



# **Annual Governance Statement 2013**

## **1. SCOPE OF RESPONSIBILITY**

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

### **Context**

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

1.7 Our Code of Corporate Governance outlines our governance principles;

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

## **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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

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

## **3. THE GOVERNANCE FRAMEWORK**

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

3.2 These are summarised below;

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

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

#### 4. REVIEW OF EFFECTIVENESS

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

##### **A self-assessment of our effectiveness**

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

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

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

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

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



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

#### **Internal Audit Opinion**

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

#### **An Independent opinion of effectiveness**

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

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

“full reliance can be placed on Internal Audit's work<sup>1</sup> on the key financial systems and that Internal Audit are compliant with the *Code of Practice for Internal Audit in Local Government*.”

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

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

## **5. SIGNIFICANT GOVERNANCE ISSUES**

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

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

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

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

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

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

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

## 6. ASSURANCE SUMMARY

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

*Signed*

*Signed*

Date

Date

**Councillor Keith Wakefield  
Leader of the Council**

**Tom Riordan  
Chief Executive**

*Signed*

*Signed*

Date

Date

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

**Catherine Witham  
City Solicitor & Monitoring Officer**