

Corporate Governance and Audit Committee

Monday, 27th July, 2020

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

15 Appeals Against Refusal of Inspection of Documents

There were no appeals against the refusal of inspection of documents

16 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.

17 Late Items

There were no late items of business identified.

18 Declaration of Disclosable Pecuniary and Other Interests'

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

19 Apologies for Absence

Apologies for absence were received from Councillor M Harrison.

20 Minutes of the Previous Meeting

RESOLVED – That the minutes of the previous meeting held on 29th June 2020 were accepted as a true and correct record.

21 Matters Arising From the Minutes

Applications Portfolio Programme - Update on Access Project (Minute No.10 referred) – It was confirmed that Members had received updates in relation to progress on the project and separately in relation to the governance and escalation processes surrounding the project.

22 Annual Assurance Report on Corporate Risk Management Arrangements

The Director of Resources and Housing submitted a report which presented the Annual Assurance Report.

The report sought to provide assurance 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 key arrangements during 2019/20 and additional work planned for 2020/21.

Members were informed that the Council's risks arises from a variety of sources, some of which are outside the Council's direct control such as the global coronavirus pandemic and the associated economic downturn. Others stem from changes in government policy and the shifting needs and make-up of our communities. In presenting the report the Intelligence and Policy Manager described the arrangements in place at corporate and directorate level including arrangements for risk registers, and updating and reporting arrangements for these. It is acknowledged that managing risk relies on the council working effectively with partners across the public, private and third sectors and with the people of Leeds themselves.

Members were advised of the arrangements in place to support officers undertaking risk management including the replacement of the software in use, and arrangements for workshops and training which will be provided remotely.

Referring to the Corporate Risk Register and the consequences of the corona virus, Members queried the financial future of the Leeds Grand Theatre.

Members were informed that as one of a number of council owned or linked establishments facing the challenge of reduced income the risk would be considered within the risk arrangements in specific directorates or by the establishment itself. Referring to previous consideration by the committee the Chair commented that it is helpful to know that the specific risks are being considered in directorates and can be the subject of Scrutiny.

Members asked if there was risk arising from individual officers and Members being named as accountable for a number of significant corporate risks.

Members were advised that officers and members were supported by a team of officers in addressing each risk. In addition the Chief Financial Services Officer confirmed that all of the Corporate Leadership Team shared accountability although there is a named lead officer in respect of each corporate risk.

Members asked whether there was any way to quantify the risks on the risk map and to reduce the numbers of risks.

In responding the Intelligence and Policy Manager described the process for accepting the risk and to manage and mitigate and so to reduce those risks, acknowledging the residual elements of those risks.

The Chair noted that the report had been focussed on the risk processes, in line with the terms of reference of the committee, and that this had been helpful. He thanked officers for their attendance and contributions.

RESOLVED – That the report on the Council’s Corporate Risk and Performance Arrangements be received and to note the assurances in support of the Annual Governance Statement.

23 Compliance with the Governance Requirements Associated with Setting an Emergency Budget and Issuing a Section 114 Report

At the request of the last meeting of the Committee, the Chief Finance Officer submitted a report confirming that appropriate procedures are in place for the agreement of an emergency budget should there be the requirement for one; and to provide assurance to the Committee that the Council remains a financial going concern.

Members were reminded of the background of financial challenge facing the authority and the reported funding gap for 2020/21. The report details the arrangements for setting an emergency budget or for issuing a section 114 report should that be necessary. Members received assurance that should action be necessary the Committee would be updated in respect of this in order to ensure that such action had been taken in accordance with the processes described, complying with the council’s governance arrangements and statutory requirements.

The Head of Finance provided explanation of the ‘going concern’ and financial health of the council. The medium term financial strategy is now over a five year period with the direction of travel being to achieve financial sustainability.

The report references and appends a letter from the external auditors confirming that they are supportive of the measures being taken by the council to bring its finances back into balance.

In offering comment Members welcomed the report and the accompanying letter from the external auditors, Grant Thornton, noting that it was a clear assurance document setting out the relevant processes and role of Members should the need arise.

Referring to the second page of the external auditor’s letter and the reference to service reviews to help inform the debate around where saving could be identified and achieved, Members questioned the reference by which it was determined that the council was an ‘outlier’

In responding the Chief Finance Officer reported that benchmarking exercise was undertaken last year and that this is helping to inform the Council’s updated Medium Term Financial Strategy which is to be to Executive Board in September. The term ‘outlier’ is based on a comparison against our statistical neighbours and core cities to note areas where the council appears

to have high cost, or high demand for services and gives a key line of inquiry to start looking at.

Members asked whether progress had been made in relation to the assessment of expenditure related to the pandemic.

The Chief Finance Officer confirmed that the work is ongoing and being reported to MHCLG and to Executive Board, so that we understand where the pressures are, the areas that can be mitigated and managed, and those where the government are being asked for further support.

Members queried if new areas of income generation were being explored.

The Chief Finance Officer said that the Council was always looking at new areas to generate income, for example receiving funding to undertake track and trace functions for the government. Members were advised that the Council's Civic Enterprise Leeds is a private Trading Company to provide mechanisms to trade with other Local Authorities and external companies where opportunities arise.

Gareth Mills representing Grant Thornton said all other Local Authorities were in a similar position, he suggested the NHS were undertaking similar reviews and bringing services back in house was being given consideration.

In terms of the corona virus Members queried the mechanism for discussions were taking place with the government, and whether MPs are involved.

The Chief Finance Officer said a number of meetings had taken place involving the Ministry of Housing, Communities and Local Government (MHCLG), these included regular meetings between the CFO and MHCLG, and wider meetings including representatives of Core Cities and MHCLG. The Chief Finance Officer agreed to check whether the MPs were included in the discussions.

RESOLVED – To note that there are appropriate procedures and processes in place should there be a requirement for Full Council to have to agree an emergency budget in 2020/21.

24 Draft Statement of Accounts 2019/20

The Chief Finance Officer submitted a report which presented the draft unaudited 2019/20 Statement of Accounts which were currently available on the Council's website for public inspection for thirty working days commencing 6th July 2020.

Members were informed that external audit of the accounts was underway and that it is intended that the final audited accounts will be brought back to committee for approval in October 2020.

The Chief Finance Officer highlighted that the accounts are produced on a going concern basis, i.e. on the assumption that the council would continue to exist and to provide local services for the foreseeable future given the statutory basis of a local authority. However, a section in the foreword highlights the scale and uncertainty of the financial challenge going forwards.

Members were informed the draft accounts were prepared in the context of an uncertain financial outlook arising from the coronavirus pandemic. However as the balance sheet date of 31st March 2020 fell shortly after the start of lockdown, there had been limited impact on the figures to be reported for 2019/20. The biggest impact has been in terms of valuation of land and property assets, with likely material uncertainty, and narrative disclosure included at relevant points. Before the accounts are finalised in the autumn, the council's valuers will be asked whether there is an opportunity for a robust valuation at that time. If there is a measurable change in the value a post balance sheet event disclosure would be made in the audited accounts. Similarly the council will review major bad debt provisions in the accounts before they are finalised to ensure they are sufficient.

Members asked about the reasons for the increase in the value of long term debtors and the risks associated.

Members were advised that the increase was almost entirely due to two finance lease in and out arrangements relating to Headingly Stadium and the Whitehall TV Studio at Wellington Road. The Council has security for those leases via other income streams that can be called on. Members requested that a briefing note be circulated on the arrangements.

In offering comment Members noted the pension's deficit had increased.

Members were informed that the biggest factor in the net pension liability increase was the performance of the pension fund's assets throughout the year which was less than anticipated at the outset of the year. Gross liabilities have reduced, partly due to changes in mortality assumptions. It was noted that the government's proposed remedy for the McLeod Judgment had been published since the draft accounts were issued, and that this would need to be reviewed for consistency with the assumptions made by the pension fund's actuaries.

RESOLVED – To note the 2019/20 unaudited Statement of Accounts as certified by the Responsible Financial Officer.

25 Interim Annual Governance Statement

The Chief Officer Financial Services submitted a report which presented the interim Annual Governance Statement (AGS), prepared in accordance with the Account and Audit Regulations 2015/234 (the Regulations).

The interim AGS had been prepared in accordance with proper practices specified by the Accounts and Audit Regulations 2015. Following a review of

the arrangements which together comprise our system of internal control, the AGS supports the opinion that, overall, key systems are operating soundly, and that there are no fundamental control weaknesses.

The AGS was published in draft on 6th July 2020 to accompany the Statement of Accounts when put on deposit.

Members were informed that the Interim Statement may be updated before final publication to reflect any significant variation in our arrangements, or in the opinion of internal audit or the external auditors. The final AGS would be returned to this Committee for approval prior to publication.

Members asked for rationale for approval of the AGS by Corporate Governance and Audit Committee.

Members were advised that as a Council function the AGS could not be approved by Executive board, and that delegation to the Committee enabled a more robust examination of the statement. Gareth Mills of Grant Thornton confirmed that the grouping of the AGS alongside the accounts for approval by the audit committee reflected the arrangements in other local authorities.

RESOLVED – That the interim Annual Governance Statement be received, noting that the final document would be brought back to the Committee in October for final approval.

26 Work Programme

The City Solicitor submitted a report which set out the ongoing Work Programme for 2020/21.

RESOLVED – To note the draft work programme and approve the suggested meeting dates as set out in Appendix 1 of the submitted report.

27 Date and Time of Next Meeting

To note that the next meeting will take place on Monday, 21st September 2020 at 10.00am (Remote Meeting)