



**Draft**

**Annual Governance  
Statement**

**2018**

July 2018

## **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 Annual Governance Statement (AGS) for 2018.

### **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. We aspire to be the best council in the UK, for Leeds to have a strong economy and be a compassionate, caring city that helps all its residents benefit from the effects of the city's economic growth.
- 1.03 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.
- 1.04 The changing needs of our citizens and communities, ongoing significant reductions in resources and central government reforms continue to present a challenge to all councils. In addressing these challenges we will ensure that 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.
- 1.05 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 of our effectiveness.
- 2.02 Our governance framework in Leeds comprises of 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 Vision for Leeds, 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;
  - Our **performance and accountability** arrangements that help us analyse and act on 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 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 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 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**

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;
- 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);
- Internal Audit;
- External Audit and Inspectorates.

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

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

**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 has become 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, has provided assurances that employee conduct is properly managed, employment policies are regularly reviewed and that key policies and procedures are fit for purpose, effectively communicated, working as intended and have been regularly reviewed. Our Corporate Governance and Audit Committee successfully escalated concerns about the timeliness of register of interest returns from officers in high risk posts.
- 3.04 The Standards and Conduct Committee has operated in accordance with the terms of reference approved by full Council and reported on its activities by way of an annual report in March 2018. 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.
- 3.05 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 quarterly reminders being issued to elected members and Clerks at Parish and Town Councils for registers of interests to be reviewed. Guidance has also been provided to support the registration of Gifts and Hospitality.

- 3.06 An important element of our arrangements relates to the independence brought to the consideration of Members' Allowances (through our Independent Remuneration Panel) and issues relating to Member Conduct (through our appointed Independent Person). During the year a refresh of the Remuneration Panel has taken place with three new Members being recruited through an open advert and appointed by full Council. The authority, rather than making a direct appointment, has left the decision of who chairs the panel to the Independent Members themselves – this being to provide further assurance that the Panel is independently minded.
- 3.07 Our Whistleblowing Policy sets out the correct channels through which serious issues can be appropriately escalated from within the organisation and the Raising Concerns Policy provides guidance and direction to the wider public. Both policies have been reviewed during the year by the Corporate Governance and Audit Committee and assurances that these policies are routinely complied with are gained by Internal Audit reporting to each meeting of the committee on issues raised.
- 3.08 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. In sum, the 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.

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

- 3.09 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 'Best Council Plan' which is updated each year.
- 3.10 Following consultation with staff and elected members, the refreshed Best Council Plan 2018/19 was approved by Full Council in February 2018. The Plan is aligned with the Medium-Term Financial Strategy (2018/19- 2020/21) and sets out 8 outcomes, priority areas of work and a range of supporting key performance indicators (KPIs) to help monitor progress as well as being clear on our values and how we will work as an organisation.
- 3.11 The Best Council Plan KPIs are reviewed quarterly with performance scorecards published. This is supplemented by an annual performance report that looks back on progress in delivering the Best Council Plan over the previous year. Both the scorecard and annual reports are publicly available on the leeds.gov website and the Leeds Observatory.
- 3.12 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.

- 3.13 An annual assurance report is provided to the Corporate Governance and Audit Committee on the council's Performance Management arrangements. This demonstrated that our strategic objectives have been reviewed (approved by full Council in February 2018) and are fit for purpose and that supporting performance management arrangements are effectively communicated and monitored.
- 3.14 Our Corporate Governance and Audit Committee considered the Annual Assurance report of the Chief Officer Projects, Programmes and Procurement Unit (PPPU) in relation to procurement policies and practices. The committee received assurance that these arrangements are compliant with legislation, are up to date, fit for purpose and effectively communicated with no procurement challenges being brought against the council in-year. Social Value has continued to be a key theme in procurement activities with details of spend with local suppliers being monitored and reported to Executive Board.
- 3.15 From the review, assessment and ongoing monitoring carried out the Chief Officer PPPU reached the opinion that, overall, systems are operating effectively, that there are no fundamental control weaknesses but there remain areas for improvement.

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

- 3.16 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 and so we also recognise the importance of taking account of equality considerations in the decisions we take.
- 3.17 The work that our Staff Networks have delivered and supported within the organisation has been recognised with our placement this year in the top 50 employers by LGBT+ charity Stonewall. The ranking is against organisations of all sizes, including large multinational companies, government departments and universities. Our Executive Board also receives regular reports and updates on our Equality Improvement Priorities.
- 3.18 Our Equality Hubs have continued to thrive. Our partnership with Voluntary Action Leeds delivering our BME Hub is continuing to develop and improve our engagement with BME communities across the city. Our Disability Hub and Access and Usability Group provide the authority with regular challenge on making our services and developments across the city as accessible as possible. Our LGBT+ Hub was awarded Best Community Organisation at the cities annual LGBT+ awards in February 2018. Our Religion or Belief Hub is extending its engagement across all faith communities in the city, meeting quarterly to address issues that affect faith communities in the delivery of services by the Council and partners. The Women's hub also assisted the council in securing funding from Government Equalities Office to deliver a programme of activities to commemorate 100 years of votes for Women.

- 3.19 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
- 3.20 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. We strive to continually 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.
- 3.21 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. The committees have played an important part 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.
- 3.22 Following a review of locality arrangements our Executive Board has placed greater emphasis on a new place-based integrated approach to service delivery to tackle poverty and reduce inequality in some of our poorest neighbourhoods. The Board has also agreed the next phase of a community hub programme.
- 3.23 In addition the Executive Board receives a number of significant annual reports concerning;
- The local social care account (providing an explanation of the responsibilities placed upon councils and the contribution made towards enhancing local accountability to the public and as a tool to support sector led service improvement);
  - The Quality of Care across Leeds;
  - Public Health – the Annual report ‘Nobody Left Behind: Good Health and A Strong Economy’ of the Director of Public Health - provided a commentary on the reasons behind current life expectancy levels in Leeds and demonstrates how the Leeds Inclusive Growth Strategy is supporting the drive to reduce health inequalities;

- 3.24 Corporate Governance and Audit Committee has reviewed the council's processes and procedures around customer access and satisfaction. Whilst noting the assurances received the committee wished for further consideration to be given to the top complaint issues and to establishing a mechanism for measuring and reporting the overall satisfaction of citizens with the services provided by the council. There has been increased effort in using digital channels to reach audiences with an improved website and a greater use of social media.
- 3.25 Internal Audit will devote time to review arrangements customer access and satisfaction as part of audit coverage in 2018/19.
- 3.26 Significant engagement activities have taken place during the year relating to the Core Strategy and site allocations, school places, and a bid to be designated as European Capital of Culture, the South Bank and Station Masterplan and on Air Quality.

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

Finance Management

- 3.27 Between the 2010/11 and 2017/18 budgets, our core funding from Government has reduced by around £239m, and will reduce by a further £14.1m in 2018/19. Additionally we have faced significant demand-led cost pressures, especially within the Adults & Health and Children & Families directorates.
- 3.28 We have responded successfully to that challenge through a combination of stimulating good economic growth, creatively managing service demand, increasing traded and commercial income, and a significant programme of organisational efficiencies, including reducing staffing levels.
- 3.29 The Section 151 Officer has continued to ensure that effective budget monitoring and reporting arrangements (involving the Executive Board, the Corporate Governance and Audit Committee and Scrutiny) are in place.
- 3.30 Our Executive Board reviews the budget outturn position at the end of each financial year. Our 2017/18 general fund revenue budget identified a variety of actions to reduce net spend through the delivery of £64m of budget action plans by March 2018. The final position on the General Fund shows an underspend of £6.95m after the creation of a number of earmarked reserves – this being significantly contributed to by a VAT rebate received from HMRC. The amount of General Reserve at 31<sup>st</sup> March 2018 is £25.6m. The Executive Board also received the Treasury Management Outturn Report for 2017/18. This provided a final position statement on loans undertaken to fund the capital programme requirements for both General Fund and HRA. Treasury activity during the year was conducted within the approved borrowing limits for the year and resulted in overall savings to the revenue budget.
- 3.31 The Council's arrangements around financial accountability and responsibility have been further refined during the year in light of the streamlining of senior officer arrangements.



- 3.32 The Responsible Financial Officer has established an effective overall financial control environment framework to discharge both his statutory responsibilities and ensure consistency with the Chief Financial Officer protocol (which forms part of the Council's constitution).
- 3.33 The basis for the assurance opinion which the Corporate Governance and Audit Committee received was a number of rigorous reviews and assessments undertaken during the year, including;
- Internal Audit 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 evaluation of the council's key financial systems as part of their audit work in respect of the 2017/18 accounts, work that will be repeated again as part of the 2018/19 audit.

#### Business Continuity and Risk Management

- 3.34 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. Our Corporate Governance and Audit Committee has received assurance that our business continuity plans are in place for all our critical services and that these are subject to continuous review.
- 3.35 The review process and continued heightened awareness of the impact of incidents on communities and local businesses, allows us to learn from recent events and incidents and inform the development of business continuity and emergency planning arrangements both at a service level and through our multi-agency response and recovery plans.
- 3.36 The council's Risk Management Policy sets 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.

- 3.67 The council's most significant risks are captured in a corporate risk register. An annual report is provided to the Executive Board and published on the leeds.gov.uk website explaining the corporate risks and how they are managed – this will be considered by our Executive Board in July 2018. A corporate risk map is updated and published each quarter and senior politicians continue to be briefed on key risks.
- 3.38 An annual assurance report is also provided to the Corporate Governance and Audit Committee on the council's risk management arrangements. This demonstrated that our risk management arrangements are embedded with corporate, directorate, programme and project risk registers being maintained with significant risks being escalated as necessary.
- 3.39 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 (emergency planning)
  - Council resilience (business continuity management)
  - Finance (both in-year budget risks and medium-term financial sustainability)
  - Information management and governance
- 3.40 During the year two new corporate risks on Poverty and Community Cohesion were also added.

#### Information Governance

- 3.41 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.
- 3.42 As regards information access and compliance our Corporate Governance and Audit Committee has been assured that processes and procedures are in place regarding upholding citizen rights to request information and that we operate within the Information Commissioners Office thresholds for response times. Assurance has also been received that we are compliant with current Data Protection legislation and that work has been completed or is on track to ensure we will be compliant with the General Data Protection Regulations.
- 3.43 Significant work has been undertaken to enable the Council to become compliant with the more stringent compliance control arrangements to meet the Public Services Network (PSN) certification requirements. Our Corporate Governance and Audit Committee has regularly reviewed these activities. We recognise that whilst we still have some unresolved issues, we do have comprehensive plans in place to deal with outstanding issues. The Head of Information Management and Governance has provided assurance that, at this time, this will not present problems with regards to connecting to other government services and that a reapplication for PSN certification for the authority will soon be made.

- 3.44 Through our Open Data approach, we continue to proactively publish datasets over and beyond that required by the Local Government Transparency Code 2015 and make data available in response to FOI requests. This means that we are one of the most open and transparent local authorities in the country and ensures we are compliant with the EU Public Sector Information Re-Use Directive focusing on making data from public authorities available for re-use.
- 3.45 In respect of the INSPIRE standards it is still unclear which direction the UK Government will take with this Directive. A full review and consultation of how the council should move forwards with a strategy for GIS (Geographic Information System) is being undertaken for the council by SOCITM Advisory, and the statement of requirements for this review include providing recommendations about how the council should proceed with implementing INSPIRE data standards. No further work is being undertaken in relation to INSPIRE until these recommendations are received.
- 3.46 With regards to records management our Corporate Governance and Audit Committee has received reasonable assurance from the Information Management and Governance Team that processes and procedures are in place and delivering data protection compliance in this regard. Arrangements are in place to ensure continuous improvement and ensure that changes to retention schedules are sufficiently challenged and simplified.

#### Scrutiny

- 3.47 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. An annual report relating to the Council's activities will be presented to the full Council in July 2018. The Council sees Scrutiny as a key performance tool in ensuring that the Council meets its best city ambitions.
- 3.48 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. 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 Business Rates, Prisoner Health and Social Care needs, Child Poverty and the production of an Information Advice and Guidance (IAG) Charter for Young People in Leeds.
- 3.49 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, fit for purpose that they focus resources on outcomes and ensure council tax payers and service users receive excellent value for money.

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

**Electoral Arrangements**

- 3.50 As a consequence of the recent Boundary Commission Review (which altered some of our electoral divisions), we have been required to undertake both a Community Governance Review and a Review of Polling districts and places. This work was completed in time for the All-out Elections in May 2018.
- 3.51 Executive leadership were reported to our Annual Meeting where committee governance and membership and outside body appointments were also approved.
- 3.52 Our Constitution, including the delegation scheme for Council and Executive responsibilities, has also been regularly reviewed and updated to reflect various legislative (including the new Leeds Electoral Order following the Boundary Commission Review) and other organisational changes.

**Partnership Arrangements**

- 3.53 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.
- 3.54 The delivery of the 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 group to major providers of services and we are recognised as a centre for best practice for its partnership working with the third sector.
- 3.55 The Compact for Leeds and the supporting codes are a part of the strategic infrastructure which creates the conditions for the thriving third sector that the city needs and benefits from, providing a framework to strengthen and guide working relationships. Leeds launched its first Compact in 2003 and it has been revised every 2 or 3 years in order to reflect the changing operating context and to drive best practice. The Compact 2017 has been developed and approved by the Third Sector Partnership, an umbrella organisation including Leeds City Council, NHS Leeds Clinical Commissioning Group, University of Leeds, Leeds Beckett University and Third Sector Leeds and was endorsed in late January 2018. The Compact provides an invaluable framework which enables commissioners to manage challenging commissioning and decommissioning decisions, with clear expectations around practice, timelines and communication. This reduces conflict and risks to reputation and working relationships that are key to delivering on the best city ambitions and the compassionate city agenda.

- 3.56 The Corporate Governance and Audit Committee received assurances from the Chief Finance Officer that the Corporate Financial Integrity Forum has the oversight of the financial governance risk of partnerships and other joint working arrangements within its remit. This work being supported by Internal Audit who reviewed the financial governance and control arrangements in place for partnerships. That review confirmed that a structure is in place to enable central oversight of the financial risks posed by joint working arrangements but that opportunities exist to further strengthen control through robust risk assessment and formalisation of the monitoring framework.
- 3.57 The City Council as a member of the West Yorkshire Combined Authority and the Transport for the North Board has supported the establishment of Transport for the North (TfN) as a statutory body. This newly established body will seek to deliver strategic transport improvements, which are needed to support transformational economic growth. This will allow the North to increase its productivity, create more job opportunities and make a greater contribution to the UK economy through delivery of a sustained investment programme across the North to build infrastructure, strengthen skills, harness innovation, and encourage smart technology.
- 3.58 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.
- 3.59 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 to 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.
- 3.60 We have implemented, in collaboration with other Local Authorities and Voluntary adoption agencies (VAA's), a new model of service delivery for adoption services in line with the government's agenda. A new Joint Committee - The 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 successful operation of the new arrangements.

- 3.61 To accelerate the reforms in Children's Social Care, the Department for Education has invested an additional £9.6m in Leeds as part of their Partner's in Practice programme. The funding supports expansion of restorative social work practice and improved leadership in local authorities and also is enabling early support teams to develop practitioner's existing skills (using restorative practices) to improve early interventions with children and families and establish an integrated restorative adolescent service that will work with families, based around reformed residential homes.
- 3.62 In addition, the Council has entered into a Partnership arrangement with Kirklees Metropolitan District Council and the Department for Education to support Kirklees's improvement journey over the coming three years.
- 3.63 We have also played a central role in the development of the Leeds Health and Care Academy. This innovative approach has brought together our Universities and NHS bodies into a close partnership with the City Council to help strategically plan a long term approach to the workforce challenges faced by the City. It is designed to make Leeds the destination of choice for health and care staff as well as ensuring partners focus on social mobility and ensuring the workforce reflects the diversity of the Leeds population as outlined in the Health and Wellbeing Strategy.
- 3.64 Unfortunately despite working collaboratively and with the support of local authorities across Yorkshire, the core cities from the North of England, each of the Further and Higher Education institutions in the City and securing private sector sponsorship, our bid to be European Capital of Culture did not progress as we had hoped. However the strength of partnership has endured and extended since the late announcement from Europe of the ineligibility of UK cities to bid for this designation (post the decision to leave the EU). Further work is taking place with partners, including with the other UK bidding cities, to harness the enthusiasm and commitment that the bidding process had been a catalyst for.

#### Safeguarding

- 3.65 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.

#### **Take informed and transparent decisions.**

- 3.66 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.

- 3.67 The annual report to our Corporate Governance and Audit Committee (June 2018) provided assurances that the arrangements are up-to date, fit for purpose and are functioning well. In particular assurance was 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. The committee identified improvements to the level of information that is included in the 28 day notice which is published in advance of taking a Key Decision and sought further assurances concerning delays in publishing Significant Operational Decisions in one of our Directorates.
- 3.68 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
  - Resources and value for money
  - Legal Implications, Access to Information and Call In
  - Risk Management
- 3.69 The City Solicitor has provided ongoing assurance (via a commentary included in regular Internal Audit reports) to our Corporate Governance and Audit Committee that the council has complied with the requirements of the Regulation of Investigatory Powers Act 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**

- 3.70 As community leaders, it is vital that our councillors are supported to be as effective as possible. This being particularly important following the 2018 all-out elections where a large number of new councillors were be elected.
- 3.71 An induction programme and a variety of learning programmes are in place and are continually monitored and evaluated by our Member Management Committee. Where needed, new learning programmes are developed and implemented quickly and effectively.
- 3.72 Our Standards and Conduct Committee has reported on their work to full Council to promote and maintain high standards of conduct by members and co-opted members of the authority.

## Employees

- 3.73 We make a significant investment in staff training and development with, in 2017/18 a corporate training budget of £1.5m. The vast majority of these funds are held at a service level with the responsibility for planning, organising and delivery being tailored locally to service specific needs including developing resilience and succession planning.
- 3.74 Mandatory information governance training for all employees was completed in summer 2016. Employees with IT access completed an e-learning package and those without IT access received a leaflet to their home address. The refreshed training incorporates information to ensure employees understand their responsibilities under the new General Data Protection Regulations. Employees have 8 weeks to complete the e learning after which if it is not complete their system access will be withdrawn until it is complete.
- 3.75 Within Adult Social Care and Children's and Families there are a number of job roles that require statutory training. We were successful in a bid to be a Teaching Partnership. The Leeds and Wakefield Social Work Teaching Partnership comprises of Leeds Adults and Children's social work, Wakefield Adult and Children social work, Leeds Beckett University and University of Leeds.
- 3.76 The partnership leads the whole of social work development and curriculum from starting at university on the degree course to practicing as a social worker. In Children's and Families examples of training to meet a statutory requirement include "Safeguarding Children" which is compulsory for all staff and "Therapeutic Crisis Intervention" which is required for all residential workers. In ASC there are courses, "Safeguarding for Adults" which is for all staff and "The Mental Capacity Act in the workplace" which is for frontline care staff.
- 3.77 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, Executive Board and the Corporate Health and Safety Forum each year. The annual report highlights Health and Safety performance across the year and also identifies new priorities and strategies for the coming years.



## **An Independent opinion of effectiveness**

- 3.78 The Corporate Governance and Audit Committee 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, was received in July 2018. This 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. The Head of Internal Audit Opinion reported to the Committee was as follows:

### *Head of Audit opinion for 2017/18*

*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.*

*We have audited several areas that have resulted in 'Limited Assurance' opinions, one area that has resulted in 'No Assurance' 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 2017/18, 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.*

- 3.79 In January 2018 Ofsted conducted a two day visit to look at our arrangements for the quality of matching, placement and decision making for children in care, including the quality of planning and the identification and management of risk and vulnerability. Inspectors also evaluated the effectiveness of performance management, management oversight, supervision, quality assurance and the continuous professional development of the workforce.
- 3.80 The outcome of the Inspection was that most children are being cared for in stable family placements that meet their needs. Social workers know the children well. Practice is child-centred. Social work assessments reflect the wishes and feelings of children and young people. Children's plans are clear and coherent. There is evidence of a strong focus on achieving permanence for children and young people. Regular reviews and effective management oversight help to ensure minimum drift or delay in meeting children's needs. The Inspectors also identified that we clearly understand our strengths and areas for development and that we take our corporate parenting responsibilities very seriously.

- 3.81 Other observations were that our senior leaders have created an environment in which social work is flourishing; Children, young people and their carers are benefiting from an increasingly stable workforce and that our commitment to continuous improvement is tangible. Areas for development were identified around performance management and the varied quality of Personal Education Plans. Details of the inspection outcome can be accessed [here](#).
- 3.8 The Care Quality Commission (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. 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
- 3.83 KPMG have completed their review of the Annual Governance Statement and have concluded that it is not misleading or inconsistent with information they are aware of from their audit of the financial statements.
- 3.84 Although KPMG issued an audit opinion for our 2016/17 accounts confirming that they presented a true and fair position, the audit for that year has not yet been closed pending resolution of an objection made by a local elector. The objection concerned the lawfulness of the council's borrowing via LOBO loan instruments. Our Corporate Governance and Audit Committee raised concerns with the Auditor about the period of time taken to resolve the query from the elector.
- 3.85 As has been the case in previous years, KPMG have qualified the Housing Benefit Subsidy claim due to minor errors. The net impact on the value of the claim was to increase it by £288 in a claim of £268 million. As a result of the errors found, KPMG have re-iterated their recommendation from 2015/16 that training for staff should focus on earned income classification. Officers in the Welfare and Benefits service will address this in order to try to minimise future errors. In addition to the above, audit of a number of other grants not covered by the appointed auditor role have also taken place. To date, all such completed audits have been certified without adjustment.
- 3.86 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. Due to the revised reporting timescales for the Annual Governance Statement the 2017/18 audit will not yet be concluded in time for inclusion in the 2018 Statement.

- 3.87 On the 18th July the Local Government and Social Care Ombudsman (LGSCO) provided his Annual Letter to the authority with statistics on the complaints made to the Local Government and Social Care Ombudsman for the year ended 31 March 2018. The Ombudsman commented that “Over the year my investigators have noted your Council’s positive approach to complaint handling. It is very pleasing to see an example of a Council who constructively engages with us to ensure complainants are properly heard and matters resolved where appropriate.”

### **Appointment of our External Auditor 2018/19**

- 3.88 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and also established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. The Act allowed authorities to consider three broad options in respect of External Audit appointment:

Option 1 – to make a stand alone appointment;  
Option 2 – set-up a joint Auditor Panel/local joint procurement arrangements;  
Option 3 – opt-in to a sector led body.

- 3.89 The Local Government Association established the sector-led body referred to in Option 3 which the Council opted into. Through that body, from 2018/19, Grant Thornton has been appointed as our external auditor.

#### **4. SIGNIFICANT GOVERNANCE CHALLENGES**

- 4.01 Our control environment is effective overall, with no significant issues or areas for improvement. We do though face a number of significant and ongoing challenges which will impact upon our governance arrangements and how we operate as a provider of public services.

##### Our Best City / Best Council Ambitions

- 4.02 Our journey to become a more efficient and enterprising organisation centres on an ongoing programme of organisational cultural change aimed at making the best use of the resources within the council and strengthening our leverage, influence and partnerships across the city, the region, and nationally.
- 4.03 To date, we have responded to the financial challenges facing local government and been able to balance the budget each year, protecting front-line services, avoiding large-scale compulsory redundancies and targeting resources into preventative services, helping manage the implications of demand and demographic pressures. This has been achieved by stimulating good economic growth, creatively managing demand for services, increasing trading and commercial income and a significant range of organisational efficiencies, including reducing staffing levels by over 3,200 'FTEs' (full-time equivalent members of staff) between 2010/11 and 2017/18. These efforts will continue as set out in our annual Budget with our Medium-Term Financial Strategy updated to reflect the latest financial and economic conditions. For 2018/19, this includes the introduction of 100% business rates retention, the Leeds City Region Business Rates Pool (of which Leeds City Council is a member local authority) having successfully applied to take part in government's pilot programme.
- 4.04 Though we have fewer people employed by the council, we remain confident we can deliver our Best Council Plan priorities through investing in our staff's wellbeing, helping them perform at their very best. We continue to encourage a 'can do' culture across the organisation where people feel more confident and empowered, and maintain our focus on inclusion and diversity, aiming to raise awareness, eliminate barriers, celebrate differences and create a workforce more representative of our communities. The 'breakthrough' approach that has served us well in bringing together multi-disciplinary teams from across council services, partners and communities to tackle key challenges also continues, with a specific 'task and finish' focus on programmes and projects that support our strategic priorities and help address future financial challenges.
- 4.05 With the reopening of a refurbished Merrion House in 2018, many of our front-line council services are in one place, improving customer access in the city; the ongoing rollout of Community Hubs serving as focal points for members of the public in other parts of Leeds. While face-to-face customer contact remains important, we are using technology and training to grow people's digital skills, making it easier for staff and citizens to self-serve online and enabling a quicker, more streamlined response to customers who can access services at times that best suit them.

- 4.06 This is supported by our work to improve the quality and availability of information provided to customers, staff and elected members based on a range of insight, including stakeholder engagement and data analysis; we remain committed to 'open data' where possible and in compliance with the General Data Protection Regulations in effect from May 2018. This insight informs our decision-making, enabling us to better prioritise interventions and resources to where they are most needed.
- 4.07 Underpinning everything we do – our policies, strategies, processes, communications and resilience – and how we work are our values. They will continue to provide a reference point for staff on how they are expected to behave and what they, and our customers and partners, can expect from Leeds City Council: a council which is honest, fair, good with money, joined up and proud to make a difference – the Best Council in the UK.

#### Workforce Development and Training

- 4.08 We are undertaking a review of workforce development and training to explore current practice and ensure that all our colleagues have fair and full access to learning so we can meet our statutory, mandatory and essential training needs in the most effective and cost efficient way and enable effective succession planning.

#### Financial Pressures

- 4.09 Inevitably, managing the large reduction in government funding and increasing cost pressures has meant that the Council has had to make some difficult decisions around the level and quality of services. However, it will become increasingly difficult over the coming years to identify further financial savings without significant changes in what the Council does and how it does it. This will have significant implications for the services provided directly and those commissioned by the local authority, impacting upon staff, partners and service users.
- 4.10 In order to continue delivering the Council's ambitions of tackling poverty and reducing inequalities, consideration may have to be given to stopping, delivering differently or charging for those services that are no longer affordable and are a lesser priority than others. This will be achieved through a continuing process of policy and service reviews across the Council's functions and ongoing consultation, engagement and scrutiny.
- 4.11 The Council has commenced upon the process of updating its medium term financial strategy 2019/20 to 2021/22. This will be impacted upon by a combination of the outcome of the next Government spending review, the implications of the Government's proposals in respect of business rate retention and the outcome of the Government's Fair Funding review which won't be known until the autumn of 2019.
- 4.12 In the context of reduced budgets across the public sector we are keen to ensure the strategic and leadership role of local government continues to be recognised. The UK continues to face a challenging 'productivity puzzle' and around 40% of low productivity in the UK's Core Cities linked to deprivation, low skills, inappropriate housing and poor health. These are issues that can only be dealt with effectively by high quality public services, many of which are delivered by or in partnership with local government.

- 4.13 In the upcoming Comprehensive Spending Review there is a clear case for both protecting and investing in quality public services which are aligned with local need, to both tackle deprivation and boost productivity. We have already delivered substantial savings at scale, we would now welcome a shift in mind-set away from seeing council spending as a deficit to be cut back and instead towards recognising the wider value that quality council services can bring.

#### *Demand and Demography*

- 4.14 Looking ahead (specifically to the next spending review period), our options for reducing expenditure without seeing basic services being very adversely affected are limited:
- Our estimates are that Adult Social Care faces annual pressures of £12m just to “stand still”. Therefore with a rising ageing population and the impacts of pay pressures including national living wage in the sector these costs will inevitably rise. This by itself is equivalent to a 4% increase in Council Tax.
  - Our Children and Families budget rose by nearly 8% in 2018/19 (£8.7m). Of this £4m has specifically been added to the Children Looked After budget.
- 4.15 We face increasing demography and consequential demand pressures for services in Adults and Health and Children and Families. Within Adults and Health the population growth forecast assumes a steady increase in the number of people aged 85-89 during 2018 (1.87%). This will result in additional costs of £0.8m for domiciliary care and placements and increasing cash personal budgets. The learning disability demography is expected to grow by £0.5m per annum, this includes an anticipated growth in numbers of 0.6% (based on ONS data) over the period and is coupled with increasingly complex (and costly) packages for those entering adult care, as well as meeting the costs of the increasing need for existing clients whose packages may last a lifetime.
- 4.16 Services to Children and Families continue to face demographic and demand pressures. These pressures reflect relatively high birth rates (particularly within the most deprived clusters within the city), increasing inward migration into the city (particularly from BME groups from outside the UK), the increasing population of children & young people with special and very complex needs, greater awareness of the risks of child sexual exploitation, growing expectations of families and carers in terms of services offered and changes in government legislation, including ‘staying put’ arrangements that enable young people to remain with their carers up to the age of 21.
- 4.17 The demography for clients with a Mental Health need and those with a Physical Impairment are expected to grow by 2.6% and 2.1% respectively. In addition, demand over that anticipated in 2017/18 is calculated to costs across all client groups in 2018/19.

### *Business rates 100% Retention Pilot 2018/19*

- 4.18 We are a member of the Leeds City Region Business Rates Pool along with the other four West Yorkshire Authorities, Harrogate and York. In December 2017, Government notified us that the Leeds City Region Business Rates Pool bid to pilot 100% Business Rates Retention in 2018/19 had been successful. This is an expansion of the existing 100% pilot programme and is intended to help Government and the local government sector to explore options for the design of future increased business rate retention. The pilot scheme is for one year only and allows the Leeds City Region to retain all additional growth in business rates above business rate baselines determined by Government and associated Section 31 grants, whereas currently 50% of that growth is remitted to Government.
- 4.19 For the Leeds City Region Pilot this additional income is estimated to be in the region of £40m, with the Pool retaining 50% (£20m) to continue to support and enable regional economic growth. The other 50% (£20m) will be allocated to the member authorities themselves to improve financial stability within their authorities. Of the 50% allocated to member authorities, half will be based on each authority's actual additional growth and half will be redistributed by population. For us, the estimated gain as a result of the Pilot is estimated to be in the order of £9m.
- 4.20 A significant benefit of the Leeds City Region Business Rates Pool pooling arrangement is that additional growth above the Government determined baselines is retained in the region rather than being paid over to the Government. However, income from business rates has proved to be volatile and there remains uncertainty as to how Brexit may impact upon the economy. The adequacy of resources to meet Best Council Plan objectives in a sustainable way is identified as one of the Council's corporate risks. The management of business rates risks will continue to be a key element of this and will be subject to regular review through detailed monitoring through our Financial Performance Group and the Executive Board.

### Care Quality

- 4.21 A programme of work will be further progressed with the older people's care sector by adopting a partnership approach to ensure implementation of a One City approach to achieving higher quality care within the independent older people's care home sector. Our action plan, coproduced with a wide range of stakeholders, identifies where improvements can be made, clarified where accountable rests with organisations and the timescales for improvements necessary to bring benefits to the citizens of Leeds who either reside or work within the independent sector older peoples care homes.
- 4.22 This initiative will be supported by a Quality Team (working alongside existing Adult Social Care commissioners) who will ensure that care homes get the support that they require which will lead to better CQC ratings within the sector. In addition we will develop a Leadership Academy for Registered Managers of Care Homes to assist with developing further skills and knowledge which can then be enhanced by sector led peer to peer support.

### Devolution

- 4.23 We are an integral member of the West Yorkshire Combined Authority and are fully engaged at Leader and Chief Executive Level through to project delivery in specific areas such as economic development, housing, skills and transport. Leeds is represented in Northern Powerhouse discussions and as a member of Transport for the North, as well as our Leader recently becoming the Chair of the Core Cities UK group. Whilst Leeds has not been able so far to secure a new devolution deal as other city regions have, the Leaders and Chief Executives in the region are in dialogue with central government on the geography and powers of a deal that would bring further powers and resources to the city. This recently culminated in a devolution proposal being sent Secretary of State for Housing, Communities and Local Government by the leaders of 18 of Yorkshire's 20 councils.

### Community Hubs

- 4.24 In order to build upon the positive progress made so far, and to achieve our long-term aims around delivering integrated and accessible services 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 our Phase 3 programme. Through this programme we will ensure all sites are refurbished and furnished to provide a modern safe environment that treats our customers with respect and encourages contact with us as an organisation that can offer help and assistance.

### Information Governance

- 4.25 We will need to be able to demonstrate that we have put in place appropriate technical and organisational measures, to ensure and to demonstrate compliance with all aspects of the General Data Protection Regulation. All of these processes will be monitored and audited to ensure on-going effectiveness. These more exacting requirements mean we will need to review our approach to governance, and how data protection compliance is managed as a corporate issue.
- 4.26 Whilst no longer in 'Escalation' measures work to further progress from 'Remediation' and regain PSN certification is the highest priority for the forthcoming year.

### Procurement

- 4.27 We remain concerned about the impact on local government services arising when private sector companies, such as the various Carillion group companies, enter into a 'compulsory liquidation' insolvency process. Our Scrutiny Board (Strategy and Resources) will maintain a watching brief on this including reviewing the longer-term implications of compulsory liquidation and any relevant outcomes from the parliamentary select committee inquiry.



- 4.28 In addition to planned Internal Audit work, arrangements for strengthening Procurement Assurance will be progressed with the following actions already identified for 2018/19;
- Refresh of the Procurement Strategy, including a review of the reliance upon the current Category Management Methodology
  - Review of Contract Procedure Rules in line with changes in legislation and Council policy.
  - Continued focus on compliance, notably around justification in reports considering waivers and off contract spend.

#### Ethical Framework

- 4.29 We will review any findings emerging from the Committee on Standards in Public Life's consideration of the national framework governing elected member conduct.

#### Partnerships

- 4.30 The council's risk management policy and risk framework are currently being updated and will include details of how partnership risks should be identified and recorded. The review will consider best practice available and examples of good practice of partnership risk management from other local authorities. It is anticipated that central guidance will be developed to help ensure there is a consistent and effective approach across the authority for managing risk with partners.

#### Staff Development and Training

- 4.31 We have an apprenticeship Levy commitment of 0.5% of our pay bill per annum. This provides a significant dedicated pot of money for apprenticeship training. We will ensure apprenticeships become a key feature of our workforce development plans for the future.
- 4.32 As part of this our Corporate Leadership Team have agreed that Leadership and Management Apprenticeships will be established to support workforce development and in particular support managers to continue to embed our values and culture.
- 4.33 Whilst in it's infancy initial indications show that this approach will be a key feature of our management development offer. It is likely that our suggested approach will broadly align Apprenticeship Levels to our management grades to offer structured learning leading to a recognised professional qualification.

## **5. ASSURANCE CONCLUSION**

- 5.01 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.
- 5.02 From the review, assessment and on-going monitoring work undertaken and supported by the ongoing work of Internal Audit, we have reached the opinion that, overall, key systems are operating soundly and that there are no fundamental control weaknesses.
- 5.03 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.

**Councillor Judith Blake**  
Leader of the Council

**Councillor Kevin Ritchie**  
Chair, Corporate Governance and  
Audit Committee

**Tom Riordan**  
Chief Executive

**Doug Meeson**  
Chief Officer Financial Services  
& Section 151 Officer

**Catherine Witham**  
City Solicitor  
& Monitoring Officer