



INTERIM
ANNUAL GOVERNANCE STATEMENT
2024

Approved by
Chief Officer (Financial Services)

July 2024

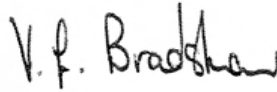
1 - INTRODUCTION AND INTERIM ASSURANCE STATEMENT

Leeds City Council is obliged¹ to ensure it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.

We have conducted a review of the effectiveness of our system of internal control². The review reflects on the formal reporting to council and executive committees; enquiries made of officers with relevant specialist knowledge, experience, and expertise, and officers with operational control; in addition to independent assurance provided. The review has been undertaken in consultation with the council's Head of Paid Services, Monitoring Officer And Chief Finance Officer.

We confirm, to the best of our knowledge and belief, and there having been appropriate enquires made, that this Annual Governance Statement (AGS) provides an accurate and fair view.

We are satisfied that in the accounting period 1st April 2023 to 31st March 2024, our framework of internal control has continued in place up to the date of approval of this AGS. We have concluded that, overall, key systems are operating soundly, and that there are no fundamental control weaknesses³. We are satisfied that where improvements have been identified, actions are in place with appropriate arrangements to monitor them.


Victoria Bradshaw
Chief Officer – Financial Services and Section 151 Officer

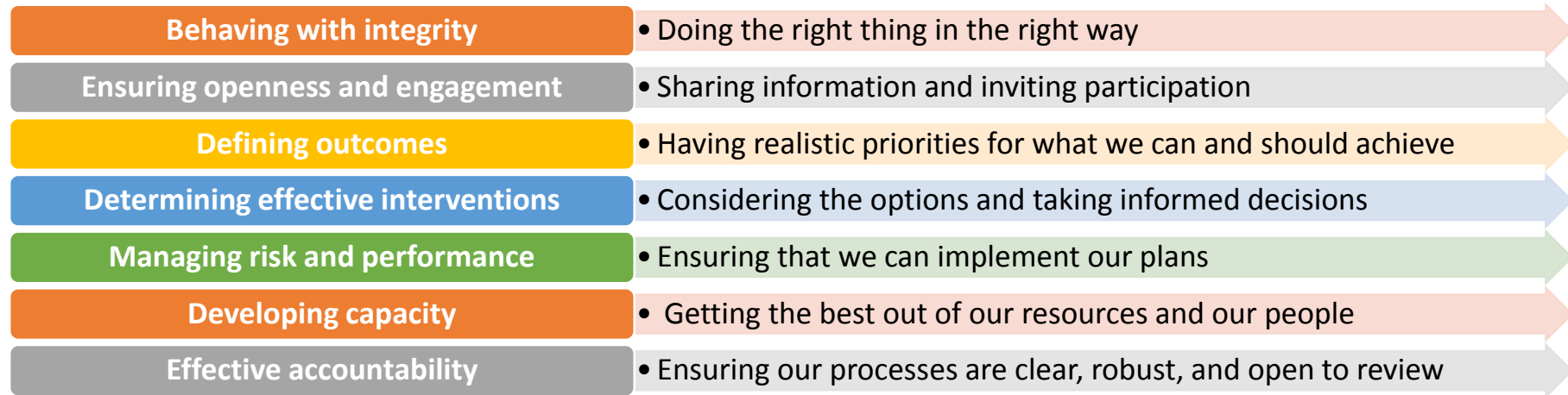
Our governance arrangements seek to ensure that our resources are used to achieve our Ambition through defined outcomes for the citizens and communities in Leeds. Our Local [Code of Corporate Governance](#) is framed around values and behaviours, and seven good governance principles (reflecting the principles of good governance set out in CIPFA: Delivering Good Governance in Local Government / 2016 Edition)

¹ Regulation 3 of the Accounts and Audit Regulations (2015)

² Undertaken in accordance with Regulation 6 of the Accounts and Audit Regulations (2015), and proper practice as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice: Delivering Good Governance in Local Government (2016)

³ Whilst support in Council's arrangements for risk management, the governance framework cannot eliminate all risk to the achievement of policies, aims and objectives, and we note that this review can therefore only provide reasonable and not absolute assurance of effectiveness.

2 - OUR GOVERNANCE FRAMEWORK



These governance principles are supported by commitments which enable us to direct and control our activity to achieve our Best City Ambition and commitments in our organisational plan. They bring together the systems, processes, and values and behaviours in place across the council by which we plan and deliver services to the citizens of Leeds in a way that shows how the council:

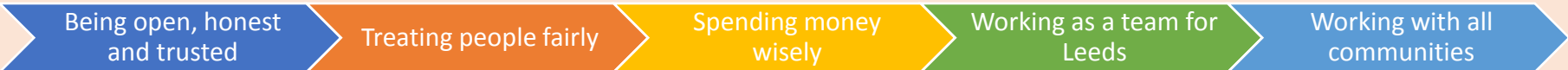
- Does the right things in the right way.
- Is open and transparent about what it does, how, and why it does it.
- Engages with citizens, partners, and stakeholders to place and deliver outcomes.
- Is held to account.

We have a variety of arrangements through which we give effect to our code of corporate governance. The governance arrangements are a combination of the culture, people, documents, and processes which together direct and control the council's activities.

Culture	Values and behaviours ⁴ , Political Environment, Ethical Governance, Relationships.
People	Members, Officers, Statutory Officers, Partners and Stakeholders, Citizens, and Communities.
Documents	Joint Strategic Assessment, Strategic Plan, Budget & Policy Framework, Constitution, and legal framework
Processes	Systems of Internal Control, Audit and Inspection, Compliments and Complaints, Oversight and Scrutiny.

⁴ See Figure 1 below

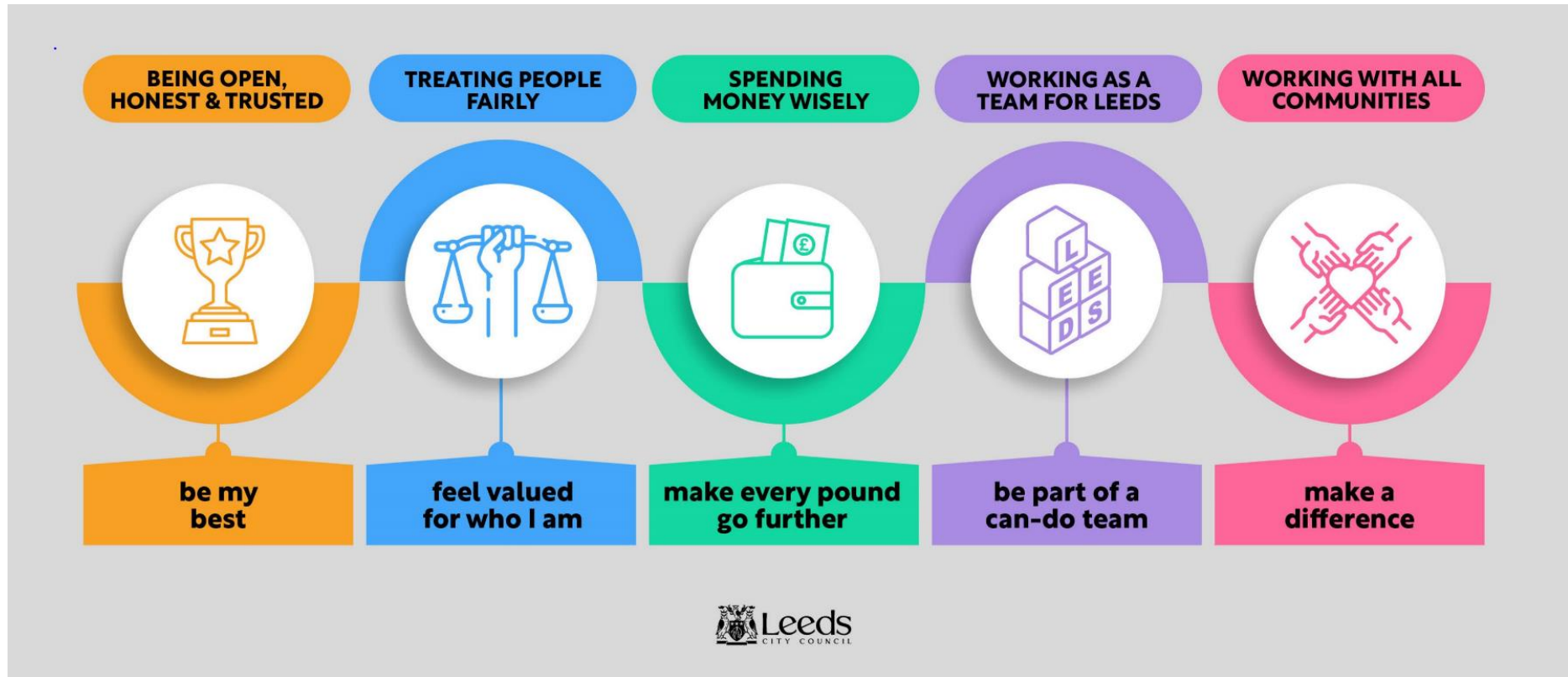
2 - OUR GOVERNANCE FRAMEWORK

Culture	
Our culture and governance arrangements are set in our values and behaviours which are embedded across the organisation.	
	
<p>We have codes of conduct for members and officers, which set out clear expectations of behaviour. There are clear arrangements in place for the registration and declaration of interests and of gifts and hospitality.</p> <p>Continuous review of arrangements to identify opportunities for growth, development and improvement whilst balancing the need to make proportionate use of our resources.</p> <p>Rigorous oversight and robust challenge in decision making. Scrutiny board chairs are drawn from both administration and opposition members to provide meaningful challenge.</p> <p>Ethical governance arrangements supported by a robust suite of counter fraud and corruption arrangements, including a whistleblowing policy open to all.</p> <p>Clear and embedded arrangements for the publication of key decisions enable effective democratic oversight of decisions taken by officers.</p> <p>Regular performance reporting in relation to key strategies ensuring effective accountability of those in operational control.</p>	

People	
<p>Our organisational plan “Being Our Best” is supported by “Be Your Best” an individual development programme designed for all 2000+ managers to support their staff to be their best. The plan focuses on our values and behaviours, setting out expectations and priorities, with a guide to resources to assist managers.</p> <p>Our People Strategy 2020-25 sets out our commitment to best leadership and management and to best employee experience. Through the application of our values and behaviours, this strategy underpins our approach to recruitment, work life, development, progression, and exit. The use of periodic staff surveys monitors performance.</p> <p>Officer remit and accountability is clearly structured, communicated and monitored through delegation and sub-delegation arrangements, appraisal objectives and regular supervision. There are protocols in place in our Constitution to ensure that statutory requirements are complied with, and the Monitoring Officer and Chief Finance (S151) Officer are afforded the resource, access and opportunities required to fulfil their roles.</p> <p>Our staff networks, trade unions and freedom to speak up guardian enable staff engagement, provide advocacy, and encourage people to speak up with any concerns around working practices.</p> <p>There are robust processes in place to receive and act upon customer feedback ensuring we maintain a high quality, efficient and effective service.</p> <p>We use of a variety of methods, including our Citizens Panel, to communicate and engage with our citizens and communities, to plan and deliver the right services in the right way to achieve value for money.</p>	

2 - OUR GOVERNANCE FRAMEWORK

Figure 1 - Leeds City Council- Values and behaviours



2 - OUR GOVERNANCE FRAMEWORK

Systems and Processes

We have a leader and cabinet governance model with leader's executive arrangements set out in the constitution to ensure clear arrangements for open, transparent, and accountable decision making.

Decision making, financial arrangements and procurement activity are bound by clear rules of procedure which focus our resources to the achievement of our strategic outcomes and are rooted in legal compliance.

Budget management and monitoring is a continuous risk-based process operating throughout the council. Directors have responsibility for delivering directorate budgets whilst budget holders, supported by finance officers, manage, monitor, and forecast income and expenditure against budgets.

Transformation is rooted in interdependent change priorities: improving our digital offer; improving how we serve our customers; improving how we work with people and families; and improving the coordination of our services locally.

Progress against strategic ambitions is monitored through key performance indicators (KPIs) to identify any weaknesses in performance to take appropriate effective action to improve performance in line with targets.

Established risk and resilience arrangements, including risk management policy and strategy and risk registers informed by the National Risk Register, work to identify, mitigate, and manage risk at all corporate levels.

Established arrangements for overview and scrutiny through five appointed boards. Our activity is outcome focussed, and systems and processes are reviewed regularly to ensure they are up to date and fit-for-purpose to deliver our strategic outcomes for citizens and communities in Leeds.

Documents

Our Joint Strategic Assessment (JSA) provides a detailed understanding of the citizens and communities in the Leeds area and is used to underpin our strategic framework.

Our Best City Ambition highlights the city's mission to tackle poverty and inequality, setting out the three pillars approach through health and wellbeing and inclusive growth strategies and zero carbon plan.

The Best City Ambition sets out a strategic intent shared between the council and its partners, to work together as Team Leeds. Recognising significant financial challenges faced by the council and some of our key partners, it seeks to maximise the positive impact of limited resources as we seek to deliver our shared goals and priorities.

Our Medium-Term Financial Strategy (MTFS) is updated annually, supported by our financial management systems, and underpins our sustainable approach. The MTFS recognises that the current and future financial climate could present a significant risk to the Council's priorities and ambitions. The strategy aims for the Council's financial position to be robust, resilient, and sustainable with a sufficient level of reserves available to deal with any future unforeseen circumstances.

We have a robust and accountable approach to budget management, (closely aligned to the principles of CIPFA Financial Management Code (2019)) and provide regular revenue and capital monitoring reports. Our arrangements for treasury management comply with The Chartered Institute of Public Finance and Accountability (CIPFA) Code of Practice on Treasury Management and The Prudential Code.

Our Constitution sets out key roles and responsibilities together with rules and protocols to govern behaviour and procedures. The Monitoring Officer ensures regular review.

3 - HOW WE REVIEW OUR GOVERNANCE FRAMEWORK

Assurance Approach

We have used the three lines of assurance model (set out in Fig.2. below) to provide substantial assurance that our governance framework is operating soundly with no fundamental weaknesses.

Whilst our governance framework cannot eliminate all risk to the achievement of policies, aims and objectives, our review provides reasonable assurance of the effectiveness of our arrangements.

First Line of Assurance – Operational and Managerial Oversight.

We seek confirmation from officers with operational and managerial responsibility that our system of internal control is effectively embedded. Our 2024 survey of internal control (SIC) was shared with 176 officers and received a response rate of 78%. The SIC focused on our seven principles of corporate governance and was designed to identify the extent to which managers believe their staff have the relevant knowledge and skills to comply with those controls appropriately and proportionately to their individual roles and responsibilities. Respondents were invited to comment on arrangements which were working well and to identify any actual and / or perceived weaknesses as well as inviting suggestions for improvement.

Qualitative and quantitative analysis of SIC responses has been completed and provides some assurance that, from an operational perspective, governance arrangements appear to be embedded and effective, with some opportunities to review the application of these arrangements to partnership working. To guard against the risk of complacency, responses in relation to each specialist area have been referred to the owner of specialist oversight in relation to the relevant system of internal control for consideration. Corporate Governance and Audit Committee provide robust challenge, looking for continuous improvement year on year when receiving assurance reports in relation to specialist areas of internal control.



Second Line of Assurance – Specialist Oversight and Compliance.

Those with specialist oversight and compliance responsibility provide assurance that arrangements are up to date, fit-for-purpose, embedded and routinely complied with. We have developed the cycle of internal control (see diagram on next page) which underpins each of our systems of internal control and recognises that arrangements should be defined and documented; clearly communicated; effectively embedded; meaningfully monitored; and reviewed and refined. Throughout the cycle, we seek to ensure that risks are identified, assessed, and appropriately managed.

The second line of assurance is developed through formal reporting of control arrangements to council and executive committees and supported by additional enquires made to officers with specialist oversight, knowledge, and responsibility.

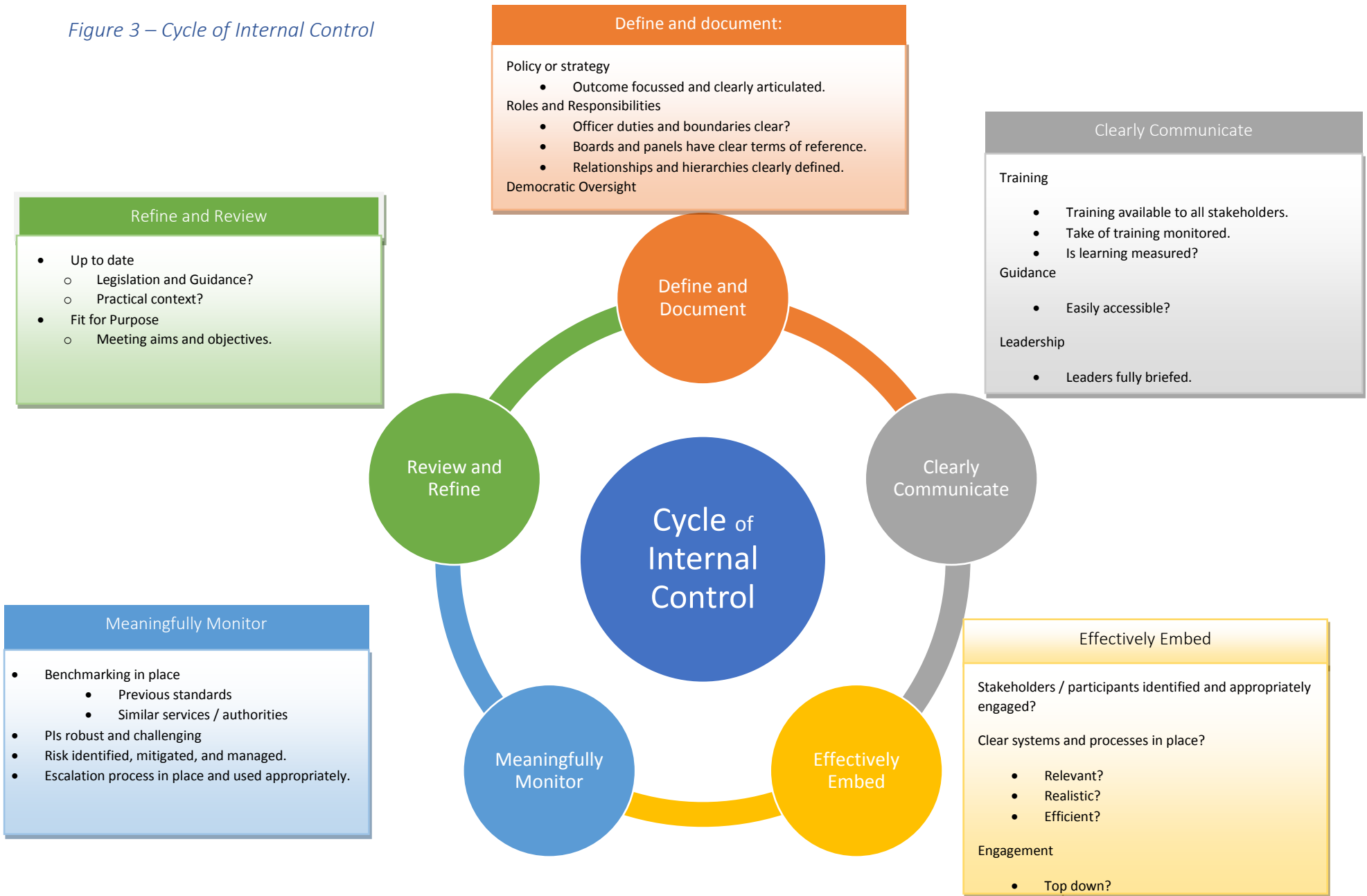
3 - HOW WE REVIEW OUR GOVERNANCE FRAMEWORK

Figure 2 - Leeds City Council- Assurance Map

Bodies charged with governance:		1 st line of assurance	2 nd line of assurance	3 rd line of assurance		
		Responsibilities for implementation and accountability		Arrangements for testing		
Full Council Corporate Governance and Audit Committee (Delegated responsibility)		Operational ownership and management	Oversight and compliance specialists	Independent Assurance		
		Directors and section heads sectional and directorate leadership teams	Specialist officers Proper officers			
Systems and Processes of Internal Control	Define and Document	Clear arrangements for sub-delegation of functions and responsibilities	Development of policy & procedure	Internal Audit	External Audit	External Inspectors
	Clearly Communicate	Leadership – cascading of information and expectation	Provision of guidance & training,			
	Effectively Embed	Systems of managerial control (Supervision / 121 / appraisal etc.)	Oversight and advice tailored to service need			
	Meaningfully Monitor	Local performance monitoring. Identification and mitigation of risk. Escalation of concerns	Development of robust performance indicators. Benchmarking			
	Review and refine	Feedback on systems and processes	Review of legislation, sector best practice and guidance. Strategic review of arrangements	Action Planning & Monitoring		
Officer oversight:		Corporate Leadership Team Statutory Officers (Monitoring Officer, Chief Finance Officer, Head of Paid Service)			Officer oversight	
 Democratic Oversight		Executive Members Executive Board Scrutiny Boards Corporate Governance and Audit Committee Standards and Conduct Committee			 Democratic oversight	

3 - HOW WE REVIEW OUR GOVERNANCE FRAMEWORK

Figure 3 – Cycle of Internal Control



3 - HOW WE REVIEW OUR GOVERNANCE FRAMEWORK

Third Line of Assurance – Independent Assurance.

Formal independent assurance is provided by internal audit, external audit, and other external inspection agencies.

Internal Audit

In accordance with the Public Sector Internal Audit Standards (PSIAS) as the council's designated chief audit executive, the senior head of internal audit, corporate governance and insurance delivered their annual internal audit report and opinion to Corporate Governance and Audit Committee in July 2023.

PSIAS requires a quality assurance framework to be established. The latest external review of our quality management system was undertaken in November 2023. The assessment confirmed that our arrangements continue to confirm to the ISO quality management standards and certification was successfully awarded for a further three years. These arrangements have met ISO certification since 1998.

The internal audit service provides regular update reports in relation to internal audit, and counter fraud and corruption activity to the Corporate Governance and Audit Committee. Reports provide assurance as to the performance of the Internal Audit Service in compliance with PSIAS supplemented by internal quality assurance feedback obtained from audited services. In addition, these reports update the committee with some assurance on the control environment in place across the council by providing oversight of work undertaken in pursuance of the risk-based audit plan.

External Audit

Grant Thornton is appointed as the council's external auditor and is represented at each meeting of Corporate Governance and Audit Committee. The external auditors have quarterly meetings with the Chief Officer Financial Services (the Council's designated chief finance officer), and bi-annual meetings with the leader of the council, chief executive and director of strategy and resources, in addition to the chief officer – financial services. Additional meetings are arranged as necessary throughout the year.

Under the National Audit Office (NAO) Code of Practice, the external auditor is required to consider whether the council has put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources.

3 - HOW WE REVIEW OUR GOVERNANCE FRAMEWORK

External Inspection and Peer Review

We engage with all formal inspection and review agencies including the Office for Local Government, the Care Quality Commission and OFSTED. Our protocol for the coordination of external inspection reports provides that reports and action plans arising from inspections are shared as appropriate with Executive Board, Scrutiny Boards and Corporate Governance and Audit Committee.

Peer review arrangements provide informal independent assurance in relation to specific services. Leeds welcomed a peer review from the Local Government Association corporate peer challenge in November 2022. The peer review team undertook a progress review in September 2023, reported to Executive Board in October 2024.

The Information Commissioners Office (ICO) undertook a consensual audit of our data protection practices focusing on governance and accountability; records management; and personal data breach management and reporting. The ICO report was received by Corporate Governance and Audit Committee in February 2024; acknowledging the areas for improvement and agreeing to receive mid-year and end of year action plan progress update reports.

Ombudsman

There are arrangements in place to capture, record and monitor ombudsman complaints regardless of whether a finding of maladministration leading to injustice is found. Where appropriate, a finding of maladministration is reported to a formal meeting of Executive Board, along with any appropriate proposed remedial action. The Monitoring Officer also reserves the right to make a report of unlawfulness to full council.

Democratic Oversight.

As demonstrated by the assurance framework at figure 4 below, there is considerable democratic oversight, providing assurance that our governance framework is effectively embedded and operating soundly.

3 - HOW WE REVIEW OUR GOVERNANCE FRAMEWORK

Figure 4 – Assurance Framework.

	1st Line of Defence. (Operational Ownership and Management)	2nd Line of Defence (Oversight and Compliance Specialists)	3rd Line of Defence (Independent Assurance)	Bodies Charged with Governance.
Published Arrangements	Constitution Website			
Corporate Governance and Audit Committee	Service specific annual assurance reports. Ad-hoc reports addressing key projects and risks.	Annual Assurance reports in relation to corporate systems of internal control.	Internal Audit Approval of risk-based planning, receipt of update reports; receipt of annual report and opinion. External Audit Agreement of nature and scope of annual audit plan; receipt of progress reports; receipt of ISA260 and annual audit report; certification of housing benefit grant claims. External Inspection Consideration of external inspection reports and action plans.	Approval of Annual Governance Statement and Statement of Accounts.
Standards and Conduct Committee	Consultation on development of Member’s Code of Conduct.	Annual report of Monitoring Officer.		
Scrutiny Boards	Pre-decision scrutiny Arrangements for Call-In Receipt of Performance reports	Consultation of development of Budget and Policy Framework.	External Inspection Consideration of external inspection reports and action plans	
Executive Boards	Executive decision-making Receipt of Service Specific Performance reports.	Receipt of Corporate reports relating to performance and monitoring. Strategy and Policy approvals.	External Inspection. Consideration of external inspection reports and action plans.	
Full Council	Hold executive to account (executive questions and receipt of executive minutes). Approval of Budget and Policy Framework.			Receipt of Annual Reports. <ul style="list-style-type: none"> • Corporate Governance & Audit Committee • Standards & Conduct Committee • Plans Panels • Licensing Committee • Scrutiny Boards
Officer Information.	Decision-making reports. Survey of Internal Control.	Specialist Questionnaires and assurance statements		

4 - ASSURANCE AND ACTIONS

Governance Framework and Assurance Map

Our detailed governance framework and assurance map will be presented to Corporate Governance and Audit Committee in June 2024. This will provide the evidence of assurance on which this statement is based.

2023 Action Outcomes

We have monitored the actions identified in the 2023 Annual Governance Statement and Corporate Governance and Audit Committee will consider a summary of the outcomes in relation to each of these before approving this AGS.

Internal Audit

The council's designated chief audit executive's annual internal audit report and opinion for 2022-23⁵ stated that:

The combination of audit work, including specific assurance reports and other auditing activities undertaken for the delivery of the 2022/23 Internal Audit plan, leads to a conclusion that the internal control environment (including the key financial systems, risk, and governance) is well established and operating effectively in practice.

Audits have highlighted a range of opportunities to further strengthen the control environment and we have worked with services to foster a culture of continual reflection and improvement. Where these audits have resulted in 'Limited Assurance' opinions, and we have highlighted weaknesses that may present risk to the Council, we have agreed recommendations to further improve the arrangements in place and we have developed a process for tracking implementation. Whilst limited opinions have demonstrated the robust challenge that the internal audit function offers to the individual system areas that have been reviewed, the weaknesses identified 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. We have continued to draw assurances from our role in providing challenge offered across a number of key programmes and projects across the authority. **As a result, a satisfactory overall opinion is provided for 2022/23, based on the audit work detailed within this report, including both a range of audits and other value-adding activities.**

⁵ NB: It is anticipated that the chief audit executive opinion for 2023/24 will be available before the final AGS is required.

4 - ASSURANCE AND ACTIONS

External Audit

A clean audit certificate was issued in March 2024 for the 2021-22 accounting period. In addition, the interim auditor's annual report 2022-23 VFM arrangements, considered by Corporate Governance and Audit Committee in November 2023 states that:

Financial Sustainability

The Council has a robust and consultative approach to setting its annual budget, Medium Term Financial Strategy (MTFS) and annual savings plan. It has clear and transparent financial reporting and a strong grasp of the financial challenges it faces. Like many other local authorities, however, the Council faced significant financial pressures moving into 2022-23 and overspent its revenue budget by £12.4m (2.4% of the Council's Net Revenue Budget) causing it to draw on its Strategic Contingency Reserve.

Governance

The Council has a sound internal control environment and despite a degree of turnover in recent years, its Corporate Governance and Audit Committee, supported by Internal Audit, exercises appropriate oversight and challenge. The Council maintains clear processes that reinforce good behaviours and working relationships; and maintain high standards of conduct. Its processes for identifying and reporting strategic risks are appropriate, though we raise an improvement recommendation to increase the frequency and utility of strategic risk reporting to the Executive Board.

Improving Economy, Efficiency and Effectiveness

The Council's performance reporting reflects the fact that 2022-23 a transitional year following its adoption of the Best City Ambition in 2022. Its partnership working is an area of strength with clear evidence of active involvement in partnerships to improve outcomes for the people of Leeds.

Peer Review

The peer review progress review in September 2023 noted that:

The council actively seeks external perspectives and views to help it improve further. Between the peer challenges of 2016 and 2022 LCC had clearly acted on the first CPC's recommendations and other feedback, and we saw widespread evidence that it has considered and is acting upon the reflections from the peers last year. The November 2022 CPC recommendations have been incorporated into the Being Our Best organisation plan, agreed by the Executive in June 2023. Members and officers are energetic and enthusiastic about shaping and planning further improvement to deliver the council's clearly stated values and ambitions for their city, whilst being realistic about the challenges ahead.

4 - ASSURANCE AND ACTIONS

2024 Action Plan

We will continue to review the findings of our review of internal control and use them to underpin plans for continuous improvement in each relevant control environment. These actions will be monitored and reported as appropriate to each control environment and considered in giving assurance for the AGS 2025.

We are pleased to note the following headline assurances and actions intended to ensure stability or continuous improvement in the internal control environment.

Principle 1 - Behaving with integrity: (Doing the right thing in the right way)

Our values and behaviours are well embedded as the basis for the services we provide for the citizens and communities of Leeds, and the lived experience of our workforce. We maintain clear processes that reinforce good behaviours and working relationships; and maintain high standards of conduct.

We will learn from feedback received to enable us to further embed our internal control environment for counter fraud and corruption.

Principle 2 - Ensuring openness and engagement: (Sharing information and inviting participation)

Partnership working is an area of strength for the council.

We will undertake a light touch review to ensure that the governance arrangements in place are applied appropriately and proportionately to support this work.

Principle 3 - Defining outcomes: (Having realistic priorities for what we can and should achieve)

Members and officers are energetic and enthusiastic about shaping and planning further improvement to deliver the council's clearly stated values and ambitions for their city, whilst being realistic about the challenges ahead.

We will implement our core business transformation, ensuring that new arrangements are introduced in a timely way with a view to effective transition. New arrangements will be communicated, embedded, and monitored to ensure their ongoing success.

4 - ASSURANCE AND ACTIONS

Principle 4 – Determining effective interventions: (Considering the options and taking informed decisions)

We have undertaken a review of our decision-making governance; and adopted arrangements which will strike a reasonable balance between speeding up decision making, reducing bureaucracy and resource required, retaining openness and engagement with the public and being in line with the statutory requirements.

We will continue to focus on the delivery of proportionate and timely information to ensure that decision makers are able to consider all relevant information in evaluating options available to them.

Principle 5 – Managing risk and performance: (Ensuring that we can implement our plans)

We have set a balanced budget for the 2024/25 accounting period but remain fully aware of the ongoing financial challenge facing this, and many other authorities.

We will continue to provide sound financial management, to track the implementation of savings proposals, and seek to identify further savings whilst continuing to provide sustainable services for the citizens and communities of Leeds.

Principle 6 – Developing Capacity: (Getting the best out of our resources and our people)

Delivery of our interdependent change priorities, through Being Our Best: Our Organisation Plan, will modernise and transform our organisation. Our 2,200 appraising managers are a key part of delivering our plan to be an efficient, enterprising, healthy, and inclusive organisation.

We will continue to communicate and embed our Be Your Best priorities for 24/25 including Be Your Best: Equality, Diversity, and Inclusion to develop and support all LCC managers to build inclusive teams and a work culture that is fair, celebrates difference, values all, eliminates discrimination and helps everyone to be their best.

Principle 7 - Effective accountability: (Ensuring our processes are clear, robust, and open to review)

The council actively seeks external perspectives and views to help it improve further.

We will continue to welcome and encourage robust independent challenge.