

Corporate Governance and Audit Committee

Friday, 22nd November, 2019

PRESENT: Councillor A Scopes in the Chair

Councillors P Harrand, J Illingworth,
P Grahame, M Harrison, J Taylor,
P Truswell and B Garner

31 Appeals Against Refusal of Inspection of Documents

There were no appeals against the refusal of inspection of documents

32 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.

33 Late Items

There were no Late Items identified

34 Declaration of Disclosable Pecuniary and Other Interests'

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

35 Apologies for Absence

Apologies for absence were received from Councillor J Bentley.

Members were informed that Councillor P Grahame would not be in attendance from the start of the meeting but would join the Committee later.

36 Minutes of the Previous Meeting

RESOLVED – That the minutes of the previous meeting held on 26th July 2019 were accepted as a true and correct record.

37 Matters Arising from the Minutes

The Head of Democratic Services reported the following by way of Matters Arising:

Minute No.25 Resolution (ii) – Scrutiny of Risk – It was reported that the Chair had written to Scrutiny Board Chairs and Directors – following discussion:-

- the high level corporate risk register was to be regularly shared with Chairs and the detail behind that register would be shared with Chairs on a confidential basis;
- the departmental risks would be shared with principle scrutiny advisors and so used to inform the scrutiny work programme;

- the annual assurance report on corporate risk management arrangements would be strengthened by providing scrutiny boards with the opportunity to look at service specific areas of concern before the report is prepared for Corporate Governance and Audit Committee and the Executive Board.

Minute No. 26 Resolution (iii) – Return of Internal Audit Questionnaires – It was reported that the Chair had written to the Director of Resources and Housing setting out the further request and noting that all requests for feedback would be copied to the relevant Chief Officer. The Director of Resources and Housing had circulated a note to all officers on best council leadership team (BCLT – directors and chief officers).

Referring to Minute No.28 – Approval of the Audited Statement of Accounts and Grant Thornton Audit Report – The Chair requested if clarification could be provided as to the impact of the PWLB loan rate rise.

The Chief Finance Officer and the Principal Financial Manager reported that the Treasury had recently increased the interest rate for the Public Works Loan Board (PWLB) by 1 %, thereby any future borrowing requirements would be charged at the new rate. Members were informed that in line with Treasury Management strategy, long term loans totalling £350m had been borrowed in the early part of the year to replace previous short term borrowing, and that these loans were not subject to the new interest rate rise.

Members queried the period of the new loans and what interest rate was being paid on them.

Members were informed the loans had been taken over a 40 to 50 year period at an average interest rate of 1.775%

Member were made aware that PWLB loans totalling £99m would mature during the current and next three years. Members were informed that this existing debt would be re-financed and would be subject to the new interest rate increase. Questioned about the re-financing and the rate of return, Officers noted that it was likely that the replacement borrowing would be at lower interest rates than the maturing loans, although by a smaller margin than would have been the case without the PWLB rate rise.

38 Assurance Report on Corporate Performance Management Arrangements

The Director of Resources and Housing submitted a report setting out assurance in relation to the effectiveness of the council's corporate performance management arrangements, which form part of the body of evidence the Committee is able to take into account in order to approve the next Annual Governance Statement.

Referring to the key data sets that contribute to the Best Council Plan (BCP) Key Performance Indicators (KPIs) Members acknowledged the information

was provided to the Scrutiny Boards in the form of headline topics but detailed analysis/ statistics was not provided which was a reoccurring area of concern.

Members were informed that the some of the key data sets that contribute to the BCP KPIs were subject to independent rigorous checks in terms of being complete, timely, secure and accurate through external audit and external inspections, it was also reported that the Departmental Management Team were also in possession of that information.

Members made reference to the staff appraisal process (Paragraph J of the submitted report) and queried if appraisal objectives were monitored in terms of performance and if so was this information documented.

Members were informed that the information contained in an appraisal was specific to one individual and large scale monitoring may not provide meaningful data.

Commenting on the Best Council Plan 2018/19 – Annual Performance Report, Members queried the statistic provided by Safer Leeds, (Page 51);

“23.2% of respondents in Leeds were satisfied with the level of police presence in their area” – Members suggested that 77% of respondents were not satisfied.

Members were informed that the information was taken from the Police & Crime Commissioner Survey, which was produced by Safer Leeds.

Further queries were raised about performance for schools that are not council responsibility; the number of new homes built; and the funding for replacement of streetlighting.

Officers offered to make the necessary inquiries and report back to Members.

RESOLVED – That the report and accompanying appendix (i) be received as together they provide the key forms of assurance on the robustness of the authority’s corporate performance management arrangements.

39 Social Value in Procurement - Update on the Options Being Considered To Accurately Measure Social Value Outcomes

The Chief Officer Financial Services submitted a report which provided an update as to progress towards identifying precise social value related Key Performance Indicator (KPI) targets and methodologies for measuring it.

Addressing the report the Procurement Manager, Resources & Housing explained that in June 2019, the Council’s 2019-2024 Procurement Strategy was introduced. The Strategy sets out 5 key areas for procurement, including delivering social value beyond the core services being procured. The Procurement Strategy also incorporates KPIs to measure performance in respect of each of those 5 key areas, however a number of these KPIs require

further detail as to the precise targets and methodology for measuring performance.

Members were informed that the following options for monitoring and measuring Social Value were currently under consideration:

- Option No. 1 – Do Minimum
- Option No.2 – External Digital Social Value Toolkit
- Option No.3 – In House Digital Social Value Toolkit

In terms of the next steps it was reported that officers would continue to work with commissioners to assess the above options. Members noted that while Options 2 and 3 would provide greater detail and clarity as to the actual Social Value achieved in all the Council's contracts, both of these options would require some level of additional resource and attract an additional cost. Once all Options had been thoroughly investigated and following the consultation, the Head of Commercial (Legal) would recommend a preferred option to the Chief Officer Financial Services for approval in accordance with her delegated authority.

Commenting on the "Next Steps", paragraph 3.12, Members asked what would be their involvement with the evaluation of the proposed options and associated decision making and what were the likely timescales.

Members were informed that the executive member was being consulted as to whether further reports should be considered by the Executive Board

Members were advised that it was anticipated the evaluation period would take between 6 – 9 months before some meaningful data became available.

Members queried how Social Value was defined

Members were informed that currently there was no definition for social value, but as part of the tendering process, suppliers would be encourage to identify potential skills/ knowledge which would benefit Leeds – Could, for example, the local knowledge or the expertise of a particular supplier be given a value.

It was reported that a Guide to Procurement was currently been developed which would include social value as part of the tendering process

Members requested if the above mentioned document could be circulated to Members.

Referring to the list of Social Value Opportunities, Paragraph 2.7.1, Members queried if the list could be varied.

Members were informed that the list provided was simply an example and could be varied to take in other suppliers, Health Contracts for example.

Members asked that officers consult with elected members in an appropriate forum to enable their engagement as to what should be included in terms of Social Value.

The Chair thanked the Procurement Manager for his attendance and contribution.

RESOLVED –

- (i) That the contents of the report be noted
- (ii) To note that further information would be brought back to this Committee in March 2020 within the annual assurance report on procurement policies and practices
- (iii) That the document “A Guide to Procurement” be circulated to Members at the earliest opportunity

40 Assurance Around the Arrangements in Place for Members to Refer Planning Applications to Plans Panel for Determination and the Governance Arrangements for Enforcement Proceedings

The Chief Planning Officer submitted a report in response to Members’ request for assurance around the arrangements in place for Members to refer planning applications to Plans Panel for determination and the governance arrangements for enforcement proceedings.

The report explained the context for decision making on planning applications in England and described the functions delegated to the Chief Planning Officer in relation to determining planning applications and also provided further detail and assurances around the operational process for Members to request the referral of items to the Plans Panel for determination.

The report also referred to the governance arrangements for dealing with enforcement proceedings, providing assurances round the transparency and robustness of existing processes.

Members queried if all Council Members (99) were aware of the procedure for referring planning applications to Plans Panel for determination.

The Head of Development Management, City Development informed Members that the procedure was to be included on a page on the forthcoming Members “Share Point” site.

Members suggested that a short guide to planning referrals would be helpful for Members; including information relating to material planning considerations.

Referring to Enforcement Proceedings, Members queried if enforcement action was ever taken against the City Council, if they were the owners of the land.

Members were informed that the City Council would not normally pursue action against itself and it would depend upon the nature of the breach. If a third party was involved, then they may be pursued. If the land was owned solely by the local authority, they had landlord responsibilities and would seek to address the issue through negotiation and discussion with the relevant departments to secure compliance.

Members requested that future assurance reports include information in relation to enforcement activity on council owned land.

Members asked whether cumulative impact was a consideration in respect of de minimis breach for example in relation to “Airbnb” type operations (An online marketplace for arranging or offering lodgings) suggesting that over time such operations may cause issues in terms of removing family accommodation from use.

Members were informed that action could be pursued but a change in use of the premises would need to be demonstrated. In terms of cumulative impact, it was explained that the Council has addressed this in certain circumstances such as for creation of HMOs from dwellings, and taken away Permitted development rights to change between them in parts of the city, but that for Air BnB uses this would be difficult to achieve since there was no change of use if there was no change in character.

Commenting on the “Enforcement Activity across the UK Core Cities” (Page 87) it was noted that Leeds issued far more enforcement notices than the other Core Cities.

Members were informed that a great deal of work was involved when producing an enforcement notice and this may be a deterrent to other smaller authorities.

It was noted there were very few stop notices issued.

Members were informed that such notices had been served, just not within this particular period (a notice has been served since the end of the period). It was explained that in order to serve a stop notice, there was a need to demonstrate significant ongoing harm to amenity.

The Chair thanked Mr Carr, the Head of Development Management, for his attendance and contributions

RESOLVED – To note the assurance provided in the submitted report and the need to provide additional assurances in the referral process

41 Applications Portfolio Programme – Update on Access Project

The Chair welcomed Dylan Roberts, Chief Digital and Information Officer and Louise Whitworth, Head of Information Management and Governance.

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

Addressing the report the Chief Digital and Information Officer acknowledged that progress had not been at the pace first anticipated with a number of factors impacting on the slow progress of the replacement programme which included:

- Resources available within services to engage with the project team

- The heavy reliance of services on these databases and potential business impact of the changes
- The continued creation of new Access 2003 databases, which are subsequently deleted by the Project Team following discussion with the service responsible.

The Chief Digital and Information Officer informed Members that in order to escalate the project, a revised plan would be implemented within the next 14 days, which would also include the provision of additional resources.

Members asked if all Directors were aware of the situation.

The Chief Digital and Information Officer said that the Director of Resources and Housing was fully aware of the situation.

Members queried what obstacles were blocking progress.

The upgrading of the databases was a complex process, specialised agency staff had been brought in because they had the necessary skills, in addition further expertise had been sought to consider other technical solutions.

Members queried why new Access 2003 databases continued to be created.

The Head of Information Management and Governance said some services were reliant on the 2003 database model.

Referring to paragraph 3.11 of the submitted report and the work carried out by internal audit who had undertaken an audit of the Access Project, Members asked when the report findings would be made known to Members.

Members were informed that the up to date figures in relation to the access project would be circulated to Members in due course.

The Chair thanked the officers for their attendance and contributions, he said Members were grateful that there was an acknowledgement from officers that progress had not been as anticipated.

RESOLVED –

- (i) That the contents of the report be noted
- (ii) To note the effort being undertaken to rectify the current situation with regards to the Council's approach to maintaining PSN compliance and where progress had been made.
- (iii) That a further update be provided at the next meeting
- (iv) That the up to date figures in relation to the access project be circulated to Members in due course.

42 Grant Thornton Annual Audit Letter 2018/19 and Audit Progress Update

The Chair welcomed to the meeting Gareth Mills, Engagement Lead (Grant Thornton) and Perminder Sethi, Engagement Senior Manager (Grant Thornton).

The Chief Finance Officer submitted a report which presented Grant Thornton's Annual Audit Letter and provided a summary of the key external audit findings in respect of the 2018/19 financial year. A second report from Grant Thornton was also included, which provided an update on progress towards the 2019/20 audit. In introducing the reports, the Principal Financial Manager referred to the Redmond review into local government audit quality, and asked whether Members would wish to see and comment on the council's response to this consultation. Members responded that they would like to do so.

Addressing the reports Mr Mills explained that during the year Grant Thornton issued an unqualified opinion on the 2018/19 Statement of Accounts, and concluded that the council's Whole of Government Accounts return was consistent with the audited accounts. Grant Thornton's review of the council's Annual Governance Statement found that it was consistent with their understanding of the council. The Annual Audit Letter summarised their audit approach and findings in relation to the audit of the financial statements.

Grant Thornton also issued an unqualified opinion on the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources. They identified financial resilience as an ongoing key risk, and recommended that the council should keep under review the adequacy of its level of reserves. The Annual Audit Letter outlines this aspect of the audit and its conclusions.

Mr Mills reported that Grant Thornton's planned audit fee for the year was £178.6k. The Audit Report presented to the July meeting of the Committee advised the Council that Grant Thornton intended to propose an additional fee of £5k for their work. The submitted Annual Audit Letter confirmed that an additional audit fee of £9k had been proposed, which was subject to approval by Public Sector Audit Appointments Ltd (PSAA). Mr Mills reported that he had recently been advised that this fee had been approved by PSAA.

Referring to the Audit Progress Report and Sector Update Members were informed that Grant Thornton's Audit Progress Report outlined the intended scope and timescales for their audit work for the 2019/20 audit. It also highlighted a number of current issues which may be of interest to the Committee.

Commenting on the Annual Audit Letter, the Chair asked if the Committee could expect high quality work from Grant Thornton

In responding Mr Mills said he believed Grant Thornton had performed well on the work undertaken so far and that the Committee could expect high quality work.

The Chair accepted the introduction of additional fees on the outcome of McCloud case which could be viewed as unforeseen, but questioned the justification of additional fees to ensure audit quality for pensions and property, plant and equipment valuations which could be perceived as part of the expected work to be carried out by external audit. The Chair asked that Grant Thornton explain in what way the requirements exceeded expectations of the work required to provide satisfactory assurance in line with best practice

Mr Mills explained the additional work was carried out on areas of significant risk and was identified as being required by the Financial Reporting Council (FRC), which is the national regulatory body for local government audit quality. It was noted that these were not issues which affected the financial standing of local authorities, and that the Redmond review would include consideration of the regulator's role for local government audits. The fees were subject to approval by the Public Sector Audit Appointment Ltd (PSAA)

Members queried if there would be additional fees in the 2019/20 audit.

Members were informed that at this stage it was unknown if additional fees would be included in the 2019/20 audit.

Officers were asked to circulate the PSAA process for charging additional fees to Members of the Committee.

In addition the Chair requested officers to contact the PSAA and seek clarification on the process for charging additional fees and express the Committee's concerns with the way in which the additional fees appeared to have been approved without the involvement of the Council.

The Chair thanked Mr Mills and Mr Sethi for their attendance and contributions.

RESOLVED –

- (i) To receive the Annual Audit Letter, noting the conclusions arising from the 2018/19 external audit process
- (ii) To receive and note Grant Thornton's Audit Progress Report and Sector Update
- (iii) To note the introduction of additional fees on the outcome of McCloud case which could be viewed as unforeseen, and with discontent also those additional fees relating to requirements imposed by the Financial Reporting Council.
- (iv) That the Chief Finance Officer be requested to contact the Public Sector Audit Appointment Ltd (PSAA) and seek clarification on the process for charging additional fees and to

express the Committee's concerns with the way in which the additional fees appeared to have been approved.

43 Internal Audit Update Report June to October 2019

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

Members noted that audit reviews were completed at three schools during the reporting period, following a request for audit support around financial management processes. Members were informed that all resulting recommendations had been agreed and measures were already being implemented at each of the schools to strengthen the financial management processes.

Members queried the identity of the schools, and whether they were Maintained Schools.

The Interim Head of Internal Audit explained that it was standard practice to not name the school(s) in question, it was however, confirmed that all three schools were maintained.

Members queried if there were any wider issues in terms of school finance.

Members were informed that the issues are reported to the School Finance Team who carry out twice yearly budget meetings at maintained schools. The School Finance Team also offer "financial health checks" which provide some assurances around wider financial management practices. Internal Audit will also be promoting best practice across maintained schools.

In relation to anti-fraud work Members asked for more information to be broken down around the recovery of benefit overpayments.

Members were advised that this information would be included in the Head of Audit's January report to this Committee.

Referring to the Audit Plan 2019/20 Members asked if sufficient resources were available to carry out all the necessary audits.

The Interim Head of Internal Audit confirmed that there was a slight fall in resources from the previous year, the priority for the year ahead was to provide audits at greater depth focussed on areas of higher risk.

It was suggested by one Member that "risk margins" should not be diminished and were there any comparisons with the Core Cities resources.

It was reported that the requested information would be included in the next update report to Committee.

RESOLVED –

- (i) To receive the Internal Audit Update Report covering the period from June to October 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.

44 Work Programme 2019/20

The Head of Democratic Services presented a report of the City Solicitor which set out the ongoing Work Programme for 2020.

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

- Applications Portfolio Programme – Update on Access Project (January 2020)

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

45 Date and Time of Next Meeting

RESOLVED – To note that the next meeting will take place on Monday, 27th January 2020 at 10.00am in the Civic Hall, Leeds.

CHAIR'S CLOSING REMARKS

The Chair reported that today's meeting would be the final occasion that Andy Hodson would serve as the lead officer to the Committee having recently been appointed as the Head of Democratic Services.

Members joined the Chair in expressing their thanks and appreciation to Mr Hodson commenting that his guidance and knowledge had been very much appreciated over the past ten years.