Little or no schedule slippage. No threat to anticipated benefits & outcomes.	Minor delays but can be brought back on schedule within this project stage. No threat to anticipated benefits & outcomes.	Slippage causes delay to delivery of key project milestone but no threat to anticipated benefits / outcomes.	Slippage causes significant delay to delivery of key project milestone(s). Major threat to achievement of benefits / outcomes.	Significant issues threaten entire project. Could lead to project being cancelled or put on hold.

¹ No timescales for interruptions have been given as the impact will vary from service to service and across the year. For example, a service interruption or outage of 1 day might be inconvenient for some services but critical for others. Equally, an outage of 1 day during the Christmas holidays might have no impact on many services but if this came at a particularly important time of the business cycle, it could cause significant issues. Services, particularly those deemed as ‘critical’ Council services, should consider their business impact analyses and business continuity plans when making this assessment.

² The budget risk register impact scores are defined by the Council’s Financial Management service.

Impact score	1	2	3	4	5
Descriptor	Insignificant	Minor	Moderate	Major	Highly significant
Reputation <i>Adverse publicity</i>	No adverse publicity. Rumours.	Single adverse article in local media or specific professional journal that is not recirculated (e.g. through social media). Leeds City Council one of a number of agencies referred to.	A number of adverse articles in regional / social media mentioning Leeds City Council. Some recirculation via social media. Single request for senior officer / member to be interviewed on local TV or radio. Adverse reaction by Leeds residents in YEP / social media / online forums. Short-term reduction in public confidence.	Series of adverse front page / news headlines in regional or national media. Wider recirculation via social media. Sustained adverse reaction by Leeds residents in YEP / social media etc. Repeated requests for senior officer / member to be interviewed on local TV or radio. Long-term reduction in public confidence.	Sustained adverse publicity in regional media and / or national media coverage. Extensive / prolonged recirculation via social media channels. Repeated requests for Council Leader / Chief Executive to be interviewed on national TV or radio. Possible resignation of senior officers and / or elected members. Total loss of public confidence, potential government intervention.

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Additional notes

Probability

If you're not sure about the percentage chance of a risk happening over a given timescale and you don't have the data to assess its frequency, use the probability descriptors (i.e. 'Unlikely', 'Almost certain' etc.) to determine the most suitable score.

The risk timescale – i.e. the period of time during which the risk could materialise - will vary according to the type of risk it is. For example:

- For a budget risk, it might be expected to materialise over this financial year or over the period of the Medium Term Financial Plan.
- For a project risk, it could be either over the whole of the project lifecycle or for a particular phase within the project.
- With regard to an event, the timescale will be from now until the date of the event.
- For a number of the more cross-cutting strategic risks such as those on the corporate risk register, it is likely that the risk could materialise at any time. In these instances, it would be useful to consider the frequency: e.g. has this ever happened in the past in Leeds and, if so, how often and how recently? Has anything changed to make the risk more likely to occur?

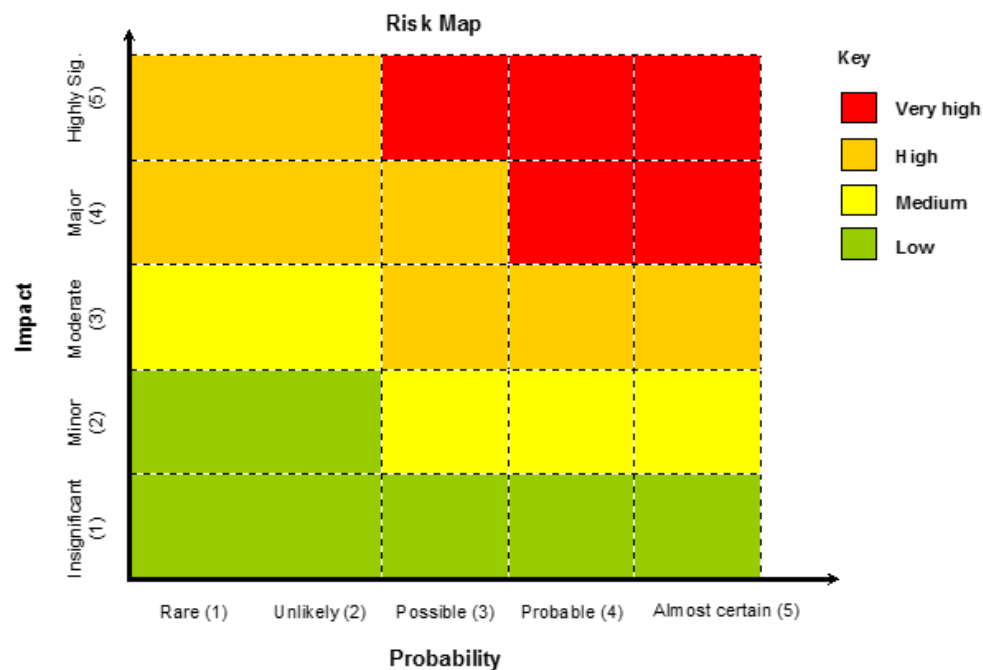
Impact

Many risks could have a range of consequences: for example, a Health & Safety breach could affect an individual as well as lead to reputational and financial damage for an organisation. It's therefore possible that you assess the risk as having an impact of '3' using the Health & Safety impact, '2' for Finance and '4' for reputation.

Although you could break the risk down into several different risks covering all these areas and then score each of them to address the varying impact scores, often this can crowd a risk register and take the focus away from the actual risk 'event': i.e. the Health & Safety incident. Where possible, it's better to have 1 risk and use your best judgement to give an overall single impact assessment score. In the example above, this might be a '3' if you were to average the 3 impact scores or '4' if you decided to go with a worst-case scenario.

Risk Rating

When you've assigned probability and impact scores to each of your risks, you can plot them on a risk map to give you the overall risk rating.



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Report author: Sonya McDonald
Tel: 88693

Report of the Chief Officer (Financial Services)

Report to Corporate Governance and Audit Committee

Date: 26th July 2019

Subject: Internal Audit Annual Report and Opinion 2018-19

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<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
Will the decision be open 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

1. Main issues

- The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the council's corporate governance arrangements (including matters such as internal control and risk management) and to consider the Annual Internal Audit Report.
- The Public Sector Internal Audit Standards (PSIAS) require the Head of Audit to deliver an annual internal audit opinion and report that can be used by the council to inform its governance statement.
- This report provides the Annual Internal Audit Report and Opinion for 2018/19.
- The overall conclusion is that on the basis of the audit work undertaken during the 2018/19 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. A satisfactory overall opinion is provided for 2018/19, based on the audit work detailed within this report. The work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.

2. Best Council Plan Implications

- The work of Internal Audit contributes to Leeds City Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on accomplishing the Best Council Plan objectives.

3. Resource Implications

- A risk-based approach has been used to devise an Internal Audit plan that promotes the effective and efficient use of resources across the organisation.

4. Recommendations

- a) The Corporate Governance and Audit Committee is asked to receive the Annual Internal Audit Report and Opinion for 2018/19 and note the opinion given. In particular:
 - that on the basis of the audit work undertaken during the 2018/19 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice
 - a satisfactory overall opinion is provided for 2018/19, based on the audit work detailed within this report
 - that the work undertaken to support the opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.
- b) The Committee is also asked to note that there have been no limitations in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.

1 Purpose of this report

1.1 The purpose of this report is to bring to the attention of the Committee the annual Internal Audit opinion and basis of the Internal Audit assurance for 2018/19.

2 Background information

2.1 The Public Sector Internal Audit Standards (PSIAS) require the Head of Audit to deliver an annual internal audit opinion and report that can be used by the council to inform its governance statement.

2.2 The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the council's corporate governance arrangements. Internal audit is a key source of independent assurance providing the Committee with evidence that the internal control environment is operating as intended.

2.3 The Chief Officer (Financial Services), as the council's Section 151 Officer, is responsible under the Local Government Act 1972 for ensuring that there are arrangements in place for the proper administration of the authority's financial affairs. The work of Internal Audit is an important source of information for the Chief Officer (Financial Services) in exercising her responsibility for financial administration.

2.4 On behalf of the Committee and the Section 151 Officer, Internal Audit acts as an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2.5 The terms of reference of the Committee require that it considers the council's arrangements relating to internal audit requirements including the Annual Internal Audit Report and monitoring the performance of the Internal Audit section.

3 Main issues

3.1 The Annual Reporting Process

3.1.1 The Public Sector Internal Audit Standards require the Head of Audit to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control and must incorporate:

- the opinion
- a summary of work that supports the opinion
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme

3.1.2 This report is the culmination of the work performed by Internal Audit during the course of the year and provides the Head of Audit opinion based on an objective

assessment of the framework of governance, risk management and control. This includes an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems. In accordance with the requirements of the PSIAS, the Head of Audit must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

3.2 Organisational Independence

- 3.2.1 The PSIAS require the Head of Audit to confirm to the Corporate Governance and Audit Committee at least annually, the organisational independence of the internal audit activity. The Internal Audit Charter and the council's Financial Regulations re-inforce this requirement.
- 3.2.2 The Internal Audit Charter specifies that the Head of Audit must report to a level within the council that allows Internal Audit to fulfil its responsibilities.
- 3.2.3 The authority's Financial Regulations state that the Head of Audit 'must be able to report without fear or favour, in their own name to the Chief Executive, the Executive Board, the Corporate Governance and Audit Committee and the scrutiny function.'
- 3.2.4 Appropriate reporting and management arrangements are in place within LCC that preserve the independence and objectivity of the Head of Audit.

Declaration of independence and objectivity

The reporting and management arrangements in place are appropriate to ensure the organisational independence of the Internal Audit activity. Robust arrangements are in place to ensure that any threats to objectivity are managed at the individual auditor, engagement, functional and organisational levels. Nothing has occurred during the year that has impaired my personal independence or objectivity.

Head of Audit

3.3 Opinion 2018/19

- 3.3.1 The Public Sector Internal Audit Standards (Performance Standard 2450) state that *'the chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.'* This must be based on an objective assessment of the framework of governance, risk management and control and include an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.

Head of Audit opinion for 2018/19

On the basis of the audit work undertaken during the 2018/19 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice.

*We have audited several areas that have resulted in 'Limited Assurance' opinions and we have highlighted weaknesses that may present risk to the council. In these cases, we have made recommendations to further improve the arrangements in place. Although significant to the control environment in place for the individual system areas that have been audited, these weaknesses are not material enough to have a significant impact on the overall opinion on the adequacy of the council's governance, risk management and control arrangements at the year end. A **satisfactory** overall opinion is provided for 2018/19, based on the audit work detailed within this report. The outcomes of the audit work that supports this opinion have been reported to Members of the Corporate Governance and Audit Committee during the year.*

The audit work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.

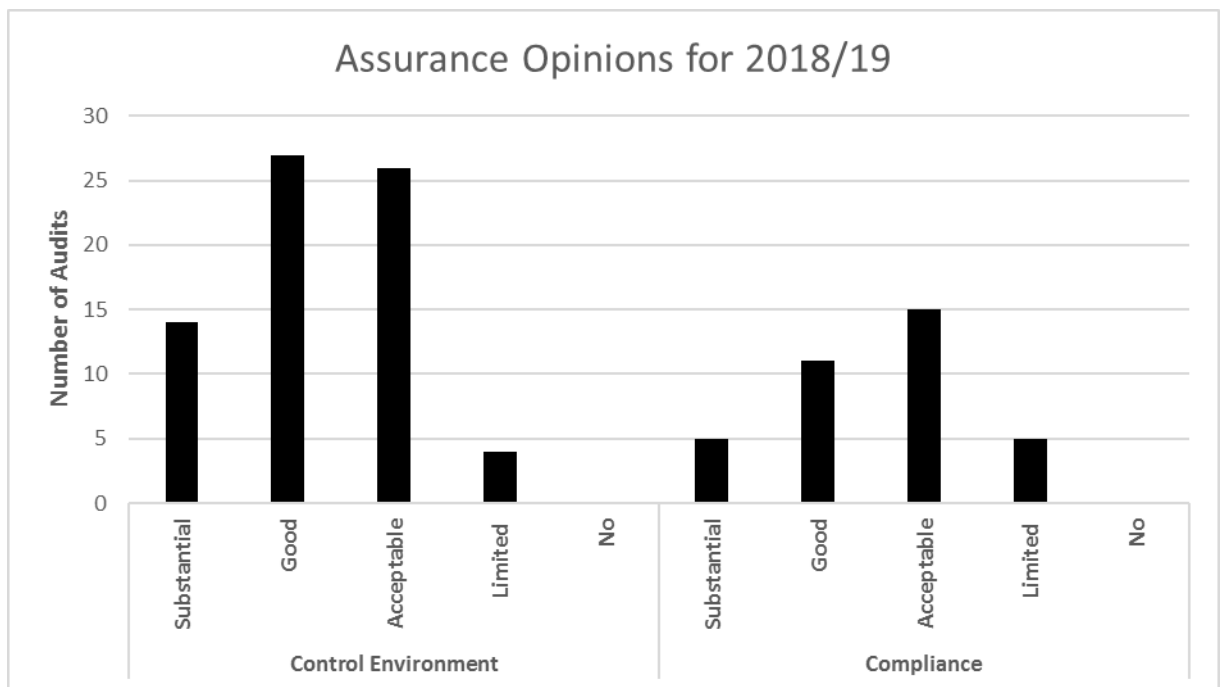
3.4 Basis of Assurance

- 3.4.1 The annual opinion on the adequacy and effectiveness of the control environment for 2018/19 is based on the findings and assurance provided by the schedule of reviews undertaken throughout the year. The schedule of reviews for 2018/19 was prepared using a risk based audit planning approach and was approved by the Corporate Governance and Audit Committee in March 2018.
- 3.4.2 Each piece of audit work results in an audit report that provides, where appropriate, an assurance opinion. Depending on the type of audit review undertaken, assurance opinions may be assigned for the control environment, compliance and organisational impact. The control environment opinion is the result of an assessment of the controls in place to mitigate the risk of the objectives of the

system under review not being achieved. A compliance opinion may also be provided for the area under review if assurance on the extent to which the controls are being complied with is required. Assurance opinion levels for the control environment and compliance are categorised as follows: substantial (highest level), good, acceptable, limited and no assurance.

3.4.3 Organisational impact is reported as either: major, moderate or minor. Any reports issued with a major organisational impact will be reported to the Corporate Leadership Team along with the relevant directorate’s agreed action plan.

3.4.4 The graph below provides a high level overview of the assurance opinion levels provided for the audits that we have completed during the year.



3.4.5 The PSIAS require us to report where we have placed reliance on other assurance providers. External audit perform testing over the housing benefit claim in line with the certification requirements of PSAA and DWP. For a sample of claimants, this includes recalculation of the actual benefit awarded. To avoid duplication, we did not re-perform this calculation as part of our housing benefit assessment and payment audit this year.

3.5 Assurance Areas

Key Financial Systems

3.5.1 The key financial systems audits are reviews of the council’s core financial functions. We review these functions on an annual basis to provide assurance that the financial systems that are fundamental to the council’s operations remain effective and working well in practice.

- 3.5.2 Our reviews of the key financial systems support the opinion that the council has effective financial governance, risk management and internal control arrangements in place. Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that these controls continue to work well in practice.
- 3.5.3 The widely publicised difficulties encountered at other authorities have served to highlight the importance of financial control and resilience. We provided substantial assurance for the central controls in place for the setting and management of the council's budget, reflecting the fact that there is a framework in place that provides the opportunity for regular scrutiny of relevant financial information. Directorates are ultimately accountable for delivering within their own approved budgets, and the audit has reinforced the importance of ensuring that the central finance function continues to explore the most effective ways of providing robust challenge and emphasising key messages around financial sustainability.

Procurement and Contracts

- 3.5.4 Procurement audits have focussed on both central processes and directorate activity over the course of the year. A significant portion of our central focus has been directed towards the governance arrangements in place for the approval and management of waivers of Contract Procedure Rules (CPRs).
- 3.5.5 There are provisions within the council's CPRs that allow for exceptional circumstances in which certain requirements of the rules may be waived. Whilst retaining this degree of flexibility is an important factor in ensuring that the procurement process can react to unforeseen events and challenging market conditions, it should also be noted that any deviation from the rules can expose the authority to wide ranging risks around decisions that have been taken outside the legislative or strategic framework.
- 3.5.6 Any decision to waive CPRs is ultimately taken at directorate level by officers with appropriate delegated authority. In reviewing a sample of waivers, our audit identified some issues in the extent to which the waiver process had been correctly followed. We also highlighted a specific example where we felt that the expenditure being incurred under the waiver would benefit from stronger monitoring and challenge within the service itself. In this instance we wrote to the relevant Director and Chief Officer and are working with Procurement and Commercial Services (PACS) to ensure that it is addressed appropriately.
- 3.5.7 As owners of CPRs, it is important that PACS are consulted where a decision is taken at departmental level to waive certain requirements of the rules. We have sought to highlight the importance of promoting greater engagement between PACS and directorates, providing an opportunity for PACS to impart relevant expertise and influence during the procurement process. Strengthening control in this area will have the benefit of ensuring that the relevant financial, legal and transparency implications have been considered.
- 3.5.8 We found some limitations in the links between procurement decisions taken and the council's strategic category management approach, together with a gap in the extent to which waivers are reviewed and analysed to enable lessons to be learned and fed

back into the procurement process. Reinforcing PACS' oversight of waivers will ensure there is a greater level of awareness centrally around the volume of waivers being processed and the reasons for doing so. PACS have agreed our key recommendation to ensure that details of waivers are shared with Category Managers and used to identify opportunities to improve procurement practices across the authority. This approach will help to continually inform strategic procurement planning and support the council's efficient and enterprising ambitions.

- 3.5.9 Contract management audits have been undertaken across a variety of service areas during the year. The responsibility for contract management tends to sit within the service that has been identified as the primary contract user. Largely we have been able to point to good examples of contract management from the work undertaken during the last year. However, we have also identified opportunities to strengthen risk management and the monitoring and challenge of payments within specific areas. Embedding consistent practice continues to present a challenge with various officers across the authority adopting responsibility for contract management alongside the requirements of their day to day roles. We continue to work positively with PACS to highlight areas in which central guidance can help to promote greater consistency going forward.

Directorate Risks

- 3.5.10 We have undertaken a series of audits to provide assurance on the governance, risk management and internal control arrangements in place on a range of operational directorate risk areas during the year. Our work has had links to risks relating to safeguarding, health and safety, finance, compliance with legislation and internal procedures and other risks that may affect the achievement of council and directorate priorities.
- 3.5.11 Our audit work has provided assurances around processes that underpin the council's core values and behaviours. We have also focussed attention on high profile areas of legislative and regulatory responsibility and although we have reported issues that may have a moderate impact on the control environment in a number of areas, all non-financial directorate risk audits have resulted in an 'Acceptable' or better assurance opinion overall. Our recommendations have been positively received by service areas and in some cases these were actioned during the course of the audit. For particularly high profile areas of work we have engaged support from individual directors and the Corporate Leadership Team to ensure that prompt action is taken to mitigate specific risks.
- 3.5.12 During the year, we have completed reviews that have focussed on the controls in place to identify and raise income due across specific service areas. Whilst our audits have identified areas that require management action and several resulted in a limited assurance opinion, a number of the income areas we reviewed were proactively brought to our attention by the senior management following issues that they had identified. We encourage this approach from management and perceive this as an indicator of a culture that is geared towards continual improvement. Recommendations to embed processes that apply a rigorous approach across key income streams in line with Financial Regulations have been agreed. The

implementation of these recommendations should ensure that the council is optimising relevant income opportunities.

Information Governance and ICT

- 3.5.13 The mitigation of Information Governance and ICT risks remain a significant priority for the council. The Information Governance team has reported on the council's progress in addressing key information governance and ICT security risks and issues during the year. This has included the issues in respect of the council's status with the Public Services Network (PSN), including the requirement to decommission Microsoft Access 2003 databases and the risks associated with the General Data Protection Regulation (GDPR) which came into force on 25 May 2018.
- 3.5.14 Internal Audit coverage during the year has supported the council's ongoing work by reviewing the extent to which the authority was adequately prepared for the implementation of GDPR. This involved ensuring that there were appropriate governance arrangements in place to ensure that following the dissolution of the formal project, work continues to ensure GDPR becomes embedded as everyday working practice across the council. We have reviewed ICT project governance arrangements, the effectiveness of the controls in place over the security and integrity of general data created and saved and ensuring that the ICT infrastructure remains fit for purpose and secure, and through undertaking specific reviews on directorate information governance arrangements. We have also reviewed the key financial systems and provided assurances on the completeness, accuracy and security of input and processing of the application. In general, we found the processes in place to be satisfactory, with each of the reviews undertaken in respect of ICT and Information Governance resulting in 'Acceptable' or higher levels of assurance overall.
- 3.5.15 Our recommendations have included ensuring that appropriate action is taken to gain assurance that the ICT project will be delivered in an acceptable timeframe and implementing a framework to help ensure solutions architects and security leads have a consistent approach to hosted software.
- 3.5.16 During the year, we reviewed the council's password protocol and confirmed that it is based on best practice issued by the National Cyber Security Centre and password parameters for the network are set in line with the new policy. However, we have reported issues around the timeliness of information governance and technology policy reviews as our audits have highlighted that a number of these policies, procedures and guidance documents are still in the review process and have not been reviewed in line with their stated frequency. This has resulted in high priority recommendations in respect of target timescales, policy consultation, communication and monitoring. Progress against this is being monitored through the Information Policy Review Group and we continue to have input into this process to support the business with these reviews.

Follow up Work

- 3.5.17 Where our audit work has highlighted areas for improvement, recommendations have been made to address the risk and management action plans have been

established. A follow up audit is undertaken to provide assurance on the actions implemented for all reviews that have resulted in limited or no assurance opinions.

3.5.18 A key factor in our determination of the overall audit opinion at the end of the year is the extent to which senior managers have implemented audit recommendations and responded to the risks highlighted through our work. Positive responses from management and a demonstrable commitment to continual improvement are seen as important indicators of an appropriate culture and robust control environment. Our follow up work has supported the overall satisfactory opinion for 2018/19 as sufficient improvement was evident to provide an increased level of assurance in all relevant follow up reviews completed during the year, with the exception of the following two audited areas:

- The 'In-House Fostering, Special Guardianship and Leaving Care Payments' follow up review identified that the key recommendations made in the previous audit in relation to implementing a relevant policy, work procedures and management oversight to prevent payment errors and ensure the accuracy and legitimacy of the payments made had not been actioned in line with the agreed timescales and were outstanding. Management responded positively to the follow up audit and advised that some progress had been made and that updates would be provided to their Directorate Management Team on the implementation of the audit recommendations.
- Our follow up review of the contract specification and management arrangements in place for a council wide contract identified that the new contract provides greater transparency over the rates applied. Improvements in the approach to contract management have enabled us to provide acceptable assurance for the overall control environment. However there is more that can be done to strengthen the monitoring of prices and when this is implemented an improved compliance opinion should be achieved.

3.5.19 We will undertake a further audit in these two areas during 2019/20 and escalate any outstanding issues as necessary.

Data Analytics

3.5.20 Data analytics work is undertaken across directorates and service areas, providing a systematic evaluation of the control effectiveness within key systems, and highlighting high risk transactions or events. This year we have mainly focussed our attention on the transactional data within the key financial systems, as a high area of risk. Whilst no significant issues have been identified, this work provides an important source of ongoing assurance to management, and is helpful when considering the direction of each piece of audit work.

Anti-Fraud and Corruption

3.5.21 Leeds City Council is committed to the highest standards of openness, probity and accountability. To underpin this commitment, the council takes a zero tolerance approach to fraud and corruption and is dedicated to ensuring that the organisation

operates within a control environment that seeks to prevent, detect and take action against fraud and corruption.

- 3.5.22 As custodians of the council's anti-fraud and corruption policy framework and owners of the fraud and corruption risk, Internal Audit adopts an overarching responsibility for reviewing the council's approach to preventing and detecting fraud. In addition to Internal Audit, there are several specialist teams and services across the council that undertake counter-fraud/overpayment work, these include:
- Housing and tenancy fraud
 - Blue Badges (Disabled Parking Concessions)
 - Council Tax Support / discounts and Housing Benefits
 - Direct payments
- 3.5.23 The anti-fraud and corruption work undertaken includes both proactive anti-fraud and corruption activities (fraud strategies) and reactive work (investigations). The team takes a risk-based approach to ensure the risk of fraud is managed effectively with available resources. Proactive fraud exercises, data analytics work and participation in the National Fraud Initiative (NFI) provide assurance that the authority is taking positive action to detect potential fraud and prevent its recurrence.
- 3.5.24 During the year we have reviewed and updated the council's Anti-Bribery and Anti-Money Laundering Policies. The purpose of the Anti-Bribery policy is to maintain the high standards of conduct which currently exist across the council by preventing or identifying bribery. The Anti-Money Laundering Policy sets out appropriate and proportionate anti-money laundering safeguards and reporting arrangements within the council. The updated policies were presented to the Committee at the January meeting and following input from Members, were approved by the Chief Officer (Financial Services).
- 3.5.25 The council's Whistleblowing Policy and Raising Concerns Policy set out the means by which serious concerns can be brought to the attention of Internal Audit. The Whistleblowing Policy is available on the intranet and encourages council employees and Members, who have serious concerns about any aspect of the council's work, to come forward and voice those concerns without fear of reprisal. The Raising Concerns Policy is published on the council website and offers guidance to members of the public who may have concerns around aspects of the council's work. The promotion and accessibility of these policies helps the council to be responsive to emerging risks that are identified.
- 3.5.26 From 1st April 2018 to 31st March 2019, we received a total of 47 potential irregularity referrals (67 in 2017/18). Of these, 36 were classified under the remit of the Whistleblowing or Raising Concerns policies (46 in 2017/18). All reported irregularities were risk assessed by Internal Audit and either investigated by ourselves, the relevant directorate or HR colleagues, as appropriate. Where the matter was referred to directorates or HR for investigation, we have made follow up enquiries to ensure all aspects of the referral have been addressed.

- 3.5.27 It is important that council employees and Members are aware of and have confidence in our Whistleblowing Policy and that members of the public are able to raise concerns with us so that we can take appropriate remedial action. We are conscious that there has been a reduction in referrals compared to the previous year. Whilst this may be seen as a positive indicator, we will continue to regularly review our processes to ensure that we operate in line with best practice in encouraging people to come forward with their concerns. We have included this as an action in our Quality Assurance and Improvement Plan in Table 6.
- 3.5.28 Of the cases closed during the year, 5 of the allegations were proven and resulted in relevant disciplinary and corrective action being taken (5 allegations were also proven in 2017/18). Recommendations were made to improve controls where relevant. All cases where criminal activity is suspected are reported to the police in line with our zero tolerance approach to fraud and corruption.
- 3.5.29 As part of our proactive anti-fraud work, we take part in the National Fraud Initiative (NFI). The NFI is an exercise conducted by the Cabinet Office every two years that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Where a match is found it may indicate that there is an inconsistency which requires further investigation to determine whether fraud or error has occurred, or if there is another explanation for the match. The matches are sent to the relevant council for review and we received over 24,500 data matches from the Cabinet Office at the end of June 2019. Relevant teams within the council (for example, Internal Audit, Housing, Benefits, Blue Badge and Adult Social Care) are currently working through the matches on a risk basis. As at 19th June approximately £79,000 of benefit overpayments made up of 31 individual cases, has been identified and is in the process of being recovered.
- 3.5.30 The council has also participated in a voluntary pilot exercise on Business Rates data matching. This exercise led to the cancellation of small business rates relief for 6 businesses, resulting in approximately £31,500 of income due to the authority on an annual basis, should the businesses circumstances remain the same.
- 3.5.31 During the year, we introduced counter fraud awareness e-learning training on the authority's Performance and Learning System. The training highlights the key fraud risks within local authorities, prevention controls and relevant policies and guidance in place within the council. The comprehensive roll out of this training across the council forms part of our Quality Assurance and Improvement Plan in Table 6 below for the coming year.

3.6 Summary of Completed Audit Reviews

- 3.6.1 This section provides a summary of all reports issued since 1st June 2018, along with the Corporate Governance and Audit Committee meeting date where the audits were reported. Audit reviews completed from 1st June 2017 to 31st May 2018 were reported in the Internal Audit Annual Report for 2017/18. All reviews up to 31st May 2019 have already been highlighted to the Corporate Governance and Audit Committee in the Internal Audit Update Reports throughout the year.

Table 1 Completed Audit Reviews

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Key Financial Systems				
Financial Management Central Controls	Substantial	N/A	Minor	November 2018
Capital Programme Central Controls	Substantial	Substantial	Minor	November 2018
Income Management System	Substantial	Substantial	Minor	January 2019
Business Rates	Substantial	N/A	Minor	March 2019
Sundry Income Central Controls	Substantial	Substantial	Minor	March 2019
Bank Reconciliation and Cashbook	Substantial	Substantial	Minor	March 2019
Total Repairs	Substantial	Good	Minor	June 2019
Housing Benefits Assessment and Payments	Substantial	Substantial	Minor	June 2019
Housing Benefits Reconciliations	Substantial	N/A	Minor	June 2019
Council Tax	Substantial	N/A	Minor	June 2019
Capital Programme Central Controls	Substantial	N/A	Minor	June 2019
Contribution Payments to West Yorkshire Pension Fund	Memo issued – no issues identified			June 2019
Central Purchasing Card Controls	Substantial	Good	Minor	June 2019
Payroll Central Controls	Good	Good	Minor	June 2019

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Customer Information System (CIS) Payments	Good	Good	Minor	June 2019
Housing Rents	Substantial	N/A	Minor	June 2019
Procurement and Contracts				
Procurement Approval Process	Acceptable	Acceptable	Moderate	November 2018
Tendering Systems Controls	Acceptable	Limited	Moderate	November 2018
Contract Management Review: Frozen Foods	Acceptable	N/A	Minor	November 2018
Waivers of Contract Procedure Rules	Acceptable	Acceptable	Moderate	January 2019
Nursing and Residential Care Framework Contract	Substantial	N/A	Minor	January 2019
Contract Management Review: Independent Living Support Service	Good	N/A	Minor	June 2019
Directorate Risks				
Central Financial Controls of Local Authority Maintained Schools	Good	N/A	Minor	November 2018
Commercial Rents	Limited	Limited	Moderate	November 2018
Unannounced Visit	Acceptable	Acceptable	Minor	November 2018
Belle Isle TMO Assurance Framework 5 Year Review	Good	N/A	Minor	November 2018
Taxi and Private Hire Licensing	Acceptable	N/A	Moderate	November 2018

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Flooding Operations	Good	Acceptable	Minor	November 2018
Arrangements for Forecasting and Planning for School Places	Substantial	N/A	Minor	November 2018
Management of School Deficits	Acceptable	N/A	Minor	November 2018
Housing Disrepair	Acceptable	Acceptable	Moderate	November 2018
Income Review - Car Parking	Acceptable	Good	Minor	November 2018
Income Review – Room Hire	Acceptable	Limited	Minor	November 2018
Income Review – Leeds International Beer Festival	Limited	Limited	Minor	November 2018
Income Review – City Centre Box Office	Good	Acceptable	Minor	November 2018
Income Review - Telecare	Limited	Acceptable	Minor	November 2018
Apprentice Levy	Good	N/A	Minor	November 2018
Safeguarding Clients Personal Assets	Acceptable	Good	Minor	November 2018
Leeds Carnival and Black Music Festival Event Management Arrangements	Acceptable	N/A	Moderate	January 2019
Electoral Roll	Good	Good	Minor	January 2019
Homelessness and Temporary Accommodation (Homelessness Reduction Act 2017)	Good	Good	Minor	January 2019

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Learning Disability Pooled Budget	Acceptable	N/A	Minor	January 2019
Private Sector Legislation – Homes of Multiple Occupancy	Acceptable	Acceptable	Minor	January 2019
Payments for Special Education Needs Placements	Acceptable	Acceptable	Moderate	March 2019
Belle Isle Tenant Management Organisation – Universal Credit Preparation	Good	N/A	Minor	March 2019
Children and Families Decision Making	Acceptable	Good	Moderate	March 2019
Application of HR Policies: Disciplinary Policy	Good	N/A	Minor	June 2019
Processing of Right to Buy Applications	Good	N/A	Minor	June 2019
Fire Safety Management of Council Tenanted Properties	Acceptable	N/A	Moderate	June 2019
Electrical Inspections of Council Tenanted Properties	Acceptable	N/A	Moderate	June 2019
Parking Services – Tickets, Permits and Appeals	Good	N/A	Minor	June 2019
Mental Health Assessments	Good	Acceptable	Minor	June 2019
High School	Good	Good	N/A	June 2019
Primary School	Good	Acceptable	N/A	June 2019
Management of Responsive Repairs	Acceptable	N/A	Minor	June 2019

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Annual Home Visits	Good	N/A	Minor	June 2019
Information Governance and ICT				
Housing Leeds ICT Solution Project	Good	N/A	Moderate	November 2018
General Data Protection Regulation (GDPR) Service Leads	Memo issued – recommendations fed into the GDPR Implementation Board.			Memo issued November 2018
Communities and Environment Information Governance	Good	N/A	Minor	November 2018
Mobile Computing: Data Access	Acceptable	N/A	Moderate	November 2018
Externally Hosted Software	Acceptable	N/A	Minor	January 2019
Password Configuration	Good	N/A	Minor	March 2019
Essential Services Programme	Good	N/A	Minor	June 2019
Business Applications	Reported within relevant Key Financial Systems reviews			January, March and June 2019
Follow Up Audits				
Contract Specification and Management Follow Up	Acceptable	Limited	Minor	November 2018
Leeds Building Services Stores Follow Up	Memo issued – subsequent changes in the method of service delivery mean that the original recommendations no longer apply.			Memo issued November 2018
In-House Fostering, Special Guardianship and Leaving Care Payments Follow Up	Limited	N/A	Moderate	November 2018

Report Title	Audit Opinion			Included in Report to CGAC
	Control Environment	Compliance	Impact	
Leeds Building Services Subcontractors Follow Up	Good	Acceptable	Minor	November 2018
Leeds Building Services – Out of Hours (Lifts) Follow Up	Acceptable	Acceptable	Minor	November 2018
Direct Payments Follow Up	Good	Acceptable	Minor	January 2019
Leeds Building Services – Tools and Equipment Follow Up	Acceptable	N/A	Minor	March 2019
Unannounced Establishment Visit Follow Up	N/A	Good	Minor	March 2019
Primary School Follow Up x 2	Good	N/A	N/A	March 2019
Community Infrastructure Levy Follow Up	Good	N/A	Minor	June 2019
Sundry Income (Telecare) Follow Up	Good	N/A	Minor	June 2019
Electricity Contract Follow Up	Acceptable	N/A	Minor	June 2019

3.6.2 During the year, we have certified 5 School Voluntary Funds and completed 8 reviews which have provided assurance to various central government departments and other bodies that grant conditions have been complied with. These are listed below:

- Local Transport Capital Block Funding Grant
- Cycling Ambition Grant
- West Yorkshire Plus Fund
- National Productivity Investment Fund
- Pot Holes Grant
- Bus Subsidy Ring-Fenced Grant

- Disabled Facilities Grant
- Families First Grant Claim (March)

3.7 Quality Assurance and Improvement Programme and Conformance with PSIAS 2018/19

Internal Audit Performance

- 3.7.1 The Terms of Reference for the Corporate Governance and Audit Committee include the consideration of the council's arrangements for monitoring the performance of Internal Audit. This section of the report summarises the performance information that has been reported throughout the year to the Corporate Governance and Audit Committee.
- 3.7.2 The Public Sector Internal Audit Standards (PSIAS) require a quality assurance framework to be established, which includes both internal and external assessments of the work of Internal Audit. The activities we undertake to satisfy the requirements for internal assessments include:
- Ongoing supervision, performance management, quality assurance and regular review of the procedures that guide staff in performing their duties to ensure they conform to the PSIAS. The latest annual external review of our quality management system was undertaken in October 2018 and this resulted in continued certification, with no non-compliances or opportunities for improvement identified. Our quality management system has been ISO certified since 1998.
 - Customer Satisfaction Questionnaires (CSQs) are issued to clients at the end of each assignment and the information returned is used to identify training and development needs. The results of the returned CSQs are reported to the Committee at each meeting.
 - Self-assessments are undertaken against the PSIAS for conformance. The latest self-assessment was completed in October 2018 and identified no non-conformances.
- 3.7.3 The PSIAS require that an external assessment is conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.
- 3.7.4 Our external assessment was undertaken in October 2016 and the results were reported to the Committee at the January 2017 meeting. The review concluded that the council's Internal Audit service conforms to the requirements of the PSIAS. The method and frequency of our next assessment was discussed at the Corporate Governance and Audit Committee meeting in November 2018 and it was agreed that the next assessment should take the form of a self-assessment undertaken by Internal Audit with this being validated by an independent third party. As the previous external assessment was undertaken in 2016, the next one must be completed by 2021 to conform with the PSIAS.

Table 2 Reports to the Corporate Governance and Audit Committee (1st April 2018 to 31st March 2019)

Report	Purpose
Internal Audit Update Reports	Provided regular summaries of the work undertaken by Internal Audit and allowed the Committee to review the performance of the section.
Anti-Bribery Policy	Presented the updated Anti Bribery Policy to inform the Committee of the revisions and to provide an opportunity to comment prior to approval and publication.
Anti-Money Laundering Policy	Presented the refreshed Anti-Money Laundering Policy to inform the Committee of the revisions and to provide an opportunity to comment prior to approval and publication.
Annual Report 2017/18	Provided an overview of the work undertaken by Internal Audit and the annual audit opinion in respect of the council's governance, risk management and control arrangements for 2017/18.
Annual Audit Plan 2019/20	Presented the proposed Internal Audit Plan for 2019-20 for review and approval.

Resources

- 3.7.5 Resources have reduced since the Internal Audit Plan for 2018/19 was approved by the Committee. However, we have taken a risk based approach during the year and are able to confirm that resources have been appropriate, sufficient and effectively deployed to achieve the audit coverage necessary to deliver the annual Internal Audit opinion.

Proficiency and Due Professional Care

- 3.7.6 Proficiency and due professional care is a key requirement of the PSIAS. All internal auditors have a personal responsibility to undertake a programme of Continuing Professional Development (CPD) to maintain and develop their competence. We have allocated time within the audit plan for CPD, training and personal development to be undertaken throughout the year to continuously improve the knowledge and skills within the Internal Audit section.
- 3.7.7 All members of the Internal Audit team are professionally qualified, plan to study or are studying for professional qualifications and table 3 demonstrates that there is also a good level of local government auditing experience within the team.

Table 3 Experience of Full Time Equivalent (FTE) staff in post

Years of experience – local government auditing	FTE at 31/03/2018	FTE at 31/03/2019
Less than 1 year	0	0
1 – 5 years	7.0	4.0
6 – 10 years	2.0	3.0
Over 10 years	9.59	7.78
Total FTE	18.59	14.78

- 3.7.8 Staffing changes and the recruitment of two new trainee auditors has taken our resource levels at the time of this report to 15.78 FTE.

Quality

- 3.7.9 The annual independent review of the Internal Audit quality system was undertaken in October 2018. The assessment confirmed that the management system continues to conform to our own standards and procedures and is demonstrating continual improvement. We successfully transitioned to the requirements of the latest standard ISO 9001:2015. All Internal Audit work is undertaken in accordance with internal quality procedures incorporated in the quality management system, which has been ISO certified since 1998.
- 3.7.10 A customer satisfaction questionnaire (CSQ) is issued with every audit report. The questionnaires ask for the auditee’s opinion on a range of issues with an assessment ranging from 5 (for excellent) to 1 (for poor). Table 4 below shows the results for the 39 questionnaires received between 1st April 2018 to 31st March 2019. The results are presented as an average of the scores received for each question and the results for the 46 CSQs received for the same period in 2017/18 are provided for comparison.

Table 4 Average scores from Customer Satisfaction Questionnaires for 2018/19 and 2017/18

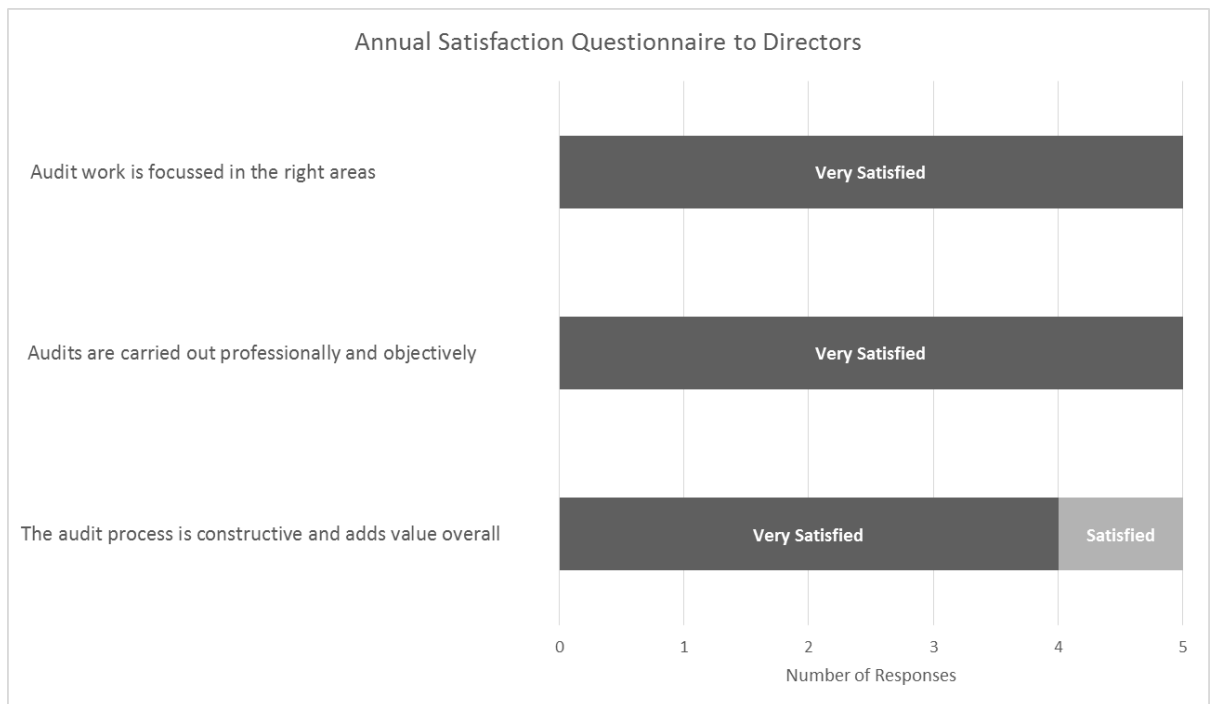
Question	Average score (of 46 CSQs) 2017/18	Average score (of 39 CSQs) 2018/19
Sufficient notice was given	4.80	4.71
Level of consultation on scope	4.67	4.70
Auditor's understanding of systems	4.41	4.36
Audit was undertaken efficiently	4.65	4.58
Level of consultation during the audit	4.71	4.67
Audit carried out professionally and objectively	4.85	4.82
Accuracy of draft report	4.64	4.46
Opportunity to comment on audit findings	4.87	4.79
Clarity and conciseness of final report	4.72	4.64
Prompt issue of final report	4.41	4.41
Audit recommendations will improve control	4.54	4.40
The audit was constructive and added value	4.54	4.44
Overall Average Score	4.65	4.58

3.7.11 We reported to the Committee at the meeting in November 2018 that we had received fewer CSQs back from clients than during the same period in the previous year. The Committee wrote to our director to encourage auditees to complete the CSQs and this resulted in an increase in the numbers received, with levels at the end of the year being comparable to the levels achieved in 2017/18. Of the ten core cities that we regularly liaise with as part of our continual improvement programme,

four other authorities collate CSQ data in a similar way to us. Of these, the percentage of CSQs returned is as follows; 7%, 36%, 38% (Leeds), 40% and 64%.

3.7.12 To supplement the established CSQ process, we also confirmed to the Committee that we would write to directors at the end of the financial year to ask for their views on our service and include the feedback in this Annual Report. We asked the directors to indicate their level of satisfaction with our service using a rating of ‘very satisfied’, ‘satisfied’, ‘fairly satisfied’ and ‘not satisfied’. Responses were received from all five directors or their nominated representatives and the results are provided in table 5 below.

3.7.13 Table 5 Annual Satisfaction Questionnaire Issued to Directors



3.7.14 The questionnaire also invited any comments directors wished to make about our service. The comments received from directors are provided in full in the text boxes below.

The Audit Service's approach to Adults & Health audits is an excellent example of the whole being greater than the sum of its parts. As a service we are consulted about the proposed annual audit plan and are given an opportunity to include any areas of concern to ourselves, as well as having any observations that we may have about the proposed coverage being taken into consideration as part of the audits themselves. Draft reports are always shared with the relevant senior managers to ensure that there are no surprises and the quality of the work undertaken is always of an extremely high standard. The Audit Service is respected as a valued critical friend within the Adults & Health Directorate.

We are grateful for the work done by Internal Audit and the assurances provided. If there was one issue in the previous year it was the late notification of some governance related issues. We would appreciate as early notification as possible to Governance Officers so that remedial action can be taken in a timely manner.

Very good and objective audit support provided over the last year.

The Internal Audit Service works closely with the Directorate in setting out the audit forward plan and works collaboratively in setting priorities that add value to the Directorate's work. This approach helps to ensure that Audit's work plays a key role in managing risk in the delivery of the Directorate's services. This has been helpful and constructive over the past year in helping to identify areas for improvement.

Despite a significant reduction in resources, Internal Audit continues to provide an excellent service. As well as providing general assurance across a range of important areas, the service produces constructive recommendations which help drive improvement. A good example in my own department was the work undertaken on the Lift Service which pointed out important failings which needed to be addressed. The services manages to undertake its objective work without creating antagonism, which is a credit to the leadership of the unit.

Quality Assurance and Improvement Action Plan

- 3.7.15 The PSIAS require that the results of the Internal Audit Quality Assurance and Improvement Plan are included in the annual report. The Action Plan is provided at table 6 below and includes the residual actions from our ongoing self-review.

Table 6 Quality Assurance and Improvement Action Plan 2019/20

Action	Timescale and Status
Assurance mapping will continue to be developed and evolve during the annual planning process. Maps have been drafted for each assurance area. These will be updated and refreshed during 2019/20.	Ongoing action carried forward to 2019/20
A communications plan will be developed to roll out the counter-fraud training on a risk basis and further promote the council's whistleblowing processes.	Ongoing through 2019/20

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 Best Council Plan

- 4.3.1 The Terms of Reference for 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. The Internal Audit Plan has links to risks that may affect the achievement of Best Council Plan objectives and the aims of council policies.

- 4.3.2 The council's Financial Regulations require that an effective internal audit service is provided in line with legislation and the appropriate audit standards to help the organisation accomplish its objectives.

Climate Emergency

- 4.3.3 Internal Audit will consider the Climate Emergency in the development of Annual Internal Audit Plans and in the scope of all relevant audits.

4.4 Resources, procurement and value for money

- 4.4.1 A risk-based approach has been used to devise an Internal Audit plan that includes coverage of procurement activity and promotes the effective and efficient use of resources across the organisation. The outcomes of these reviews are included in the regular update reports to the Committee.
- 4.4.2 The Internal Audit Quality Assurance and Improvement Programme and service development work that is reported to the Committee demonstrates that the efficiency and effectiveness of the Internal Audit section is continually improving.

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 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 The overall conclusion is that on the basis of the audit work undertaken during the 2018/19 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. A satisfactory overall opinion is provided for 2018/19, based on the audit work detailed within this report. The audit work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.

6 Recommendations

- 6.1 The Corporate Governance and Audit Committee is asked to receive the Annual Internal Audit Report and Opinion for 2018/19 and note the opinion given. In particular:
- that on the basis of the audit work undertaken during the 2018/19 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice
 - a satisfactory overall opinion is provided for 2018/19, based on the audit work detailed within this report
 - that the work undertaken to support the opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing

6.2 The Committee is also asked to note that there have been no limitations in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.

7 Background documents

7.1 None

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Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 26th July 2019

Subject: Annual Governance Statement

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Will the decision be open 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 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 Regulations 2015, must accompany the statement of accounts.

2.2 The Regulations, specifically Regulation 6 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 been used as the basis for preparing the AGS which appears at Appendix 1.

3. Main issues

3.1 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.

¹ CIPFA/SOLACE - Delivering Good Governance in Local Government: Framework (2016 Edition)

- 3.2 Members will recall from the June meeting that as a result of requirements contained in Accounts and Audit Regulations 2015 the Authority was under a duty to release a draft Annual Governance Statement to accompany the Accounts when they are placed on deposit. That Interim AGS was signed by both the Council's Section 151 Officer and Monitoring Officer and was available for Member comment at the last meeting of the committee. No comments from the public have arisen.
- 3.3 The Interim AGS has been updated following assurances received by this Committee in June and July and now reflects:
- Receipt of the annual assurance report relating to HR policies and key actions identified by this committee concerning Gifts and Hospitality;
 - Receipt of assurances in respect to Decision Making;
 - Role of the Caldicott Guardian and recommendations concerning peer review of the Leeds' arrangements;
 - Assurances in respect to Risk Management arrangements;
- 3.4 The Statement also reflects:
- The views of the External Auditor;
 - Reports considered by the Executive Board in the intervening period (e.g. the Medium Term Financial Plan, the annual report from the Leeds Safeguarding Children Board, the Annual Health, Safety and Wellbeing Performance and Assurance Report, Equality Progress report 18-19);
- 3.5 The Statement is now presented to committee for approval. Corporate Governance and Audit Committee is asked to agree the attached Annual Governance Statement and authorise the Chair to sign the statement on behalf of the committee.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 The Corporate Leadership Team and Best Council leadership Team have both been consulted on content of the draft Annual Governance Statement, particularly to ensure that there are no omissions or misrepresentations.
- 4.1.2 As a signatory to the Statement the Leader of Council has also been consulted.

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 the Best Council Plan

- 4.3.1 The Statement has been aligned with the Council's Corporate Governance Code and Framework previously approved by this Committee.

Climate Emergency

- 4.3.2 This report references the steps taken by the authority in response to the Climate Change Emergency motion at Full Council.

4.4 Resources, procurement 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 Regulations 2015, must accompany the statement of accounts.
- 4.5.2 The decision to approve the Annual Governance Statement is not a key decision or a decision of the Executive and so is not available for Call-In.

4.6 Risk management

- 4.6.1 The Accounts and Audit Regulations 2015, specifically Regulation 6, 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 are in place to resolve them.

6. Recommendations

- 6.1 Corporate Governance and Audit Committee is asked to agree the attached Annual Governance Statement and authorise the Chair to sign the statement on behalf of the committee.

7. Background documents²

- 7.1 None.

² 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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Annual Governance Statement 2019

**Approved by
Corporate Governance and Audit Committee
July 2019**

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1. SCOPE OF RESPONSIBILITY

1.01 We must conduct a review 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 Final Annual Governance Statement (AGS) for 2019 to accompany the final audited Accounts for 2018/19.

Context

1.02 Our ambition continues to be for us 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. As set out in our [Best Council Plan](#), we aspire to be the Best Council and the Best City in the UK, for Leeds to have a strong economy and be a compassionate, caring city that helps all its residents benefit from the city's economic growth. This is set against the challenge of austerity where some councils either face or have fallen into full financial crisis.

1.03 The findings from the 2018 Joint Strategic Assessment (JSA) analysis corroborate our rationale for health and wellbeing and inclusive growth being the primary strategies to achieve our Best City ambitions. Our approach extends the analysis to cover the wider determinants of health and provides essential analysis down to a neighbourhood level. The JSA confirms our broadly strong economy but also highlights areas of socio-economic diversity and intensification of inequalities in parts of the city.

1.04 We will focus on creating the right conditions for the economy in Leeds to prosper and, hand in hand with that, ensure a consequence of that growth is a reduction in poverty and inequalities that exist in Leeds. We have a unique and compelling offer based on our:

- Central geographical location in the UK;
- Achievements to date;
- Young demographic;
- Compassionate approach based on Social Value, supporting steps to improve mental health and being child focussed;
- Cultural, sporting and environmental assets;
- Collaborative approach and access to innovators.

1.05 Collaboration is at the centre of our civic leadership; working this way we have successfully attracted Channel 4, moved the proposed location of the HS2 Station, developed apprenticeships with all Leeds' law firms, helped tackle skills gaps in the digital sector, more closely integrated NHS and Social care services and developed citizen led social enterprises. We have also revitalised our approach to community engagement with local community committees.

- 1.06 Leeds is also becoming a technological powerhouse and investment in full fibre is accelerating. Our 100% Digital Initiative is looking to ensure everyone has digital skills and opportunities to use them with programmes in place that provide free Wi-Fi in libraries and tablet loan schemes. We will also work together with experts, policy makers and citizens and work collaboratively to improve the design and access to public services in the city.
- 1.07 Coupled with uncertainty nationally about our relationship with the EU and how we engage internationally the changing needs of our citizens and communities, ongoing significant reductions in resources, central government reforms and financial and governance risks all continue to present challenges to the public sector as a whole.
- 1.08 We will ensure that our governance arrangements support the effective delivery of services, whether this be by direct service provision, in partnership, by alternative innovative service delivery mechanisms or simply by exerting our influence to deliver better social value outcomes as well as value for money.
- 1.09 By applying our values and 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.

2. THE GOVERNANCE FRAMEWORK

2.01 Our governance arrangements are designed to ensure that we take an appropriate and proportionate approach to managing risk whilst ensuring that our outcomes are defined and delivered. The arrangements are not designed to eliminate all risks but rather provide a reasonable degree of assurance that we operate in an effective and responsible way.

2.02 Our governance framework in Leeds comprises our policies, plans, systems and processes and culture and values that allow us to achieve our strategic outcomes and provide services in a cost effective way and in the public interest. The arrangements can be summarised as:

- **Our vision** - that is our shared priorities and intended outcomes for citizens and service users documented in the Best Council 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 decision making;
- 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 management** arrangements that help us mitigate threats and make the most of opportunities which present themselves – these include our business continuity and resilience arrangements;
- Our **performance and accountability** arrangements that help us analyse and act on benchmarking and performance information as a means of improving services and delivering better outcomes for the citizens of Leeds;
- Our **People and Culture Strategy, Member Development Strategy, Values and codes of conduct** which underpin how Members and employees work;
 - Being open, honest and trusted
 - Treating people fairly
 - Spending money wisely
 - Working as a team for Leeds
 - Working with people, engaging all communities
- 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 and our Community Safety Partnership;
- A high performing and independent **Internal Audit** service;
- 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 and Procurement
 - Business Continuity and resilience
 - Information governance and data security
 - Health and safety
 - Decision making
 - Whistleblowing and complaints handling
 - Anti-fraud & corruption

3. REVIEW OF EFFECTIVENESS AND KEY ACTIONS

3.01 Our process of review is continuous and considers decisions taken and matters considered by:

- Full Council and committees appointed by Full Council, including the specific assurance work of the Corporate Governance and Audit Committee (CGAC) and Standards and Conduct Committee;
- The Executive Board;
- Directors under their delegated authority and with the knowledge of the operation of governance arrangements within their directorates;
- Corporate Leadership Team (and via consideration of this statement by our Corporate Leadership Team);
- Periodic Peer reviews;
- Internal Audit;
- External Audit;
- Office for Standards in Education, Children's Services and Skills (Ofsted);
- Care Quality Commission (CQC);
- Local Government and Social Care Ombudsman.

This Annual Governance Statement draws on that work and presents a conclusion in relation to our governance arrangements.

Behave lawfully, with integrity and in the public interest and demonstrating this through our conduct and behaviour.

3.02 Our **council values** provide a framework within which our organisational culture is embedded. Our values are at the heart of our organisation. In a period of immense change and real challenge we must be both confident and decisive about what we do and how we do it.

3.03 An annual assurance report, compiled by the Chief Officer HR, was considered by our CGAC in June 2019 in respect of **employee conduct** and employment policies and provided assurance that key policies and procedures are fit for purpose, effectively communicated, working as intended and have been regularly reviewed. Two areas for further improvement were identified relating to gifts and hospitality.

Key Action: that arrangements for Directors' acceptance of offers of gifts and hospitality be reviewed to ensure there is third party oversight of offers prior to these being accepted.

Key Action: that a process be introduced whereby the annual review of gifts and hospitality requires 'nil returns' to be submitted.

Key Action: Our Internal Audit Plan for 2019/20 includes work to sample check HR policies to provide assurance as to the extent to which they are consistently and properly applied across the council.

Member Conduct

- 3.04 Our Standards and Conduct Committee has reported on their work to **promote and maintain high standards of conduct** by members and co-opted members of the authority – this was reported to full Council in March 2019.
- 3.05 No Leeds City Councillor, nor any Parish or Town Councillor (in the Leeds area), has been found by a Stage 3 Hearing to have failed to comply with the Code of Conduct adopted.
- 3.06 The Monitoring Officer has supported members of the Authority (and of Parish and Town Councils) in meeting their obligations to notify disclosable pecuniary interests. These requirements have been met during the year with periodic reminders being issued to elected members and Clerks at Parish and Town Councils for registers of interests to be reviewed. In addition, bespoke training has been provided to Parish and Town Council clerks ahead of the all-out Parish and Town Council elections in May. Guidance has also been provided to support the registration of Gifts and Hospitality.
- 3.07 The Committee on Standards in Public Life (CSPL is an Advisory Committee appointed by the Prime Minister) selected Leeds as a focus authority to inform their review of the local government standards regime. The Committee welcomed the detailed account we provided of our experiences of ethical standards in local government as well as our views relating to ethical standards in public life generally and concluded that it was clear that we have a positive culture in relation to ethical standards.
- 3.08 Our input helped inform the national review with full and open discussion about how we build and maintain an ethical culture and utilise standards arrangements on the ground - aspects of our practice were referenced in the final report. We have reflected on best practice proposed by CSPL to further strengthen our arrangements including changes to the Members' Code of Conduct and the guidance to Members on use of Social Media. We await the Government's response to recommendations made to them, and will review arrangements in the light of such response.

Key Action: We will further review our ethical framework arrangements in light of any future legislative change or statutory guidance issued by Government or the Local Government Association.

- 3.09 Our **Anti-Fraud policies** (Anti-Bribery Policy and Anti-Money Laundering Policy) have been reviewed during the year by the CGAC and updated by the Chief Officer (Financial Services). Assurances that these policies are routinely complied with were received by our Internal Audit team who report to each meeting of the committee on issues raised.
- 3.10 In-house lawyers provide comprehensive legal advice, training, and support to members, member bodies, and all directorates, as well as managing the provision, where necessary, of external legal advice. The in-house lawyers have effective relationships with services which facilitates a high support, high challenge environment, leading to better and more robust outcomes. Ready access by members and officers to high quality lawyers, specialised in local government work and having a clear understanding of the council's vision and

values, plays an important part in helping to ensure that **the council adheres to the principle of behaving lawfully.**

- 3.11 Our CGAC undertook an assessment of the committee's arrangements against best practice recommended by the Chartered Institute for Public Finance and Accountancy (CIPFA). As a result of the assessment we have strengthened the arrangements by now presenting an Annual Report to full Council. This was considered in March 2019.
- 3.12 The self-assessment exercise also highlighted a variance in Leeds' practice in relation to the appointment of Independent Members to the Committee. The merits for progressing such an appointment were agreed at our Annual Council meeting in May 2019.

Key Action: We will actively pursue the appointment of an Independent Member to the Corporate Governance and Audit Committee in the 2019/20 Municipal Year.

Focus our resources on outcomes and ensure council tax payers and service users receive excellent value for money.

- 3.13 We are ever mindful of the pressures facing the council and the city in terms of the increasing demands on public services within the context of reduced funding and ongoing uncertainties related to Brexit. We recognise the persistent inequalities across Leeds and in specific localities in terms of poverty and deprivation, health and education attainment, access to employment and poor housing.
- 3.14 Our Annual Standards Report provides an opportunity to reflect on learning in Leeds over the last year. The report highlights areas of progress and success, but also creates one of the foundations for an open and honest conversation around the significant challenges we face in working towards our ambition of being the best city for learning. We have identified significant challenges that the local authority, education providers and the city are facing. These include the pressures on local government funding, complexities around the high needs block, the high rates of short term exclusions and the gap in educational outcomes between different demographic groups.

Key Action: We will progress the 15 Actions identified in our Annual Standards Report.

Best Council Plan

- 3.15 Our business planning and performance management arrangements have enabled members and senior management to **focus our resources on outcomes and ensure value for money.** The arrangements are centred on our corporate plan, the '**Best Council Plan**', which is updated each year. In February 2019, following consultation, the Best Council Plan was updated and refreshed. We have introduced a new 'Age-Friendly Leeds' priority, based on the existing, well developed strategy to make Leeds a place where older people are valued, feel respected and appreciated and are seen as the assets they are, and also prioritises their needs. We have also strengthened the

environmental aspects of sustainable development by establishing a **'Sustainable Infrastructure'** priority (replacing 21st Century Infrastructure) and highlighted linkages across all priorities.

- 3.16 A key element of this is our response to the full Council motion declaring a "Climate Emergency". Our Executive Board has considered and agreed arrangements for a Clean Air Zone (CAZ) as a strand of a whole package of work that is being undertaken to drive air quality improvements citywide including:
- the Leeds Public Transport Investment Programme;
 - implementation of the recommendations of the Leeds Climate Change Commission for science based emission reduction targets for the city and support to a city conversation on how to achieve those;
 - the inclusion of a new section on Executive Board reports that will highlight the impact of decisions to be taken to achieve the climate emergency aims
- 3.17 In May our Annual Council Meeting also established an **Advisory Committee on Climate Change** (to both the full Council and the Executive Board) and the Leader of Council strengthen the officer delegation and Executive Member Portfolios to place even greater emphasis on working to resolve Climate Change challenges.
- 3.18 The 'Best Council' ambition of being 'An Efficient and Enterprising Organisation' was retained in the updated Best Council Plan but extended to include 'Healthy', adding further focus to the health and wellbeing of staff. The Best Council Plan key performance indicators were also updated to ensure they remain fit for purpose.
- 3.19 Our Executive Board and CGAC have both independently reviewed the progress made in delivering our Best Council Plan ambitions. The annual performance report considered in the autumn of 2018 looking back on progress in delivering the 2017/18 Best Council Plan priorities demonstrated that our strategic objectives have been reviewed and are fit for purpose and that supporting performance management arrangements are effectively communicated and monitored. Our Best Council Plan key performance indicators are reviewed quarterly. Both the scorecard and annual reports are publicly available on the leeds.gov website and the Leeds Observatory.

Key Action: We will produce a performance report in September 2019 to review our progress in delivering the Best Council Plan during 2018/19.

- 3.20 In addition a range of supporting plans and strategies (for example, the Children and Young People's Plan; Leeds Housing Strategy; Better Lives Strategy; Safer Leeds Plan and Joint Health and Wellbeing Strategy), sit alongside the Best Council Plan each with their own performance management arrangements, including Scrutiny Boards and partnership boards. Operational performance management arrangements are in place at service level.

Procurement

- 3.21 We have reviewed and updated our Procurement Strategy and in doing so have used the National Procurement Strategy self-analysis toolkit to ensure our arrangements remain fit for purpose and further reflect our ambitions for delivering value for money and social value.
- 3.22 In March 2019 our CGAC received assurance that, from the review, assessment and ongoing monitoring carried out, the Chief Officer (Financial Services) considers that, *overall*, procurement systems are operating effectively and that there are no fundamental control weaknesses. Our Scrutiny Board for Strategy and Resources also receives regular reports on procurement. Compliance though remains an issue in some areas, notably around justification in reports considering waivers, however the proposed process changes and amendments to Contract Procedure Rules (CPRs) are anticipated to be of benefit in this regard and will provide a much clearer picture of the actual number of, and justifications for, waivers of CPRs. Our CGAC have highlighted the potential risks arising from Single Tender Waivers and this issue will be a feature of planned Internal Audit follow up work during the year.
- 3.23 We recognise that procurement assurance needs to be subject to regular review and assessment and the following actions are already being progressed:
- Adoption and communication of the New Procurement Strategy (including KPIs) and procurement documentation;
 - Review of CPR's in line with changes in legislation and Council policy.

Key Action - During 2019/20 Internal Audit will review and follow up the arrangements in place for the approval and management of waivers and report the outcome of their work to the Corporate Governance and Audit Committee. The committee will also review the implementation of the new Procurement Strategy through the Annual Procurement Assurance Report from the Chief Officer (Financial Services).

Key Action - After the strategy has been operational for a year, further baseline figures will be considered for introduction into KPIs in order to monitor performance.

Better Care Fund

- 3.24 Each quarter, we report to NHS England (NHSE) on the performance of the Better Care Fund (BCF) and to the Ministry for Housing, Communities and Local Government (MHCLG) regarding the use of the additional Improved Better Care Fund (iBCF) funding allocated through the Spring Budget 2017. Routine monitoring of the delivery of the Better Care Fund is undertaken by the Leeds Plan Delivery Group (LPDG). Our Health and Wellbeing Board provide local oversight of these returns.

Be open and engage with local communities, service users and our other stakeholders.

- 3.25 The delivery of our Best Council Plan recognises the importance of **effective engagement** with the public, partners and staff and taking account of this in decisions that we take. These approaches are embedded in our Values – these are at the heart of everything we do. They inform the way we design and deliver our services and the way we all work and behave. A central theme running throughout our Best Council Plan is to tackle inequalities; many of our KPIs are inequality focussed and we recognise the importance of taking account of equality considerations in the decisions we take.

Tackling Inequalities

- 3.26 We have retained our place on the **Stonewall Top 100** for LGBT+ Inclusive Employers in 2019 (at number 72). The ranking is against organisations of all sizes, including large multinational companies, government departments and universities. This is a lower position than 2018 where we placed 50th. An action plan has been developed by HR who will be working with Communities Team to address gaps in our evidence following feedback from Stonewall. Progress against the action plan will be monitored by the Executive Board Members for HR and Equality
- 3.27 2018 saw a review of our **Equality Improvement Priorities** which were refreshed and approved alongside our annual progress report to Executive Board. The Member Champions (Equality) Working Group continues to review and challenge progress against the council's Equality Improvement Priorities and meets throughout the year.
- 3.28 The Annual Report on progress required by the Equality Act 2010 has also been completed and considered by Executive Board in July 2019. We have reported on the gender pay gap; this has narrowed to 6.3% from 8.6% in the period 2017 to 2018.
- 3.29 Celebrations for International Women's Day in 2019 built on the approach in 2018 by holding more events in different communities across the city, the council supported 12 events across the city including a city centre event. The State of Women's Health report was launched on International Women's Day, as a partnership between Women's Lives Leeds and Leeds Beckett University and is the first of its kind in the country. The report was developed following extensive consultation with women across different communities in Leeds and provides a great foundation for further work.
- 3.30 Our 9th annual 'Equality Assembly' Conference took place in 2018 bringing together people and organisations from across the characteristics protected by the Equality Act and had a theme of local government finance last November. Feedback from communities on the opportunity to discuss the challenges related to austerity was very positive. The Equality Assembly also saw the launch of the BME Hub's first annual progress report against its work.

- 3.31 Membership of our Equality Hubs continues to grow and 2018/19 saw several significant landmarks including the successful delivery of celebrations to recognise the 100th anniversary of (partial) women’s suffrage and the adoption of the LGBT+ Inclusive City Report by Executive Board. The LGBT+ Hub was awarded, Best Organisation, and Rob Wilson, Senior HR Officer won best organisational worker at the cities LGBT+ awards, both for the second year running.
- 3.32 The Disability Hub and its sub group the Access and Usability Working Group have been heavily involved in providing advice and challenge against the many transport, city centre and planning related projects over the last 12 months including the redevelopment of West Yorkshire Playhouse, the Transport Strategy consultation, Our Spaces Strategy and redesign of the Headrow and surrounding roads.

Key Action: In 2019 we are seeking to accredit to “Disability Confident Leader” which is level 3 of the Disability Confident Employer framework (LCC is currently accredited at level 2)

- 3.33 Our Religion or Belief Hub held a Women and Faith event looking at the role and experiences of women in faith communities and how they contribute to community leadership, social policy and cohesion amongst other areas and how we can work more closely to support women from these communities. We have also, through a motion at our full council meeting, formally adopted the IHRA definition on anti-Semitism. We continue our efforts to combat all forms of religious discrimination including Islamophobia through our work with Safer Leeds and partnerships with Communities, the Third Sector and Faith Organisations in the City.

Working with Communities

- 3.34 Working with communities and with partners particularly in the third sector, we are building further resilience through **improving community capacity and leadership**, helping communities become more enterprising through citizen led approaches, supporting people to grow more financially resilient and carrying out a range of community safety actions through the Safer Leeds Partnership. Our **Community Safety Strategy** for 2018-2021 was approved by Full Council in November 2018. This sets out the city’s intent to reduce crime and disorder and deliver:
- A city that is inclusive and safe for all;
 - A compassionate city that protects and safeguards vulnerable people;
 - A City that challenges and seeks to change behaviours that negatively impact people in their homes, on the streets and the places that they go.
- 3.35 We strive continually to improve the relationship between the council and the citizens of Leeds, and in so doing **improve trust in public services** and ensure the delivery of local integrated and responsive services for local people. Our Community Committees are an integral part of that vision with an approach that places emphasis on tackling poverty and reducing inequality in some of our poorest neighbourhoods.

- 3.36 The committees have a crucial role in improving the way we work locally and form a vital part of our commitment to involving our residents more closely with the priorities for their local area and decision-making on funding and services; our Full Council meeting in September 2018 received and debated the joint Annual Report from the Community Committees which demonstrated the important role they play in meeting our ambition to bring place, people and resources together by:
- ensuring that we spend money and work more intelligently and flexibly than before;
 - making it easier for people to do business with us; and
 - Improving the way we make decisions locally with residents.
- 3.37 Executive Board considered an update on our locality working and priority neighbourhood approach in February 2019. Over the last year, working with partners, we have developed the arrangements for the new approach. The methodology has been predicated on doing things with and alongside local ward members, communities, partners and stakeholders, listening to local opinions and reflecting collectively, to develop an emerging approach for the priority neighbourhood's work. The Locality Working refresh is complete and the new governance and operational arrangements have been introduced with the aim of creating a collective endeavour between elected members, local partners, council services and communities.
- 3.38 The local delivery arrangements are identifying strategic issues and opportunities to challenge some of the current approaches to delivery and investment. We are seeking to better align planned investment expenditure to priority neighbourhoods to accelerate improvement opportunities. As part of our ambition to tackle poverty and inequality we and our strategic partners are working together to accelerate the pace of change in key areas of policy and practice.
- 3.39 We believe that a young person's life chances, and their ability to access opportunities, should not be impacted by their home circumstance or the area in which they live. We also know the challenges that are faced, both by the people who live in poverty, and by the services who work across the city. For this reason, we are working with community services and our wider Child Friendly partners to share our understanding, knowledge and practice, to learn about the day to day impact of poverty for children and young people- and then to work with children and young people to tackle this impact. We recognise that we need a radically new approach to tackle child poverty, with all organisations sharing information, resources and good practice, to ensure that all barriers that young people face are broken down.
- 3.40 The Stronger Communities programme was established in 2016 to help build the city's resilience, improve community engagement and support communities to become more active in the life, and success, of the city. The programme brings together a range of projects and activities ranging from universal activities that take place in all communities to bring people together, through to more targeted work in those area where communities are perceived as being less engaged.

3.41 The city's work to tackle all types of extremism and safeguard those most vulnerable to radicalisation continues to go from strength to strength, through the Prevent and Counter Extremism programmes of work. Leeds is well regarded at both local and national level in this area and has developed an extensive programme of activity to combat all types of extremism, coupled with a strong partnership working with communities, schools, further and higher education, health and the police. Since 2017, Leeds has also co-chaired with Luton Borough Council, a national special interest group to **counter extremism**. This group is working at national level to share good practice, develop resources which improve resilience towards extremism and thereby create more cohesive communities.

Key Action: Internal Audit will review assurance arrangements relating to Community Cohesion and report their findings to the Corporate Governance and Audit Committee as part of the delivery of the Audit Plan.

3.42 To meet our ambitions as our city grows we need to ensure we meet effectively the needs of both new and existing communities. This led to the development of a strategic, coordinated and inclusive approach to inward migration which sets out our long term strategic direction. It aims to ensure that people who migrate to Leeds are able to establish their lives quickly and successfully so that all people live in thriving and resilient communities, and migration continues to benefit the city.

We have identified five priorities to underpin our programme of work:

- 1) Improve access to services;
- 2) Change attitudes and behaviours;
- 3) Increase awareness and understanding;
- 4) Strengthen resilience and building capacity;
- 5) Strong partnerships approaches.

3.43 In March 2019 our Communities and Environments Scrutiny Board supported the continuation of the approach and endorsed the work going forward.

3.44 Customer satisfaction and feedback has been extremely positive in relation to the **Community Hubs** delivered to date with residents/partners appreciating the investment in the buildings and the range of services available in one place. In order to build upon the positive progress made so far, and to achieve our long-term aims around delivering integrated and accessible service which meet the increasingly complex needs of the citizens and communities of Leeds; it is important that we continue our commitment to Community Hubs through the Phase 3 programme.

Customer Satisfaction

- 3.45 CGAC has reviewed the council's processes and procedures around **customer access and satisfaction**. Additional work is required to further understand current customer interactions and make changes to improve contact using the most cost effective routes without compromising accessibility, particularly given the prevailing financial climate. Internal Audit will undertake a review of the arrangements for dealing with Member enquiries as part of their audit coverage and will aim to report prior to the receipt of the Chief Officer's annual assurance report in January 2020.

Key Action: We will continue to address challenges in respect of:

- **telephone waiting times;**
- **transitioning to digital channels, by ensuring training and support is provided as a priority in order that service users are not disenfranchised from the services they need to access.**

Consultation

- 3.46 The more we work with service users, local people and staff to create better ways to do things, the better the outcomes for all. We strive to involve people right from the start when redesigning services, and helping people do more for themselves. Our approach to this is to embed **user-centred** design methodologies when implementing change, especially when the change involves technology. Many decisions we take are about ways to improve services or deliver services in a more efficient and effective way, so we can improve the experiences of both our citizens and staff.
- 3.47 The shaping of our services in the present financial climate is challenging, particularly where those services are provided to vulnerable people. Our Executive Board has worked to balance need, service provision and available resources in difficult financial circumstances. Consultation on our budget proposals was extensive with detailed annexes summarising contributions from the Public, Scrutiny Boards and other Organisations included in our budget setting reports to Executive Board and full Council.
- 3.48 Our decision-making reports give evidence of the public consultation we have undertaken and the engagement that has taken place. Significant engagement activities have taken place during the year relating to:
- Best Council Plan;
 - Budget;
 - Polling districts and places;
 - Community Asset Transfers;
 - City Centre Vision and Our Spaces Strategy;
 - Leeds Bradford Airport Transport Infrastructure;
 - Increases in Learning Places;
 - Air Quality;
 - Core Strategy and Housing Allocations.

Ensure that we have robust and effective audit, scrutiny, information governance, risk and financial management controls.

Finance Management – Strategic Landscape

- 3.49 The economic context in which public spending must be considered continues to be very much dominated by the debate concerning the impact of the EU referendum and the strength and resilience of the national economy. This is also set against, between the 2010/11 and 2019/20 budgets, our core funding from Government being reduced by around £266m. Additionally we have faced significant demand-led cost pressures, especially within Adult Social Care and Children’s Services.
- 3.50 To date, we have responded successfully to these challenges through a combination of stimulating good economic growth, creatively managing demand for services, increasing traded and commercial income, growing council tax from new properties and a significant programme of organisational efficiencies, which has resulted in a reduction in head count of 3,300 or over 2,600 full time equivalent employees since 2010.
- 3.51 The environment in which local government operates continues to be one which presents **significant financial challenges** to us with some areas of significant uncertainty after 2019/20 which is the period covered by the Council’s Medium Term Financial Strategy. The implications of the Government’s future spending plans with regard to Local Government and other areas of the public sector from 2020/21 onwards remain unknown and therefore it is unclear to what extent “austerity” will continue after 2019/20.
- 3.52 Whilst it is the Government’s intention to implement 75% business rate retention nationally in 2020/21 and consultation has been launched which focuses upon principles, it is unclear what the implications of any proposed reforms would be upon the Council. Similarly the Government has launched its Fair Funding Review of the methodology that determines local government funding baselines; based on an assessment of relative needs and resources, the approach has not been refreshed since 2013/14.
- 3.53 The outcome of this review won’t be known until the autumn of 2019 through the 2020/21 finance settlement and will inform the level of resources available to support budgets from 2020/21 onwards. Adding to the uncertainty is the delay in the publication of the Government’s Green paper on adult social care which will hopefully provide greater certainty around their future funding intentions for adult social care. Following the publication of the NHS Long Term Plan in January 2019 it was announced that the Green Paper would be issued by April 2019 although this timescale has slipped.
- 3.54 Recognising the financial challenge detailed in the **Medium Term Financial Strategy 2019/20 – 2021/22** received at Executive Board in July 2018, and in order to protect front line services as far as possible, especially those that provide support to the most vulnerable, in 2018/19 the council embarked upon a number of cross-cutting budget work streams that will contribute towards bridging the estimated budget gaps over the period of the Strategy.

3.55 With regard to 2019/20, savings of £3.2m will be realised, largely through both the application of benchmarking to inform where cost efficiencies/additional income can be realised and further efficiencies through the digitalisation of processes across a number of different services. Further consideration of the Medium Term Financial Plan was given by the Executive Board in July 2019.

Key Action: We will ensure that we continually review the financial landscape in order to alleviate the uncertainty and challenge to the delivery of our ambitions and our financial planning.

Financial Management – Oversight and Budget Management

3.56 Our Section 151 Officer has established an effective overall financial control environment framework for financial planning and exercises effective financial management and control which both discharge statutory responsibilities and are consistent with the Chief Financial Officer protocol which forms part of the Council's constitution.

3.57 Our Executive Board has received **monthly monitoring reports** during the year which set out the actions necessary to reduce net spend through the delivery of £34m of budget action plans (by March 2019). The reports identify actions that are on track to be delivered and highlight where in-year pressures have been identified along with the planned measures so that a balanced budget position can be delivered. The final financial outturn received by Executive Board in June 2019 reflected a planned underspend of £3m. The 2018/19 budget assumed a contribution to the general reserve of £1.0m. However this planned final outturn underspend results in a net contribution to the general reserve of £2.3m. This planned contribution to the Council's general reserve will ensure that the Council continues to remain financially resilient. The Housing Revenue Account also projects a small underspend and this has been brought into a balanced budget position after reviewing the use of HRA reserves. The Executive Board also receives updates on the Treasury Management and the Capital Programme in year. Treasury activity during the year was conducted within the approved borrowing limits for the year and resulted in overall savings to the revenue budget.

3.58 Our Corporate Governance and Audit Committee considered our **financial management arrangements** in March 2019 and concluded that they are fit for purpose, up to date, embedded and are regularly complied with. In reaching this view committee members took account of a number of rigorous reviews and assessments undertaken, including;

- Internal Audit provide annual assurances on the major financial systems and controls.
- Member scrutiny via Scrutiny Boards, Executive Board and Full Council ensures that the budget continues to meet the council's priorities and objectives. In addition, Corporate Governance & Audit Committee approves the Council's accounts.
- Officer review of the financial strategy, annual budget and in-year budget management and monitoring processes through the Financial Strategy Group, Finance Performance Group, Directorate leadership teams and the Corporate Leadership Team.

- Officer review of the adequacy of the control arrangements through the corporate Financial Integrity Forum.
- External Audit evaluated the Council's key financial systems as part of their audit work in respect of the 2018/19 audit. They also provide an opinion in respect of the Council's financial resilience.
- Treasury Management activities operated within the governance framework and comply with the CIPFA Treasury Management Code of Practice, Prudential Code and relevant guidance notes.

Key Action: The financial management arrangements will continue to be kept under review during the year.

Business Continuity

3.59 Of vital importance to us, is ensuring that we have arrangements in place to ensure our critical services can recover quickly from serious untoward incidents, such as the O2 outage in 2018. Our CGAC has received assurance in March 2019 that our **business continuity plans** are in place for all our **critical services** and that these are subject to continuous review. The Committee concluded that our arrangements remain up to date, fit for purpose, effectively communicated, routinely complied with and monitored and that the arrangements meet the council's statutory duties as required by the Civil Contingencies Act 2004. This is achieved by:

- Engagement and close working with the West Yorkshire Resilience Forum.
- Continued monitoring and identification of risks and development of measures to mitigate the risks should they occur.
- Continued review and revision of Business Continuity Plans for our prioritised services and functions through the annual review cycle, which this year included a review of all plans as part of our Brexit risk management arrangements.
- Participation in exercising and training both internally and externally with partner agencies.
- Maintaining directorate engagement with and ownership of business continuity arrangements through the Directorate Resilience Groups.
- Providing guidance and support to commissioned service providers in relation to business continuity.
- Providing business continuity advice and assistance to businesses and the voluntary sector.
- Maintaining effective systems for public awareness and warning and informing.
- Development of new and enhanced existing collaborative working arrangements with partner organisations.

Risk Management

- 3.60 Our Risk Management arrangements set out our commitment to a risk management framework that enables staff and elected members to identify, understand, manage and report on strategic and operational risks that could impact upon delivery of the Best Council Plan. As part of our decision-making arrangements, all reports for key and Significant Operational decisions consider risk management.
- 3.61 The council's most significant risks are captured in the Corporate Risk Register and are regularly reviewed by our Corporate Leadership Team. A corporate risk map is updated and published each quarter and senior politicians continue to be briefed on key risks. The Corporate Risk Register continues to document the most significant risks with seven 'standing' corporate risks being:
- Safeguarding children
 - Safeguarding adults
 - Health and safety
 - City resilience
 - Council resilience
 - Financial management (both the risk to the in-year budget and longer-term financial sustainability)
 - Information management and governance
- 3.62 An annual assurance report is provided to both our Executive Board and CGAC on the council's risk management arrangements, being received in June and July 2019 respectively. The annual report explored the extent to which our risk management arrangements are embedded with corporate, directorate, programme and project risk registers and how significant risks are escalated as necessary. The report also provided detailed assurances on each of the risk areas, covering an overview, description of the risks, the latest risk assessment, current arrangements in place to manage them and additional activity planned. **Two further risk** assurances have also been added: the first detailing how the authority manages its statutory requirement to provide **sufficient school places** to the children and young people of Leeds; the second explains how it protects itself against the risk of a **major cyber incident**.
- 3.63 Our CGAC has considered the council's preparations for the UK's exit from the European Union. The report demonstrated that we have considered the potential impact on both council services and the wider city. Our approach has been proactive in looking to implement a response plan to deal with the uncertainty and help guide the council and city's response. Our plan has been designed to be adaptable to a range of scenarios including a more prolonged period of uncertainty. In March 2019, an updated report on the council's and city's preparations and corresponding strategic response plan was considered by the Executive Board.

Information Governance

- 3.64 Significant work on information management and information governance has been undertaken to strengthen management of our information assets, to respond to external requirements and to identify opportunities for efficiency and other value gains in the management of information.
- 3.65 As regards information access and compliance our Corporate Governance and Audit Committee has been assured in March 2019 that processes and procedures are in place regarding upholding citizen rights to request information and that we operate within the Information Commissioners Office (ICO) thresholds for response times. Assurance has also been received that we are compliant with current Data Protection legislation and that work has been completed enabling formal closure of our GDPR Implementation Project . Work to ensure compliance with the Regulation has been embedded as business as usual. Within that context of information governance we have also separately reviewed the Caldicott Guardian arrangements in place within the council.

Key Action: That a combined Annual Information Governance Assurance report be prepared that includes oversight of the Caldicott Guardian role and that in the interim Caldicott governance arrangements benefit from a peer review by organisations with the same responsibilities.

- 3.66 We have reported one data security incident to the ICO. In evaluating the circumstances the ICO advised us that our response to the data breach was appropriate and helped ensure that the impact was mitigated – the ICO decision was that no further intervention was necessary. Our CGAC was assured that information governance practice and procedures are being managed and allow the council to work with partner organisations, third parties and citizens in a clear, transparent, but safe and secure way. The arrangements are also positively contributing to protect us from enforcement action and help to mitigate the impact of cyber incidents aimed at attacking and/or bringing down our information systems. The committee has also reviewed our approaches to password policies.
- 3.67 Significant work has been undertaken to enable us to become compliant with the more stringent compliance control arrangements to meet the Public Services Network (PSN) certification requirements. That work continues to ensure PSN compliance when we re-submit for certification in July 2019. We experienced a dip in performance in responding to Freedom of Information requests at the end of 2018 and in response established a single central requests team to handle all information requests – this provides for greater resilience in handling the large numbers of information requests that we receive.

Key Action: Our Corporate Governance and Audit Committee will regularly review plans to deal with outstanding and emerging issues relating to PSN Certification.

Scrutiny

3.68 Scrutiny arrangements are operating in accordance with the terms of reference and procedures agreed by full council with inquiries both adding value to the delivery of the council's outcomes and providing challenge to the Executive. Following a review of those arrangements the Annual Council meeting approved amendments to the Scrutiny Board Procedure Rules. An annual report relating to the Council's activities was presented to full Council in July 2019. The Council sees Scrutiny as a key performance tool in ensuring that the Council meets its best city ambitions. The proportion of work undertaken by Scrutiny Boards that relates to pre-decision Scrutiny and the development of new policy is testament to the value placed upon Scrutiny Boards by the Executive to help inform what are often high profile and sensitive decisions to be made.

3.69 Scrutiny Boards have also continued to demonstrate their unique strength in bringing together a wide range of sectors and service users to identify solutions in addressing complex and often challenging cross cutting issues. Notable inquiries completed during the year have been on:

- Dementia
- Men's Suicide: The impact of problem gambling
- Child and Adolescent Mental Health Services
- Provision and quality of homecare services
- Adults Safeguarding
- Is Leeds a Child Friendly City?
- Kerb Collection of Domestic Waste and Recycling
- Inclusive Growth Strategy Implementation with specific focus on Employment - inquiry
- Embracing Digital Tech Solutions
- Maximising the Apprenticeship Levy
- Management and financial impact of council owned void properties.

3.70 Work undertaken by Scrutiny is a key element in the continuous review of our governance arrangements and assists in ensuring that they are up-to-date and fit for purpose in focusing resources on outcomes and ensuring council tax payers and service users receive excellent value for money. During 2018/19 the Government has been reviewing National guidance for Scrutiny this was issued in late May 2019.

Key Action – we will review the Guidance for Scrutiny issued by Government in May 2019 and report to Members any implications or proposals for change.

Ensure we have clear responsibilities and arrangements for transparent and effective accountability.

Electoral Arrangements

- 3.71 The Electoral Registration and Administration Act 2013 introduced a change to the timing of compulsory reviews of UK Parliamentary polling districts, places and stations meaning a compulsory review must take place between 1 October 2018 and 31 January 2020. We commenced and concluded the review this year in order for all changes to be implemented in time for the Local and Parish/Town Council Elections on Thursday 2 May 2019 (and any other elections or referendums which should take place on or after that date). Internal Audit have also reviewed the processes in place to ensure the integrity of information contained in the Electoral Roll and reported good assurance to the CGAC in January 2019.

Delegations and Sub Delegation

- 3.72 Executive leadership arrangements (including Executive Member Portfolios and Executive delegations to officers) were reported to our Annual Meeting. The Annual Council meeting also approved committee governance, officer delegations and outside body appointments. The City Solicitor has also provided assurance that the Council's Constitution has been kept up-to date during the year.

Partnership Arrangements

- 3.73 Partnerships and other joint working arrangements with external bodies form an increasing element of our activities, providing challenges in terms of transparency, demonstrating accountability and managing risk. These include:
- West Yorkshire Combined Authority (WYCA)
 - West Yorkshire Joint Services
 - North and West Yorkshire Business Rates Joint Committee
 - West Yorkshire Adoption Joint Committee
 - West Yorkshire Joint Health Overview and Scrutiny Committee
 - West Yorkshire Police and Crime Panel
 - Health and Wellbeing Board
 - Partner Executive Group
 - Integrated Commissioning Executive
 - Leeds Plan Delivery Group
 - Leeds Children and Families' Trust Board
 - Safeguarding
 - The Leeds Safeguarding Children Partnership
 - Leeds Safeguarding Adults Board
 - Safer Leeds Executive
 - West Yorkshire Resilience Forum
 - Third Sector Partnerships
 - Leeds Strategic Housing Partnership
 - Connecting Leeds Expert Advisory Panel
 - Inclusive Growth Delivery Partnership

3.74 Partnerships reviewed/established during the year by Executive Board have included arrangements with:

- West Yorkshire and North Yorkshire Councils concerning Business Rate Pooling
- West Yorkshire Joint Services
- West Yorkshire 'One Adoption'
- Leeds City Credit Union
- West Yorkshire authorities regarding Urban Traffic Management and Control
- London and Continental Railways

3.75 The Corporate Governance and Audit Committee received assurances from the Chief Officer Financial Services that the Corporate Financial Integrity Forum has the oversight of the financial governance risk of partnerships and other joint working arrangements within its remit.

Key Action: Internal Audit Plan will review our governance arrangements for partnerships

Key Action: We will aim to develop guidance to help ensure there is a consistent and effective approach across the authority for managing risk with partners.

3.76 We have also fully participated in the work of the **West Yorkshire Combined Authority**, and in doing so have, with our neighbouring local authorities, reviewed and streamlined other aspects of regional governance. Collaborative working is taking place across the region to support progressive negotiations with HM Government for a devolution deal for the region. Given the importance of this, full Council receives a regular update report on the devolved matters; allowing cross party engagement and debate on this evolving area.

3.77 Our **Health and Wellbeing Board** has provided an open and transparent forum through which joint work on improving health and wellbeing is progressed. The Health and Wellbeing Board has considered and provided an opinion on whether the NHS Leeds Clinical Commissioning Groups takes proper account of the outcomes set out in the Leeds Health and Wellbeing Strategy and has agreed an approach to review the operational plans during 2018-2019. Our full Council meeting has considered the minutes of the Board to enable wider member engagement.

3.78 A **West Yorkshire Adoption Joint Committee** has been appointed by the five West Yorkshire authorities to have oversight of the regional adoption agency "One Adoption West Yorkshire". The Committee is responsible for ensuring that the adoption services (including the recruitment and approval of potential adopters; identification of potential matches between children and adopters; and the provision of adoption support services) are carried out safely, effectively and efficiently. Our Executive Board has reviewed the operation of the new arrangements and resolved that annual assurance reports are considered in future by the Joint Committee.

- 3.79 In October the Chancellor announced investment of £84m over the next five years for the Department for Education's Strengthening Families, Protecting Children programme. Along with North Yorkshire and Hertfordshire we are at the forefront of arrangements to support a number of under-pressure local authorities to improve their social work practice and decision-making, so that – when it is in their best interests – children can stay safely at home, thriving in a stable family environment. We continue to work collaboratively with the Department of Education on how we can best operationalise the Strengthening Families, Protecting Children programme.
- 3.80 The delivery of our Best Council Plan priorities is dependent on effective partnership working and an enabling approach which encourages all partners to play an active role and make maximum impact in the city. Maintaining and developing the range, reach, capacity and skill of the third sector is critical to the delivery of the Best Council Plan. Leeds has a large and diverse third sector with over 3500 organisations from the smallest neighbourhood community groups to major providers of services and we are recognised as a centre for best practice for our partnership working with the third sector.
- 3.81 Our **Inclusive Anchors** programme brings together a range of institutions to take collective action on employment matters including pay, terms and conditions and health and wellbeing, and procurement and supply chain management. Local institutions signed up in principle to working individually and collectively on an anchors programme include - Leeds City College, Leeds College of Building, the University of Leeds, Leeds Beckett University, Leeds Trinity University and Leeds Community Healthcare, Leeds Teaching Hospitals NHS Trust and Leeds and York NHS Foundation Trust.

Key Action: Further work will be undertaken to extend the Inclusive Anchors programme beyond the largely publicly funded anchors to private sector businesses and exploring the development of an inclusive business charter for SME businesses with a particular focus on encouraging more employers to pay the Living Wage as promoted by the Living Wage Foundation.

Safeguarding

- 3.82 Our Executive Board considers regular reports on our safeguarding arrangements. The reports consider whether systems and practices are in place to safeguard adults and children at risk. A Cross Council **Safeguarding Board** also works with representatives from the Leeds Safeguarding Children Partnership, Safer Leeds Executive and Leeds Safeguarding Adults Board to promote and embed safeguarding awareness and training across the council. The board oversees the network of Safeguarding Lead Officers: nominated individuals from within directorates who have a specific focus on helping the directorate to continually think about how to keep colleagues and members of the public safe from harm.

- 3.83 The government has recently accepted recommendations of the ‘Wood Review’ concerning the operation of Local Safeguarding Children Boards. The Leeds Safeguarding Children Partnership, senior representatives of the three main agencies and the Children and Families Trust Board have been working on the development of the new arrangements, in response to the recommendations over the past 12 months with outline proposals now developed.
- 3.84 These emerging proposals for new multi-agency safeguarding arrangements should continue to strengthen and streamline the already strong and effective partnership working in Leeds. The new arrangements will bolster and clarify the shared leadership of the Council, NHS and Police whilst ensuring there are the right partnership arrangements in place to engage and support wider partners and the whole city in this vital work.

Key Action: Our Executive Board will review the arrangements in the autumn.

Take informed and transparent decisions.

- 3.85 Our decision-making arrangements are one of our key governance controls, linking to all the governance principles that are set out in our Code of Corporate Governance. The annual report to our Corporate Governance and Audit Committee (June 2019) considered assurances relating to whether decision making arrangements remain up-to date, fit for purpose and are functioning well.
- 3.86 In particular, assurances were provided that systems and processes exist and are used to review and maintain the framework that requirements in relation to publication of decisions are embedded and routinely complied with, that key performance indicators are regularly monitored and that steps are taken to work positively and transparently. In considering assurances around the Planning decision making framework, Members undertook to review further the existing delegation scheme as well as the arrangements in place for Enforcement of decisions/conditions taken under the planning system.

Key Action: The arrangements whereby, Members may refer applications to Plans Panel for determination and the governance arrangements for Enforcement will both be reviewed by our Corporate Governance and Audit Committee

- 3.87 During the year we have reviewed the processes and financial thresholds for Executive decisions with a view to simplifying the arrangements in place whilst also ensuring compliance with relevant legislation, supporting the democratic oversight provided by members whilst also allowing the authority to be agile and responsive. The changes take effect from 1st July 2019.

Key Action: The implementation of our new decision making will be effectively communicated with arrangements monitored during the year and reported back to the Corporate Governance and Audit Committee

- 3.88 During 2018/19 CGAC also reviewed the operation of the decision making arrangements within Children’s Services where opportunities for improvements in decision administration were identified.
- 3.89 Our report template helps to ensure that governance considerations form a key element of our decision making processes. Key to this is the need to specifically address:
- Consultation and Engagement
 - Equality and Diversity / Cohesion and Integration
 - Council policies and the Best Council Plan (specifically including);
 - Climate Change
 - Inclusive Growth
 - Health and Wellbeing
 - Resources and value for money
 - Legal Implications, Access to Information and Call In
 - Risk Management
- 3.90 The City Solicitor (as the Senior Responsible Officer for the Regulation of Investigatory Powers Act ‘RIPA’) has provided ongoing assurance (via a regular commentary in Internal Audit reports) to our CGAC that the council has complied with the requirements of the RIPA 2000 – both as regards directed surveillance and the use of covert surveillance sources and also as regards the acquisition and disclosure of communications data.

Develop our capacity and capability to be effective.

Elected Members

- 3.91 As community leaders, it is vital that our councillors are supported to be as effective as possible. This was particularly important following the 2018 all-out elections in Leeds where a large number of new councillors were elected. The role of an elected Member on Leeds City Council is essential to the well-being of the city, but it is also very demanding and complex. In order to lead the organisation and city, and continually improve performance, Members require a dedicated learning and development strategy.
- 3.92 An **induction programme** and a variety of learning programmes are in place and are continually monitored and evaluated by our Member Management Committee.

Key Action: Our Member Development Strategy will be reviewed during 2019/20

- 3.93 In order to sit on the Plans Panels members must complete mandatory training; 100% of Panel members completed this training in 2017-18. Council Procedure Rules allow flexibility around the appointment of substitutes to Plans Panels subject to members having the appropriate training and abide by the *Planning Code of Good Practice*. All members substituting on the Plans Panels have received this training. In addition, the service has started on its roll out of workshop style training for members with the first on tall buildings being delivered. A programme of training will be developed for 2019.

Employees

- 3.94 Scenario planning for our future workforce and skill requirements remains a key consideration for us, particularly in light of demand changes, external factors such as Brexit, budget pressures and changes in the way we work. The **digital landscape** is a central factor shaping all workplaces (and sectors) which will facilitate different ways of delivering services and how work is undertaken.
- 3.95 Building upon the changes that were made last year, this year's **appraisal** format continues to support a high quality discussion that is open, honest and supportive.

Some key points to note are:

- Appraisal objectives are back in the appraisal record (rather than separate as in 2018)
- The person-centred format has been continued with open, probing questions
- Wellbeing is a core theme throughout
- The paper appraisal form mirrors the online appraisal record
- The management development offer provides sessions that managers can attend to enhance their skills in conducting quality appraisal meetings.

Latest mid- year completion rate was 93.4% (end of December 2018).

- 3.96 The use of **apprenticeships** to develop new skills and talent is an increasingly important part of our workforce strategy. We have grasped the opportunity provided by the Apprentice Levy to work differently as an employer. In recent months we have developed our Apprenticeship Programme within the Council from supporting a handful of apprenticeship frameworks, mostly at entry level for traditional roles, to managing apprentices spanning over 70 different frameworks and standards, from Level 2 – Level 7, across the Council.
- 3.97 To assist in addressing **engagement survey** results and in order to provide a clear leadership career pathway, we have introduced a leadership & management apprenticeship programme that contributes to the wider management development programme. This programme invites colleagues to apply for apprenticeship development specifically across management apprenticeship standards from levels 3 to 7. The initial cohort was launched in September 2018 and 180 members of staff are now on the programme. A further cohort will start in September 2019.

3.98 The DfES have set a public sector apprenticeship target to which we will have to give due regard. This is 2.3% of our head count. Meeting the target on an annual basis means employing over 500 Apprenticeships: 350 in LCC and 200 in schools. With such great strides in development of apprenticeships and pathways for our workforce we must now work on maintaining this positive start and ensure the link between apprenticeships and our workforce development strategy stays strong, the Levy is spent effectively and our public sector target continues to be met.

Key Action: To sustain our Apprenticeship approach we will:

- a. **Improve identification and forecasting through work-force planning, setting out where our future Apprentices will come from.**
- b. **Look at how we use opportunities to support priority groups to access work with us – especially with entry level Apprenticeships.**
- c. **Ensure that meeting the target also reconciles with the resources we have via the Levy.**

Health and Safety

3.99 Our health and safety team deliver or advise on a range of training and development to ensure that we meet our statutory obligations and that all employees have the necessary knowledge and skills to carry out their roles safely. The Head of Health and Safety has monthly assurance meetings with the Director of Resources and Housing to discuss **Health and Safety performance** and the high hazard group meets quarterly to discuss priorities and share details of any incidents and good practice across services. The annual health and safety report which provides assurance on health, safety & wellbeing is presented to our Corporate Leadership Team and the Corporate Health and Safety Priority Board each year. The annual report highlights Health and Safety performance across the year and also identifies new priorities and strategies for the coming years. This was considered by our Executive Board in July 2019.

3.100 The Committee on Standards in Public Life reported in 2017 on the intimidation experienced by Parliamentary candidates, and others in public life, and how this has become a threat to the diversity, integrity, and vibrancy of representative democracy in the UK. The **health and safety of our elected members is of paramount concern to us** and we have approached requests from Members to have their residential address withheld from publication sympathetically when actual or potential threats of violence or intimidation have been brought to our attention. Unfortunately the number of these instances has continued to increase.

- 3.101 We have introduced personal safety measures for elected members including all members having the opportunity of being provided with a safe lone working device. In addition, we provided all members with personal safety briefings and provide a specific session on “Keeping Safe – Members Personal Safety Your Skills” as part of our revised member induction programme.

Key Action: We will keep the arrangements for Member Safety under review during the year through our Member Management Committee.

An Independent opinion of effectiveness

- 3.102 CGAC receive updates on audit activity and progress in meeting the audit plan at each of their meetings. The annual report from the Head of Internal Audit reported on the control environment within the council and provided the following opinion about the adequacy of the systems and processes in place.

“Head of Audit opinion for 2018/19

On the basis of the audit work undertaken during the 2018/19 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice.

We have audited several areas that have resulted in ‘Limited Assurance’ opinions and we have highlighted weaknesses that may present risk to the council. In these cases, we have made recommendations to further improve the arrangements in place. Although significant to the control environment in place for the individual system areas that have been audited, these weaknesses are not material enough to have a significant impact on the overall opinion on the adequacy of the council’s governance, risk management and control arrangements at the year end. A satisfactory overall opinion is provided for 2018/19, based on the audit work detailed within this report. The outcomes of the audit work that supports this opinion have been reported to Members of the Corporate Governance and Audit Committee during the year.

The audit work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.”

- 3.103 The CQC is the independent regulator of health and adult social care services across England – aiming to ensure health and social care services provide people with safe, effective, compassionate and high-quality care, and encouraging care services to improve where necessary. As the regulator, the CQC produce reports based on their inspection process for care providers in a range of settings, including residential and nursing homes across the city.

3.104 The CQC undertook a review of health and social care services in Leeds which was reported in December 2018. The Leeds review was undertaken in October and followed a programme of 20 reviews carried out between August 2017 and July 2018. The review concluded that system leaders in Leeds had a shared vision that was supported and understood across health and social care organisations, with a shared understanding of the challenges ahead. Reviewers found that there was a good voluntary, community and social enterprise sector in Leeds with many opportunities for people to receive support, particularly for people at risk of social isolation and loneliness.

3.105 Our Scrutiny Board Adults and Health continues to monitor the quality of care across the city and support the drive in care quality. Council Officers and CQC officials have attended the Scrutiny Board to answer questions from its members, and provide assurance on improvement actions and processes.

Key Action: We will deliver an action plan with our partners to address areas of improvement highlighted by the CQC in their review of health and social care services in Leeds.

3.106 In December the Office for Standards in Education, Children's Services and Skills (Ofsted) reported on their inspection of our social care services to children. The judgement of the inspector is that these services are **Outstanding**.

3.107 Ofsted noted that children and families in Leeds are receiving a consistently good service which ensures that their needs are met at the right time by the right service. Well-established multi-agency partnerships aim to meet the needs of children and families at the lowest level of intervention. A clear focus on providing support at the earliest opportunity is helping families to make changes before concerns increase.

3.108 Ofsted concluded that leaders have established a well-understood practice model that promotes child-centred work and productive working relationships between workers and families, as well as giving a clear overview of the outcomes desired. The inspector also reported that we are a committed corporate parent and that we are ambitious for our children, that we encourage children to realise their potential and that we celebrate their achievements with substantial progress being made on delivering our vision to make Leeds a child-friendly city.

3.109 The Ofsted inspection set out a number of areas (already known to us) for improvement.

- The consistent involvement of health agencies in strategy discussions.
- The consideration given to children's culture and identity in all assessments.
- The quality, recording and review of personal education plans (PEPs) so that they provide clear, consistent and purposeful targets, covering both short- and longer-term objectives.
- Pathway planning to be better reflected in case records and pathway plans to be reviewed to ensure that they are meaningful documents for young people.

3.110 It is important that this Ofsted judgement does not lead to complacency and a slowing pace of reform.

Key Action. We will, through the delivery of our Service Improvement Plan, build on the city's recent progress and seek to continually improve services for children and families in the city. Our plan sets out how we will achieve these ambitions.

3.111 In 2018 Grant Thornton took over the External Audit role for Leeds City Council from KPMG. Our CGAC has considered the approach and process of transition between the two Audit teams and received assurance that the handover had been completed in accordance with the processes laid out by Public Sector Audit Appointments (PSAA). Marzars have been appointed to provide the audit and an opinion on the Housing Benefit Subsidy claim.

3.112 Grant Thornton are required to consider whether our Annual Governance Statement **does not** comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or whether it is misleading or inconsistent with the information of that they are aware from their audit. Grant Thornton has confirmed that they have nothing to report in this regard.

3.113 Grant Thornton also have a responsibility to issue an audit opinion in relation to our Accounts and Value for Money arrangements. This assesses whether we have made proper arrangements to ensure we took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

3.114 As part of their work on the Council's overall control environment each year, the External Auditor's IT specialists carry out audit work on the council's IT controls. Grant Thornton completed and reported their assessment of our arrangements and resulting recommendations to our CGAC in June 2018.


3.115 Although our previous auditor KPMG issued an audit opinion for our 2016/17 & 2017/18 accounts confirming that they presented a true and fair position, at the time our Corporate Governance and Audit Committee approved the 2018 Annual Governance Statement the audit for that year had not yet been closed pending resolution of an objection made by a local elector.

3.116 The objection concerned the lawfulness of the council's borrowing via LOBO (Lender Option Borrower Option) loan instruments. We can report in this Statement that KPMG were satisfied with the Council's treatment of these loans and issued an audit closure certificate for both 2016/17 and 2017/18. We can also report that KPMG's final audit report on the certification of grant claims and returns was successfully completed and confirmed that, whilst a number of minor errors in the Housing Benefit Subsidy claim were identified which required qualification and amendment, the final approved claims were submitted to the relevant granting organisation.

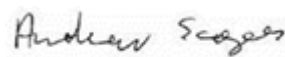
3.117 At the time of concluding the drafting of this Statement we had not, as we had anticipated, received the Local Government and Social Care Ombudsman (LGSCO) Annual Letter to the authority. These reports routinely contain statistics on the complaints made to the Local Government and Social Care Ombudsman for the year ended 31 March 2019 in July 2019. On receipt of the letter this will be provided to Members for consideration and review.

4. ASSURANCE CONCLUSION

- 4.01 Good governance is about running things properly and 'doing the right thing'. It is the means by which we show we are taking decisions for the good of the people of the area, in a fair, equitable and open way. It includes how we do things, including our values and standards of behaviour that support good decision making - collective and individual integrity, openness and honesty. Good governance is the foundation for the delivery of good quality services that meet all local people's needs. It is also fundamental to showing public money is well spent as well as maintaining credibility and public trust. Without good governance we will not achieve our ambitions to improve services and outcomes for local people.
- 4.02 From the review, assessment and on-going monitoring work undertaken and supported by the work of Internal Audit, we have reached the opinion that, overall, key systems are operating soundly, that there are no fundamental control weaknesses and that where improvements have been identified, actions are in place.
- 4.04 We can confirm, to the best of our knowledge and belief, and there having been appropriate enquiries made, that this interim statement provides an accurate and fair view.



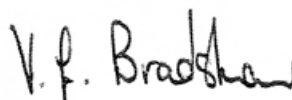
Councillor Judith Blake
Leader of the Council



Councillor Andrew Scopes
**Chair Corporate Governance and
Audit Committee**



Tom Riordan
Chief Executive



Victoria Bradshaw
Chief Officer Financial Services
& Section 151 Officer



Catherine Witham
City Solicitor
& Monitoring Officer

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Report author: Mary Hasnip
Tel: x89384

Report of the Chief Finance Officer
Report to Corporate Governance and Audit Committee
Date: 26th July 2019
Subject: Approval of the Audited Statement of Accounts and Grant Thornton Audit Report

Are specific electoral wards affected?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If yes, name(s) of ward(s):	
Has consultation been carried out?	<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
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, access to information procedure rule number:	
Appendix number:	

Summary

Main issues

1. Grant Thornton have completed their audit of the final accounts, and the report of their findings is attached. The main points are that :
 - Grant Thornton anticipate being able to issue an unqualified opinion on the 2018/19 Statement of Accounts;
 - There are no unadjusted audit differences affecting the financial statements;
 - The review of the Annual Governance Statement has concluded that it is not misleading or inconsistent with information they are aware of from their audit of the financial statements, and that it complies with CIPFA/SOLACE guidance;
 - The review of value for money arrangements has concluded that the Council has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

2. The accounts have been certified by the Chief Finance Officer as a true and fair view of the Council's financial position as at 31st March 2019. A copy of the final version of the accounts for approval is included with this report.

3. During the 2018/19 public inspection period, no objections were received from local electors.

Best Council Plan Implications and Resource Implications

4. There are no implications for the Best Council Plan and no resource implications arising from this report.

Recommendations

5. Members are asked to receive the report of the Council's external auditors on the 2018/19 accounts and to note that there are no unadjusted audit differences to the accounts.
6. Members are asked to approve the final audited 2018/19 Statement of Accounts and the Chair is asked 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.
7. On the basis of the assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
8. Members are asked to note Grant Thornton's VFM conclusion that the council has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

1. Purpose of this report

- 1.1 At its previous meeting in June, the Committee considered the unaudited 2018/19 Statement of Accounts prior to their being made available for public inspection. Under this Committee's terms of reference, members are now required to approve the Council's final audited Statement of Accounts and to consider any material amendments identified by the Council or recommended by the auditors.

2. Background information

- 2.1 In accordance with the Accounts and Audit Regulations 2015, the Council's Responsible Financial Officer, the Chief Finance Officer, 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

Grant Thornton have indicated that subject to completing work in a number of areas, they are satisfied the 2018/19 accounts give a true and fair view of the Council's financial position, and that they anticipate being able to issue an unqualified audit opinion by 31st July.

3.1.2 Audit Differences

On conclusion of the audit, Grant Thornton identified no unadjusted audit differences which required amendment to the accounts.

3.1.3 Audit Risks

Grant Thornton's External Audit Plan, as reported to this Committee in January 2019, identified two key areas of audit risk for the 2018/19 accounts, due to the materiality of the figures involved. These were the valuation of property, plant and equipment and the valuation of net pension liabilities. Grant Thornton have now audited these areas and their conclusions are included in the attached report.

3.1.4 Audit recommendations

Grant Thornton have made two medium priority recommendations, relating to the valuation date for land and buildings, and to the Council's arrangements for planning its strategy for future levels of usable reserves.

3.1.5 Use of Resources

Grant Thornton 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.

Grant Thornton have concluded that the Council has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

3.1.6 Review of the Annual Governance Statement

Grant Thornton have confirmed that, in their opinion, the Annual Governance Statement is not misleading or inconsistent with other information they are aware of from their audit of the financial statements, and that it complies with the CIPFA/SOLACE guidance 'Delivering Good Governance in Local Government : A Framework'.

3.2 Post Balance Sheet Events and other significant amendments

- 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 18th July the council has identified two post balance sheet events which are sufficiently material to require an adjustment to be made to the final accounts. These relate to pensions liabilities and to business rates.
- 3.2.3 In respect of pensions liabilities, the government has been contesting a legal ruling relating to the judges' and firefighters' pension schemes which stated that when these schemes were reformed in 2014, the protection given to existing scheme members who were within 10 years of retirement was discriminatory on age grounds. On 27th June, the government was refused permission to appeal against this judgement. Since similar protections were given to scheme members within 10 years of retirement when the local government pension scheme was reformed, this ruling creates an obligation for changes to be made to the Local Government Pension Scheme (LGPS) in order to remedy the age discrimination, and the government has since confirmed its intention to amend all public sector pension schemes, including the LGPS. Although the exact changes will take some time to be agreed, local authorities have been advised to ask their actuaries to estimate an approximate cost of the change and incorporate this into their 2018/19 accounts. For Leeds, the pension liabilities have increased by £38.0m in respect of this issue and a further £9.4m in relation to equalisation arrangements between males and females of Guaranteed Minimum Pensions accrued by individuals who were contracted out of the State Second Pension before April 1997, giving a total increase of £47.4m in comparison to the figure given in the draft accounts. This change impacts on the Pensions Reserve and not on spendable reserves. However it should be noted that these issues will have an impact on the council's future contribution rates to the West Yorkshire Pension Fund.
- 3.2.4 In respect of business rates, the data received from the Valuation Office since the draft accounts were published has included some significant downward valuations relating to the 2010 valuation list, and an increase in the number of appeals, checks and challenges relating to the 2017 list. As a result the provision for business rates appeals at 31st March 2019 has been increased by £3.3m. For 2018/19 this change will impact on the Collection Fund Adjustment Account rather than on spendable reserves, but there will be an impact on the business rates precepts available to the general fund in 2020/21.

- 3.2.5 Officers have reviewed the revaluations of land and buildings during June and July, and identified a small number of updates and corrections which have led to a net increase of £6.5m in the value of assets.
- 3.2.6 Following the above changes, the final accounts show a decrease in the Council's net worth for the year of £289m, in comparison to the decrease of £244m shown in the draft accounts.
- 3.2.7 As outlined in paragraph 3.2.1 above, any post balance sheet events must be considered up until the accounts are approved. A verbal update will be provided at Committee to confirm the final position.

3.3 Public Inspection Queries, Questions to the Auditors and Objections

- 3.3.1 Under the statutory timescales for public inspection of the accounts, no formal objections have been received for the 2018/19 accounts. One request was received for additional information, and this has been responded to.

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 Grant Thornton such assurances. In respect of the 2018/19 accounts the letter is attached as **Appendix A** to this report. After consultation with appropriate officers, the Chief Finance Officer 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.

3.5 Audit Fee issues

- 3.5.1 Grant Thornton's report advises that they will be proposing an additional audit fee of £5k for their audit work.
- 3.5.2 Since the previous meeting of the committee, the council has been advised by KPMG that they have agreed with Public Sector Audit Appointments Ltd that a fee of £14,357 will be charged for their work in resolving the objection to the council's 2016/17 accounts.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 The audit report does not raise any issues requiring consultation or engagement with the public, ward members or Councillors.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 There are no issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and the Best Council Plan

4.3.1 Under this Committee's terms of reference members are required to consider the Council's arrangements relating to external audit, including the receipt of external audit reports. This is to provide a basis for gaining the necessary assurance regarding governance prior to the approval of the Council's accounts.

Climate Emergency

4.3.2 There are no climate implications arising from this report.

4.4 Resources, procurement and value for money

4.4.1 Grant Thornton's report includes their opinion as to 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 Regulations 2015 require the audited Statement of Accounts to be published before the 31st July. Under this Committee's 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 Grant Thornton have not identified any significant risks in their recommendations.

5. Conclusions

5.1 The external audit report provides the following assurances to members :

- A proposed unqualified opinion on the 2018/19 Statement of Accounts, subject to the completion of outstanding audit work.
- A value for money conclusion that the council has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.
- Confirmation that in the auditor's opinion the Council's Annual Governance Statement is not misleading or inconsistent with other information they are aware of from their audit of the financial statements, and that it complies with CIPFA/SOLACE guidance.

5.2 There are no high priority recommendations raised by Grant Thornton

6. Recommendations

- 6.1 Members are asked to receive the report of the Council's external auditors on the 2018/19 accounts and to note that there are no unadjusted audit differences to the accounts.
- 6.2 Members are asked to approve the final audited 2018/19 Statement of Accounts and the Chair is asked 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 Members are asked to note Grant Thornton'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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26th July 2019

Dear Sirs,

This representation letter is provided in connection with the audit of the financial statements of Leeds City Council for the year ended 31st March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vi. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged

- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and for all material disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or

- c. others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxiv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Corporate Governance and Audit Committee at its meeting on 26th July 2019.

Yours faithfully,

Chief Finance Officer

Chair, Corporate Governance and Audit Committee

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The Audit Findings (ISA260) Report for Leeds City Council

Year ended 31 March 2019

18 July 2019



Contents



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Appendices

- A. Action Plan
- B. Audit adjustments
- C. Fees
- D. Audit Opinion (proposed)

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Leeds City Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the financial position of the Council and its income and expenditure for the year; and• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work commenced as planned at the beginning of June and at the time of this report, is nearing completion. Our key audit findings are summarised in this report.</p> <p>Based on our audit work to date, we have not identified any adjustments that impact on the useable reserves of the Council, however, there is one national issue identified after the balance sheet date affecting the Council's primary statements relating to pension liabilities resulting from the McCloud judgement and the associated Guaranteed Minimum Pension indexation, the total adjustment amounts to an increase in the pension liability of £47.4m. In addition, the Council has processed six adjustments to the draft accounts presented for audit which in total increase the value of Council assets by £6.5m, and a further £3.3m to increase the NNDR appeals provision.</p> <p>As stated above, none of these adjustments impact on the Council's General Fund and useable reserves position. Further details of the audit adjustments are included at Appendix B. In addition, we have also raised a small number of recommendations for management as a result of our audit work in the Action Plan at Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our proposed audit opinion (as set out at Appendix D), or material changes to the financial statements, subject to the following outstanding matters:</p> <ul style="list-style-type: none">• finalisation of testing and review of the work done by the engagement lead and manager in the following sections;- completing our work on financial instruments, employee remuneration, operating expenditure, PPE, pension fund assets and liabilities, creditors, revenue streams, cash flow, senior officer disclosures and related party transactions• review of the updated pension fund liability and related disclosures in light of the changes required following the McCloud judgement and Guaranteed Minimum Pension (GMP) requirements (we will review the updated accounting entries and disclosures upon receipt from the Council's actuary)• review of the action taken to implement findings from the 'cold review' of the Council's 2017-18 financial statement disclosures• procedures for Whole of Government Accounts• reviewing the final version of the financial statements and Annual Governance Statement• obtaining and reviewing the management letter of representation• updating our post balance sheet events review, to the date of signing the opinion. <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>We expect to issue an unqualified (clean) audit opinion by 31 July 2019.</p>
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Headlines – continued

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk based review of the Council's value for money arrangements. We have concluded that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore anticipate issuing an unqualified value for money conclusion, as detailed at Appendix D.

We have raised one recommendation for management as a result of our VFM work at Appendix A in relation to the future level of Council reserves.

Our findings from our VFM work are summarised on pages 16 to 20.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

2. Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- an evaluation of the Council's internal controls environment, including its IT systems and controls
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our Audit Plan, as communicated to you on 7 January 2019.

Conclusion

Subject to outstanding work and queries being satisfactorily completed and resolved (previously listed on page 3 of this report), we anticipate issuing an unqualified audit opinion following the Corporate Governance and Audit Committee on 26 July 2019, as detailed at Appendix D.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. We have revised our calculation of materiality on receipt of the Council's draft 2018-19 accounts given the increase in expenditure during the year. Our revised materiality calculations are set out in the table below.

Materiality category	Planning Materiality (£)	Revised Materiality (£)	Qualitative factors considered
Materiality for the financial statements	24,011k	26,424k	Materiality has been based on 1.3% of the Council's gross expenditure from the 2018-19 draft accounts. This is in line with the industry standard and reflects the risks associated with the Council's operational environment.
Performance materiality	15,607k	17,176k	Our performance materiality has been set at 65% of our overall materiality. This reflects any significant findings from the work of the previous external auditor and that 2018-19 is the first year of audit for us as external auditors.
Trivial matters	720k	793k	A standard level of five per cent of materiality has been used. This is our reporting threshold for any errors identified.
Materiality for specific transactions, balances or disclosures.	5k	5k	The senior officer remuneration disclosure in the Statement of Accounts has been identified as an area requiring a lower materiality due to its sensitive nature

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p>1 The revenue cycle includes fraudulent transactions (rebutted)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Auditor commentary</p> <p>We rebutted the risk at the planning stage of our audit. No circumstances arose that indicated we would need to reconsider this judgement.</p> <p>Findings</p> <p>There are no issues to bring to your attention.</p>
<p>2 Management over-ride of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management over-ride of controls as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> – evaluated the design effectiveness of management controls over journals; – analysed the journals listing and determined the criteria for selecting high risk unusual journals; – tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; – gained an understanding of accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence; and – evaluated the rationale for any significant changes in accounting policies, estimates or significant unusual transactions. <p>Findings</p> <p>Our audit work to date has not identified any issues in respect of management override of controls. We are currently working through the journals selected for testing, we will provide a verbal update to the Corporate Governance and Audit Committee on 26 July with our final findings on our review of journals.</p>

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p>3 Valuation of land and buildings (rolling revaluation) including the Council's 13 PFI schemes in the first year of audit</p> <p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (over £5 billion) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation experts discussed with the valuers the basis on which the valuation was carried out challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding tested revaluations made during the year to see if they had been input correctly into the Council's asset register considered how management has confirmed assets valued at 30 September 2018 have not significantly changed in value by the year end, 31 March 2019 evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end [this work remains ongoing] reviewed the Council's 13 PFI schemes to consider the appropriateness of the accounting entries. <p>Findings</p> <p>Our audit work to date has not identified any issues except for:</p> <ul style="list-style-type: none"> the Council has processed six adjustments following receipt of additional valuation information to the carrying value of fixed assets in the draft financial statements. We are currently reviewing these adjustments: <ul style="list-style-type: none"> Harper Street Car Park: Valuation revised from £7,755,932.20 to £12,500,000 Apex View: Valuation revised from £8,694,017 to £8,200,000 Swinegate Car Park: Valuation revised from £20,884,120 to £22,350,000 Paradigm Building: Valuation revised from £10,733,433 to £10,200,000 Windmill Primary School: Valuation revised from £5,140,000 to £5,167,000 Waste PFI: Valuation revised from £119,554,900 to £120,867,000.



Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p>4 Valuation of the pension fund net liability</p> <p>The pension fund net liability, as reflected in the Council's balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls (refer also to our detailed review of estimation process in key judgements and estimates section on page 12) • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary PwC (as auditor's expert) and performing additional procedures suggested within the report. This has included: <ul style="list-style-type: none"> – review of the scope of the actuary's work; – review of the source data provided to the actuary to confirm its validity and completeness; – performed checks on accounting policy disclosures in relation to IAS 19; – reviewed the duration of liabilities of the Council to ensure assumptions used are appropriate to the asset and liability profile of the authority; – reviewed if there are any departures from the actuary's recommended assumptions; and – performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over roll-forward valuation • obtained assurances from the auditor of the West Yorkshire pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and fund assets valuation in the pension fund financial statements (we are currently awaiting this information). <p>Findings</p> <p>Our audit work to date has not identified any issues. Our audit work confirmed that the Council used the figures for its pension fund net liability of £1,492m, issued by its actuary in April 2019. The figures provided by the actuary were based on asset valuations as at 31 March 2019.</p> <p>At the time of producing this report, we have been in discussions with management and we are aware that the Council has requested updated reports from its actuary to take into account the impact on the Council's pension numbers of the McCloud judgement and GMP. We understand the expected impact of these issues would result in a suggested increase of the Authority's £1.5bn pension fund liability by £47.4m, which is above the materiality figure.</p> <p>We are currently reviewing the updated actuary's report and resulting changes to the pension figures in the accounts. We will verbally update the Committee on 26 July with our findings on this issue.</p>




Significant findings - other issues

Issue	Commentary	Auditor view
<p>Potential impact of the McCloud judgement</p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £37.97m, and an increase to the Guaranteed Minimum Pension (GMP) indexation of £9.43m.</p> <p>Management's view is that the impact of this change is material. The Council has now received the updated IAS19 Report from AON and is incorporating the changes into the 2018-19 financial statements.</p>	<p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p> <p>Given the change in liability resulting from the McCloud judgement and GMP indexation, management has agreed to process the adjustments of £47.4m based on the updated IAS19 report. We consider this an appropriate adjustment to the Council's financial statements.</p> <p>We have included this as a post balance sheet adjusted item at Appendix B.</p>


Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for NDR appeals - £20.8m	<p>The Council is responsible for repaying a proportion of successful rateable value appeals. Management calculates the level of provision required and is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.</p> <p>There has been an increase in the provision of £14.6m during the year as a result of a general increase in the collection fund provision and the impact of the Council now being part of the 100% retention business rates pilot scheme.</p>	<ul style="list-style-type: none"> the underlying information used to determine the estimate appears appropriate the calculation of the NDR provision is appropriate – our work remains on-going in this area an appropriate accounting policy is included in Note 4 of the Statement of Accounts. 	 Green
Land and Buildings – Council Housing - £2,100m	<p>The Council is required to revalue its Council housing in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.</p> <p>The Council has engaged its in-house valuer to complete the valuation of these properties. The valuation was at 30 September 2018 and valued Council Housing at £2,100m, a net increase of £38.9m from 2017-18 (£2,061m).</p>	<ul style="list-style-type: none"> The Council's in-house valuer has valued the Council's housing stock on 30 September 2018 using the beacon methodology. Whilst the valuer has confirmed that there has been no material change in beacon values from 30 September 2018 to 31 March 2019, we have requested additional information from the Valuer to support this assertion which is still awaited Our work has confirmed the Council has correctly applied the social housing adjustment factor of 41% We have assessed the Council's in-house valuer to be competent, capable and objective We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report The valuation method remains consistent with the prior year other than the change in valuation date to 30 September 2018 We have agreed the HRA valuation report to the Statement of Accounts Whilst recognising the progress the Council has made in moving its valuation date from 1 April 2018 to 30 September 2018, we consider it appropriate the valuation date should be at the year end (31 March) each year as previously discussed with management on the basis that a year-end valuation provides a more accurate position. We have raised a recommendation in this respect in the Action Plan at Appendix A. 	 Green

















Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated (red)
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic (amber)
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious (green)

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £2,248m	<p>Other land and buildings comprises £1,656m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings (£592m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its in-house valuer to complete the valuation of properties as at 30 September 2018 on a five yearly cyclical basis. Overall, 65% of total land and buildings assets were revalued during 2018-19.</p> <p>Management has considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 30 September 2018, based on the market review provided by the valuer as at 31 March 2019, to determine whether there has been a material change in the total value of these properties.</p> <p>Management's assessment of assets not revalued has identified no material change to the properties value except for six late valuation changes totalling £ 6.5m (see further details alongside).</p>	<ul style="list-style-type: none"> We have assessed the Council's in-house valuer, to be competent, capable and objective We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report The valuation method remains consistent with the prior year The Council's in-house valuer valued other land and buildings at 30 September 2018. The valuer has confirmed that there has been no material change in asset values from 30 September 2018 to 31 March 2019, we have requested additional information from the Valuer to support this assertion which is still awaited We have agreed the Valuation report to the Fixed Asset Register and to the Statement of Accounts. <p>Our audit work identified no issues except for:</p> <ul style="list-style-type: none"> the Council has processed six adjustments following receipt of additional valuation information to the carrying value of fixed assets in the draft financial statements. We are currently reviewing these adjustments: <ul style="list-style-type: none"> Harper Street Car Park: Valuation revised from £7,755,932 to £12,500,000 Apex View: Valuation revised from £8,694,017 to £8,200,000 Swinegate Car Park: Valuation revised from £20,884,120 to £22,350,000 Paradigm Building: Valuation revised from £10,733,433 to £10,200,000 Windmill Primary School: Valuation revised from £5,140,000 to £5,167,000 Waste PFI: Valuation revised from £119,554,900 to £120,867,000. whilst recognising the progress the Council has made in moving its valuation date from 1 April 2018 to 30 September 2018, we consider it appropriate the valuation date should be at the year end, 31 March each year as previously discussed with management. We have raised a recommendation in this respect. 	 Green

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment																								
Net pension liability – £1,492m (includes Teachers discretionary pensions £84m)	<p>The Council's net pension liability at 31 March 2019 is £1,492m (as per the draft accounts) (PY £1,278m) comprising the Council's element of the West Yorkshire Pension Fund (WYPF).</p> <p>The Council uses AON to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016-17.</p> <p>A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £214m net actuarial loss during 2018-19 (as per the draft accounts).</p>	As part of our audit, we performed the following procedures to ensure the estimates used and key judgements applied when valuing the Council's pension liability were prudent and reasonable:	 Green																								
		<ul style="list-style-type: none"> We have assessed the Council's actuary, AON, to be competent, capable and objective We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2018-19 roll forward calculation carried out by the actuary and have no issues to raise We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions: 																									
		<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC comments</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.40% - 2.5%</td> <td>The methodology is reasonable and results in assumptions within, albeit towards the top, more optimistic end, of the expected ranges at 31 March 2019 for all employers.</td> <td> Green</td> </tr> <tr> <td>Pension increase rate</td> <td>2.20% - 2.10%</td> <td>Assumption appears reasonable and methodology appropriate.</td> <td> Green</td> </tr> <tr> <td>Salary growth</td> <td>3.45%</td> <td>Lies within the 3.1% to 4.35% range.</td> <td> Green</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>Pensioners: 22.2 Non-pensioners: 23.2</td> <td>Overall mortality assumptions appear reasonable.</td> <td> Green</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>Pensioners: 25.4 Non-pensioners: 27.2</td> <td>Overall mortality assumptions appear reasonable.</td> <td> Green</td> </tr> </tbody> </table>		Assumption	Actuary Value	PwC comments	Assessment	Discount rate	2.40% - 2.5%	The methodology is reasonable and results in assumptions within, albeit towards the top, more optimistic end, of the expected ranges at 31 March 2019 for all employers.	 Green	Pension increase rate	2.20% - 2.10%	Assumption appears reasonable and methodology appropriate.	 Green	Salary growth	3.45%	Lies within the 3.1% to 4.35% range.	 Green	Life expectancy – Males currently aged 45 / 65	Pensioners: 22.2 Non-pensioners: 23.2	Overall mortality assumptions appear reasonable.	 Green	Life expectancy – Females currently aged 45 / 65	Pensioners: 25.4 Non-pensioners: 27.2	Overall mortality assumptions appear reasonable.	 Green
		Assumption		Actuary Value	PwC comments	Assessment																					
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<ul style="list-style-type: none"> Completeness and accuracy of the underlying information used to determine the estimate Confirmed there were no significant changes to valuation method Reasonableness of the Council's share of LGPS pension assets Reasonableness of the movement in the estimate Quantifying the impact of the McCloud judgement and GMP on the Council's pension fund balance (note work still in progress on this matter at the date of this report) Adequacy of disclosure of estimate in the financial statements. The disclosure of the IAS 19 estimate in the accounts will be revised to the final position issued by the actuary in July 2019. 																											

Significant findings – Going concern

Going concern commentary

Management's assessment process

Management has an established process in place and prepare a detailed budget each year which is approved by Members. The budget is developed based on a number of assumptions including funding from Government, cost improvement programmes required to be delivered and the pressures facing the Council.

To ensure effective management, the budget is broken down by service area and routinely monitored on a monthly basis with performance reported to Executive Board. Cash flow is also routinely monitored as part of the Council's treasury management arrangements.

The Council has in place a three year Medium Term Financial Strategy (MTFS) to 2021-22 to allow it to effectively plan its finances ahead and ensure it is able to effectively manage its financial position. We understand a five year MTFS up to 2024/25 is expected to be agreed by the end of July 2019.

In assessing its going concern position, management look ahead twelve months from its reporting date and have regard to its future cash flow position including whether current spending is in accordance with budget.

Auditor commentary

- Following its review of going concern, management has concluded it remains a going concern and it is appropriate to continue to prepare its accounts on a going concern basis
- The Council has delivered savings during the year of some £28.8m compared to a savings target of £34m and has managed the financial pressures faced to ensure expenditure remains within the approved budget. The Council delivered an underspend of £3m for 2018-19 and increased general fund balances at the year end by £2.3m
- We have considered management's assessment of going concern as a basis for compiling the financial statements. The arrangements management has in place appear appropriate
- The budget setting processes used to prepare the annual budget and the monitoring arrangements in place are considered appropriate and adequate
- The Council has set a balanced budget for 2019/20 after the contribution of £3.5m to General Fund Reserves. To achieve this balanced position, the Council needs to deliver £22.6m of savings during the year which management consider are achievable
- The Chief Finance Officer routinely monitors the Council's financial position and reports regularly to Members.

Work performed

We considered management's going concern assessment including the assumptions used.

- Our work confirmed the management's arrangements for assessing going concern are adequate and management's use of the going concern basis of preparation is reasonable.
- We have not identified any material uncertainties that may cast significant doubt on the Council's ability to continue as a going concern for the foreseeable future.

Concluding comments

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We are satisfied with management's assessment that the going concern basis is appropriate for the 2018-19 financial statements.

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	Matters in relation to fraud	We have discussed the risk of fraud with the Chief Financial Officer and have also written to the Chair of the Corporate Governance and Audit Committee. We have also discussed the risk of fraud with the Head of Internal Audit and noted Internal Audit updates to the Corporate Governance and Audit Committee. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	On the basis of our work to date, we are not aware of any related parties or related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	Written representations	A letter of representation has been requested from the Council which is included in the Corporate Governance and Audit Committee papers.
5	Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banks. This permission was granted and we wrote directly requesting confirmation of balances, all bank confirmations have now been received. We also requested permission to send direct confirmations for investments held by the Council, these were issued earlier in the year and all have now been received. We also requested loan confirmations of which a number remain outstanding. We will continue to follow these up during completion of the audit.
6	Disclosures	Our review found no material omissions in the financial statements. We have identified some disclosure amendments to assist in the understanding of the financial statements. These are included at Appendix B.
7	Audit evidence and explanations / significant difficulties	All information and explanations requested from management was provided. We did not identify any significant difficulties with management or working papers during the course of our audit.

Other responsibilities under the Code

	Issue	Commentary
1	Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified 'clean' opinion in this respect as detailed at Appendix D.</p>
2	Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit; and/or • If we have applied any of our statutory powers or duties. <p>We have nothing to report on these matters.</p>
3	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>The deadline for the WGA consolidation audit is 31 August 2019 and we plan to complete our audit work and report by the deadline.</p>
4	Certification of the closure of the audit	<p>As a result of the ongoing WGA work, we do not expect to be able to certify the completion of the 2018-19 audit of the Council in our auditor's report, as detailed in Appendix D. This is in common with a number of local authorities (and what occurred at the Council in 2017-18), where certification on closure of the audit takes place following completion of the WGA review in August.</p>

3. Value for Money

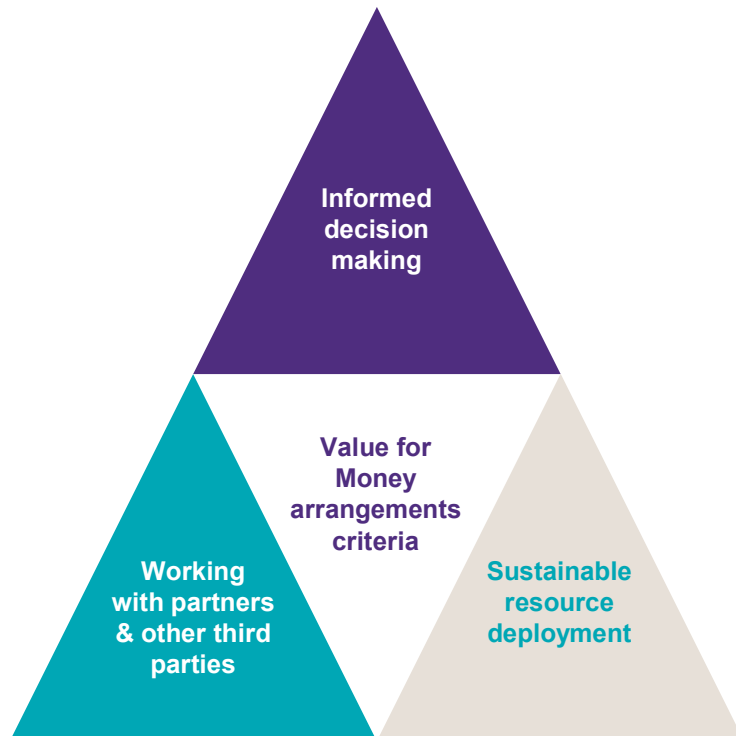
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



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Risk assessment

We carried out an initial risk assessment in December 2018 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan in January 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Financial standing - Leeds City Council as other authorities, continues to operate under significant financial pressures
- Brexit - the UK was due to leave the European Union on 29 March 2019 (now 31 October 2019). This will have national and local implications that will impact on the Council.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 18 to 20.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

Recommendations for improvement

We discussed the findings arising from our work with management and have agreed one recommendation for the Council to consider the adequacy of its future level of reserves.

Our recommendation and management's response to this can be found in the Action Plan at Appendix A.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

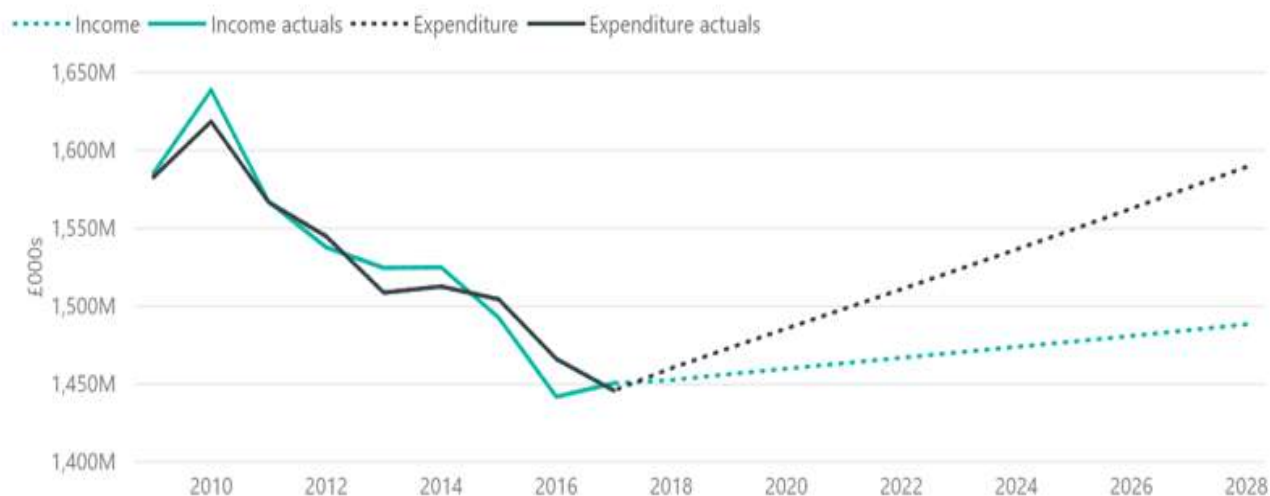
	Significant risk from the Audit Plan	Findings	Conclusion
1	<p>Financial standing</p> <ul style="list-style-type: none"> Leeds City Council as other authorities, continues to operate under significant financial pressures. For 2018-19, the Council planned to deliver a balanced outturn position but to achieve this, needed to deliver savings of some £34m whilst managing cost pressures within Children’s Services and Adult Social Care at a time of reduced funding For 2019-20, the initial budget proposals presented to Executive Board (December 2018) indicated a Council Tax increase of 2.99% and a further 1.0% for Adult Social Care, with in year savings required of some £24.4m We have continued to monitor the Council’s financial position through regular meetings with senior management and considered how the Council manages overspends within both Children’s and Adult Social Services. We have considered the delivery of the £34m savings required and plans in place to identify cost improvements into 2019-20. 	<ul style="list-style-type: none"> The Council delivered an outturn underspend in 2018-19 of £3.0m (General Fund) compared to a budgeted balanced position for the year. Whilst there were some overspends in directorates including Children and Families (£2.4m) and City Development (£1.9m), the main area of underspend was in the Strategic Directorate at £7.5m (mainly as a result funding capital expenditure on PFI costs from borrowing rather than the use of grants). The Adults and Health Directorate achieved a balanced position at the year end after the receipt of additional Government funding of £3.3m for winter pressures Actual savings delivered by directorates totalled some £28.8m compared to a savings target of £34m for 2018-19 (an achievement rate of 85%). After the creation of a number of new reserves valued at £3.1m, the Council contributed £2.3m to the General Fund Reserve at the year end increasing the General Fund Reserve from £25.7m at 1 April 2018 to £28m at 31 March 2019. This increase supports the Council’s strategy to increase reserves to strengthen its financial resilience The Housing Revenue Account also delivered an outturn underspend of £1.1m for 2018-19 mainly due to savings on employee costs of £2.1m which were offset by overspends on repairs and maintenance of some £1.0m Capital spend during the year totalled £271m (General Fund) compared to a budget of £263m. The main increase related to the acquisition of the Swingate Multi Storey Car Park which was added after the original capital programme was set The Council approved the 2019-20 budget in February 2019, Council Tax for 2019-20 was increased by 2.99% plus an additional 1% for the Adult Social Care precept, a total increase of 3.99% on net revenue expenditure of £516.7m. The Council Tax increase generates an additional £15.1m of local funding during the year. In addition, the Council resolved to contribute £4.5m to the Council’s general reserves during 2019-20. To deliver the budget in 2019-20, the Council needs to deliver £22.6m of savings by March 2020. We will be monitoring the Council’s progress against this target as part of our 2019-20 audit planning. 	<p>The Council continues to operate under significant financial pressures, however, it has effective arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any significant variances or additional calls on resources. This has helped deliver an underspend of £3m for 2018-19.</p> <p>Whilst the Council has a challenging savings target for 2019-20 of £22.6m, it has a record of delivering the overall budget and considers the savings achievable.</p> <p>Our look at the Council’s financial position using our Insights and Analytics team indicates the Council has continued to maintain reserves at around 5% of net revenue expenditure. However, looking ahead to future projections based on current spending patterns and expected income, the level of reserves are projected to reduce.</p> <p>As such, there is a need for the Council to consider the adequacy of its reserves going forward. We have raised a recommendation on this matter in the Action Plan at Appendix A.</p> <p>Overall, we concluded that the Council has proper arrangements in place for ensuring sustainable resource deployment.</p>

Key findings

Financial standing continued

- We asked our Insights and Analytics team to run a Financial Foresight report for the Council based on publicly available information. The analysis undertaken is based on the Council's past level of income and expenditure patterns and projects this into the future and the resulting impact this would have on the Council's level of reserves assuming these factors remain constant.
- This analysis indicates that whilst expenditure and income have reduced over the last seven years, the Council's level of reserves have remained at around 5% of net revenue expenditure. However, using the model, and looking ahead to future projections based on current levels of income and spending patterns, the level of reserves are projected to fall unless expenditure is reduced or income increased.
- We recognise that the decisions made by the Council to its MTFs and its financial position are regularly reviewed to recognise changes impacting on demand for Council services. In addition, we are aware that the Council will also consider and review its financial plans in light of the Government's spending review, fair funding review and other pressures and the risks facing the Council. The decisions made by the Council in-light of these national and local factors can collectively impact on the outcome of future projections.

Historic income and expenditure (2009/10 - 2017/18) and future baseline projection.



Key findings

Significant risk from the Audit Plan	Findings	Conclusion
<p>2 Brexit</p> <p>The UK was due to leave the European Union on 29 March 2019 (now 31 October 2019). There will be national and local implications resulting from Brexit that will impact on the Council, which the Council will need to plan for.</p> <p>We considered the Council’s arrangements and plans to mitigate any risks on Brexit. We also considered areas such as workforce planning, supply chain analysis, regulatory risk and the impact on finances including investment and borrowing as well as any potential impact on the valuation of the Council’s assets.</p>	<ul style="list-style-type: none"> • The UK was initially expected to leave the European Union on 29 March 2019, this was then extended to 12 April 2019, after which EU leaders agreed a further extension to 31 October 2019. • Following the result of the June 2016 referendum, the Council’s Executive Board considered a report in July 2016 and approved five main areas that the Council and its partners would focus on in the run-up to Brexit: <ol style="list-style-type: none"> 1. Maintaining momentum on major development and infrastructure schemes, and economic growth projects 2. Supporting business and key institutions 3. Creating a more tolerant and united city 4. Securing devolution 5. Providing confident, outward-looking leadership and image of Leeds as an international city. • The Council’s Chief Executive is the regional lead for Brexit preparations in Yorkshire and Humberside • The majority of the Council’s work to prepare for Brexit has been undertaken as part of normal business arrangements at the Council. However, co-ordination of activity has been undertaken by a team based within the Chief Executive’s Office and through the Brexit Officer Working Group. Regular reports have also been presented to the Executive Board. There is also recognition that should an emergency situation arise, Council officers may need to be temporarily redeployed as part of response and recovery arrangements. The Council received £210k from the Ministry of Housing Communities and Local Government (MHCLG) for Brexit preparedness. • The Council has developed a strategic response plan to provide a framework to deal with the uncertainty in the build up to and the response phase after the UK’s exit. The plan is structured around five key themes: 1. Infrastructure and supplies; 2. Business and economic impact; 3. Community; 4. Media and communications and; 5. Organisational impact. The response plan is able to be scaled up or down depending on the nature of the UK’s final exit from the EU. • The response plan draws on local consultation and national best practice, and recognises the dynamic nature of the Brexit landscape. Existing groups and networks in the city will continue to be utilised to minimise the creation of new bureaucracy. 	<p>The Council has continued to monitor Brexit developments following the referendum in June 2016 and has continued to liaise with other neighbouring authorities and national and local agencies to ensure a co-ordinated approach to the EU exit process.</p> <p>Given the date of Brexit has now been extended to 31 October 2019, the Council continues to monitor developments and liaise with its partners to ensure it remains prepared for Brexit.</p> <p>The Council has in place a response plan and recognises Brexit may impact on local businesses. It also remains prepared to implement the plan when required and will redeploy staff if required in the short term.</p> <p>Overall, we concluded the Council has proper arrangements in place to plan for Brexit and can demonstrate appropriate working with partners.</p>

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed at Appendix C.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

Service	Fees £	Threats identified	Safeguards
Audit related:			
None	-		
Non-audit related:			
CFO Insights	£17,500	Self-Interest (because this is a recurring fee)	<p>This is an online software services that enable users to rapidly analyse data sets. CFO Insights is a Grant Thornton & CIPFA collaboration giving instant access to financial performance, service outcomes and socio-economic indicators for local authorities.</p> <p>It is the responsibility of management to interpret the information. The scope of our service does not include making decisions on behalf of management or recommending or suggesting a particular course of action. These factors mitigate the perceived self-interest threat. The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £17,500 in comparison to the total fee for the audit of £178,604 and in particular relative to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.</p>

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Annual Audit Letter in August 2019.

None of the services provided above are subject to contingent fees.

A summary of our previous engagements with the Council are provided overleaf on page 22. These relate to services delivered in 2017-18 prior to our appointment as external auditors to the Council on 1 April 2018.

Independence and ethics

Non-audit services provided prior to appointment

Ethical Standards require us to draw your attention to relevant information on recent non-audit / additional services before we were appointed as auditor. In the table below we have set out the previous services we have provided to the Council prior to our appointment as auditor on 1 April 2018.



Service	Date of service	Fees £	Would the service have been prohibited if we had been auditor?	Commentary
Review of joint venture property transaction – Merrion House	December 2017	20,263	Yes	Review of proposed property transaction, including a review of PWLB reference rates. No threats identified.
Advice in connection with the redevelopment of the North/South stand at Headingley Stadium	June 2017	125,040	Yes	Self review and management threat considered immaterial to both the accounts and VFM work. The work mainly provided a review of funding arrangements and commentary on areas of concern, operational business plans and associated financial modelling, and credit ratings.
Financial advice on the delivery of a Telecommunications Network Services contract	September 2017	18,019	Yes	Self review and management threat considered immaterial to both the accounts and VFM work. The work only provided a review of alternative delivery options and no advice.

We do not believe that the previous services detailed above will impact our independence as auditors.




This information has previously been reported to those charged with governance in our Audit Plan dated 7 January 2019.

Appendix A: Action Plan

We have identified the following recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019-20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
1  Amber	<p>Valuation of land and buildings:</p> <p>The Council has moved its valuation date from 1 April to 30 September in 2018-19. This then requires an estimation at the year end to ensure there has not been a material change in asset values.</p> <p>There is a risk that asset values are not correctly valued in the financial statements.</p>	<p>In order to further strengthen arrangements in relation to valuation of the Council's assets, management should revise its valuation date for the valuation of fixed assets from the current 30 September date, to the year end, 31 March each year.</p> <p>Management Response</p> <p>The Council's policy of using a valuation date of 30th September has been established in order to ensure that it is possible to produce the required number of valuations based on observable data of conditions as at the valuation date. The Council has reviewed whether a material change in valuations has taken place between 30th September and 31st March.</p>
2 Page 185  Amber	<p>Future level of useable reserves:</p> <p>The Council has maintained the level of its reserves at around 5% of total net revenue expenditure. However, looking ahead to future projections based on current spending patterns, the level of reserves are projected to reduce.</p> <p>There is a need for the Council to consider the adequacy of its reserves.</p>	<p>The decisions made by the Council to its spending commitments and longer term MTFs can impact on the outcome of future projections. In the context of historic projected spending trends and the potential impact this could have on the level of useable reserves, the Council should consider the adequacy of its reserves going forward and the appropriate level of balances which should be linked to the approved MTFs and which should also be reviewed each year.</p> <p>Management Response</p> <p>In the context of both the financial projections and financial risks reflected in the Council's current Medium Term Financial Strategy, the Council will annually review its strategy to ensure that it retains an appropriate level of balances within its general reserve.</p>

Controls

-  High priority – Significant effect on control system (red)
-  Medium priority – Effect on control system (amber)
-  Low priority – Best practice (green)

Appendix B: Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

1. Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on the Council's useable reserves
National Post Balance Sheet identified adjustment:			
1 Potential impact of the McCloud judgement	47,403	(47,403)	There is no impact on the Council's useable reserves arising from this adjustment.
The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where transitional arrangements on changing benefits have been implemented.	Additional past service costs (47,403)	Increase in pension liability (47,403)	
The Council has received an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate is a possible increase in pension liabilities of £37.97m, and an increase to the Guaranteed Minimum Pension indexation of £9.43m.	Reversal statutory adjustment	Increase in pension reserve	
Leeds City Council identified adjustments:			
1 Management identified six assets (comprising PPE and Investment properties) and has processed six adjustments following receipt of additional valuation information to the carrying value of fixed assets in the draft financial statements. We are currently reviewing these adjustments.	(2,963)	2,963	There is no impact on the Council's useable reserves arising from this adjustment.
	Provision of services 2,963	Capital adjustment account 3,559	
	Reversal statutory adjustment (3,559)	Revaluation Reserve 7,550	
	Revaluation of fixed assets 3,559	PPE (1,028)	
	Capital Account balances	Investment assets	
2 The Council has revised its NNDR Appeals Provision following the receipt of additional information.	3,305	(3,305)	There is no impact on the Council's useable reserves arising from this adjustment.
	Increase in Provision	Increase in Provision	
	3,305	(3,305)	
	Reversal statutory adjustment	Collection Fund Adjustment Account	
TOTAL	Nil	Nil	No impact on the Council's useable reserves.

Audit Adjustments

2. Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit to date which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Updated in the revised accounts?
Audit Fee – Note 10.5	<p>The original Audit Fee note included reference to certification of grant claims and returns which are no longer mandated fees with the work not being undertaken by Grant Thornton, the Council's auditor and should be excluded for 2018-19.</p> <p>Fees for additional services contracted with Grant Thornton (CFO Insights) should be disclosed as other services.</p>	<p>Fees for certification of grant claims and returns should be excluded from this note as not undertaken by Grant Thornton, the Council's auditor from 2018-19.</p> <p>Fees for additional services contracted with Grant Thornton (CFO Insights) should be disclosed as other services.</p>	✓
Members Allowances Note	<p>There is currently no disclosure note of Members allowances paid during the year. Whilst not material in monetary terms, we consider this disclosure material by nature given its sensitive nature.</p>	<p>A Members allowances note should be added disclosing payments made during 2018-19 and a comparative for 2017-18.</p>	✓
Nature and extent of grant	<p>The nature and extent of grants and contributions should be disclosed. We note that Management has included the DSG and benefit subsidy as material grants, however the Pupil Premium Grant and Public Health Grant are also material and should be disclosed.</p>	<p>The nature and extent of all material grants should be disclosed within the financial statements.</p>	✓
Housing Revenue Account	<p>There is a requirement for the disclosure of the number of dwellings held in the housing stock as well as the amount of rent arrears in respect of uncollectable debts.</p>	<p>The Housing Revenue Account should disclose the total housing stock as well as the amount of rent arrears.</p>	✓
Subsidiary and associate entities	<p>The financial statements do not currently include a policy to explain how the associate and subsidiary interests are accounted for in the Council's accounts.</p>	<p>The financial statements should include a policy to explain how the associate and subsidiary interests are accounted for in the Council's single entity accounts.</p>	✓
Various	<p>Our cold review of the Council's 2017/18 accounts identified a number of improvement opportunities to the financial statement disclosures.</p>	<p>We have recommended management consider making the proposed changes.</p>	Under discussion

Audit Adjustments

3. Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Corporate Governance and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 NONE	-	-	-	-
Overall impact	-	-	-	-

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Our audit work to date has not identified any unadjusted misstatements.

Appendix C: Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit Fees

	Proposed fee	Final fee	2017-18 fee (to predecessor auditor)
Council Audit	£178,604	£TBC*	£231,953
Total audit fees (excluding VAT)	£178,604	£TBC*	£231,953

* In light of the additional audit work to be performed on the Pension balances and entries in the Council's accounts (as a result of the McCloud judgement and GMP), and the additional audit testing performed on the Council's land and buildings following increased requirements for audit work in these areas, we will be proposing an additional fee in 2018-19. The additional fee is expected to be in the region of c£5,000. We will provide an update on this in our Annual Audit Letter, due to be agreed with management in August and presented to the Corporate Governance and Audit Committee in November 2019. Final approval of any additional audit fee will be by Public Sector Audit Appointments Ltd (PSAA).

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Non Audit Fees

Fees for other services	Fees £
Audit related services:	
• None	-
Non-Audit related services:	
• CFO Insights	17,500
TOTAL:	17,500

Appendix D: Audit opinion (proposed)

We anticipate we will provide the Council with an unqualified 'clean' audit report by 31 July 2019

Independent auditor's report to the members of Leeds City Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Leeds City Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the Housing Revenue Account Reserve, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018-19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Audit opinion

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Corporate Governance and Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Audit opinion

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Gareth Mills, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Leeds

xx July 2019



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Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 26th July 2019

Subject: Work Programme

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<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
Will the decision be open 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’s draft work programme for the forthcoming Municipal Year. 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 the draft work programme attached at Appendix 1 and determine whether any additional items need to be added to the work programme.

3.2 Members are asked to consider and note the dates for meetings of the Committee (agreed in March 2019) in the Municipal Year; these have been set out in such a way as to enable the Committee to fulfil its functions and responsibilities in a reasonable and proportionate way.

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 the Best Council Plan

- 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.

Climate Emergency

- 4.3.2 There are no implications associated with the climate change emergency

4.4 Resources, procurement 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.

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

- 6.1.1 Members are requested to consider the draft work programme and meeting dates at Appendix 1 and determine whether any additional items need to be added to the work programme.

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.

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE
DRAFT WORK PROGRAMME**

22nd November 2019		
Annual Audit Letter	To receive the Annual Audit letter from the External Auditor	Victoria Bradshaw Chief Officer (Financial Services)
Applications Portfolio Programme	To receive an update on the Access 2003 project	Louise Whitworth Head of Information Management and Governance
Customer Contact and Satisfaction Annual Report	To receive the annual assurance report concerning customer contact and satisfaction	Lee Hemsworth Chief Officer (Customer Access)
Internal Audit Update Report	To receive an update report on Internal Audit's work.	Sonya McDonald Head of Audit
Planning Enforcement and Delegation Arrangements	Further to the receipt of the Annual Decision Making Assurance report in June 2019, to receive a report proving assurance around the arrangements in place for Members to refer planning applications to Plans Panel for determination and the Governance arrangements for enforcement proceedings	David Feeny Chief Planning Officer

27th January 2020		
Certification of Housing Benefit Grant Claims and Returns	To receive a report from the External Auditor certifying housing benefit Grant claims and returns.	Victoria Bradshaw Chief Officer (Financial Services)
Applications Portfolio Programme	To receive an update on the outcome of the Access 2003 project	Louise Whitworth Head of Information Management and Governance
External Audit Plan	To receive a report from the External Auditor presenting the external audit plan	Victoria Bradshaw Chief Officer (Financial Services)
Customer Contact and Satisfaction Annual Report	To receive the annual assurance report concerning customer contact and satisfaction	Lee Hemsworth Chief Officer (Customer Access)
Annual Business Continuity Report	To receive the annual assurance report concerning the Council's Business Continuity arrangements.	Mariana Pexton (Chief Officer Strategy and Improvement)
Internal Audit Update Report	To receive an update report on Internal Audit's work.	Sonya McDonald Head of Audit

16th March 2020		
Internal Audit Plan	To receive a report seeking views on the Internal Audit Plan	Sonya McDonald Head of Audit
Internal Audit Update Report	To receive an update report on Internal Audit's work.	Sonya McDonald Head of Audit
Annual Assurance Report on the Procurement, Policies and Practices	To receive the annual assurance report concerning Procurement, Policies and Practices	Victoria Bradshaw Chief Officer (Financial Services)
Annual Financial Management	To receive the annual assurance report concerning Financial Planning and Management Arrangements at the Council	Victoria Bradshaw Chief Officer (Financial Services))
Treasury Management Annual Report	To receive the Treasury Management Report providing assurance on the processes used by the department	Victoria Bradshaw Chief Officer (Financial Services)
Information Governance Annual Report	To receive an annual Assurance report on the Council's Information Governance arrangements.	Louise Whitworth, Head of Information Management and Governance
Draft Annual Report of the Committee	To receive and approve a draft annual report from the committee for presentation by the Chair at Full Council	Andy Hodson Head of Democratic Services

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