



Interim¹ Annual Governance Statement 2010

1.0 SCOPE OF RESPONSIBILITY

- 1.1 The Council is responsible for ensuring that its business is conducted in accordance with law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how the Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2.0 THE COUNCIL'S GOVERNANCE FRAMEWORK

- 2.1 The Council's governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The governance framework is designed to manage risk to a reasonable level, rather than to eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The governance framework, as evidenced by the Leeds Evidence Framework, has been in place at the Council during the year ended 31 March 2010 and up to the date of approval of the annual accounts. Maintaining the system is an on-going process, and one to which the authority is committed in order to ensure continual improvement and organisational learning.

¹ The final version of the Annual Governance Statement will be approved by the Corporate Governance and Audit Committee on 29th September 2010.

- 2.4 In the municipal year 2009/10, the Council appointed three Committees with responsibility for overseeing the Council's governance arrangements, namely the General Purposes Committee, Corporate Governance and Audit Committee and the Standards Committee, all of whose Terms of Reference are within the Council's Constitution. These Committees received reports throughout the year regarding the authority's internal control environment.
- 2.5 The work of the governance Committees is supported by the Corporate Governance Board which is comprised of officers and is chaired by the Assistant Chief Executive (Corporate Governance). The Board maintains an overview of the Council's Governance Framework by receiving reports on various governance related matters and supporting the work programmes of the Committees.

3.0 OPINION STATEMENT FROM THE ASSISTANT CHIEF EXECUTIVE (CORPORATE GOVERNANCE)

- 3.1 As part of an improved process, this opinion is informed by the External Audit and Inspection reports received by the Council, issues arising from the work programme of the Council's Governance Committees and Scrutiny Boards, and assurances provided by governance lead officers. Any significant governance issues that have been identified are highlighted below, with a description of the action that will be taken in order to address the issue.

External Audit and Inspection Reports

Comprehensive Area Assessment

- 3.2 The inspection reported that child protection referrals do not ensure that children are adequately safeguarded, discussions between the Council, police and other agencies do not take place quickly enough and children are not always seen, even where there are concerns about their safety. Key procedures were also found to be out of date and record keeping to be poor.
- 3.3 The inspection recognised that action has already been taken with partners, including improving the leadership and management in Children's Services, implementing a Child Protection Enquiry process and starting a process to improve and quality assure decision making processes. However, the inspector felt that it was too soon to judge whether these actions are enough to ensure that vulnerable children in Leeds are safe from harm.
- 3.4 The inspection reported that burglary rates in Leeds are amongst the highest in the country, and in some parts of Leeds, they are three times the national average.
- 3.5 The inspector acknowledged that there has been some recent improvement, but reported that this trend must continue over a longer period to deliver the very big improvements which are needed to reduce the wide gap between Leeds and similar areas.

- 3.6 Within the Organisational Assessment, Leeds was found to be performing adequately overall. The following scores were received:

Managing performance	2 out of 4
Use of resources	3 out of 4
Managing finances	3 out of 4
Governing the business	2 out of 4
Managing resources	3 out of 4

- 3.7 It was decided that the score should be that overall Leeds performs adequately rather than well because of the weaknesses in keeping children and young people safe.
- 3.8 In relation to Managing Performance, the Council was found to have responded slowly to concerns about the safeguarding of children and young people. The inspection also found that there was some way to go in tackling some of the long term problems facing the City, such as worklessness, poor housing and health.
- 3.9 In relation to Use of Resources, the Council was found to have good information about its money, and be good at managing its money and making savings, managing its risks and use of natural resources. However, the Council could not show consistently the benefits of what it does for Leeds residents.

Annual Unannounced Inspection of Contact, Referral and Assessment Arrangements within Children's Services

- 3.10 Some strengths were identified, such as teams being fully staffed by qualified workers, managers speaking positively about working for Leeds City Council, and the management team's quick response to concerns. Several areas for development were also identified, including two areas for priority action, as follows:
- the need to ensure that the response to child protection referrals meets statutory guidance and ensures that children are adequately safeguarded; and
 - the need to address cases where children are identified as having being left at potential risk of serious harm.

Children's Services Annual Rating

- 3.11 Leeds received a score of 1 (performs poorly), which was due to significant weaknesses in areas of social care provision. The findings of the unannounced inspection have also contributed to this rating.
- 3.12 However, the overall effectiveness of the majority of the Council's inspected and regulated services and provision were found to be good or better, including performance in pupil referral units and the sixth form college, and childminders and childcare settings.

Inspection of Safeguarding and looked after Children's Services

- 3.13 A total of 33 ratings were given as part of this inspection, 10 of which were 'inadequate', 17 were 'adequate' and 6 were 'good'. Several areas for immediate improvement were highlighted, including:
- Accelerate plans to introduce a comprehensive performance management and quality assurance framework to support casework practice relating to contacts, referrals and assessments;
 - Improve the timeliness and quality of social work responses for assessments, case planning and recording, including the analysis of risk, to meet minimum standards; and
 - Review the level of resource made available to deliver key social work tasks for the looked after children's service so that a sufficient professional social worker capacity is provided to meet the demand for service.

Annual Performance Assessment of Adult Social Care

- 3.14 The Council was judged to be performing well overall. The inspector found that the Council has worked to improve its safeguarding systems and processes since the Independence, Wellbeing and Choice inspection undertaken in 2008. No serious failings were found, however several areas for improvement were identified, including:
- The Council should continue to embed its safeguarding arrangements and evidence the impact of these improvements.

East North East Homes Leeds

- 3.15 The ALMO was first inspected in 2008 when it received a 'fair', one star rating, with 'promising' prospects for improvement. As it received a one star rating, the ALMO was re-inspected in 2009 and received a 'good', two star rating, with 'promising' prospects for improvement. A number of strengths were found, such as the accessibility of front line services and the robust approach to dealing with the safeguarding of vulnerable adults and children, hate crime and abuse.
- 3.16 Some areas for improvement were also identified, including:
- there is a weak strategic approach to access, customers have to chase-up too many enquiries and complaints handling is still slow;
 - the ALMO has been slow to market test its repair and maintenance services and it cannot demonstrate that its plans for doing so will deliver optimal VFM; and
 - the Council's failure to charge the economic costs of delivering services means some customers are subsidising services provided to others, its policies mean some customers have received improvement work to a lower standard than others, and the Council equipment in use in sheltered housing schemes is not fit for purpose.

West North West Homes Leeds

- 3.17 West North West Homes Leeds was first inspected in late 2008 and received a 'fair', one star rating. The ALMO was re-inspected in 2010 and received a 'good', two star rating with 'promising' prospects for improvement. Several

strengths were noted, including robust approaches to addressing hate crime, domestic abuse and safeguarding vulnerable people, the improvement programme is customer focused and well managed, and will bring the ALMO's rented properties up to the Decent Homes Standard by December 2010, and value for money principles are embedded in the culture of the organisation and significant efficiencies have been made.

- 3.18 Some areas for improvement were also identified, including:
- there are some weaknesses in how tenancy management and lettings procedures work in practice;
 - the recent strategic review of access arrangements was not comprehensive; and
 - some customers wait too long for adaptations to be made and service take up is low among black and minority ethnic groups.

Aire Valley Homes Leeds

- 3.19 Aire Valley Homes Leeds was inspected in 2008 and was assessed as providing a 'good' two star service with promising prospects for improvement, therefore it has not been re-inspected during 2009/10.

Audit of Accounts 2008/09

- 3.20 The Council's accounts were produced in accordance with the statutory timetable and were open for public inspection for 20 working days from 1st July 2009.
- 3.21 The external auditors, KPMG, are required to report audit matters to those charged with governance under International Standards on Auditing (ISA 260). For the financial year 2008/09, the report delivered an unqualified opinion on the accounts. In addition the report recommended one area for improvement, namely the need for a robust plan to remedy the deficit position on the Building Regulation charges account. The report also stated that the majority of recommendations raised in previous years have been implemented, but further work was still required on the timely reconciliation of school bank accounts. These have been resolved during the year to KPMG's satisfaction.

Annual Audit and Inspection letter

- 3.22 The letter stated that the Council has sound arrangements and clear outcomes in five sub-themes (out of nine) and the Council is assessed as level 3 (performing well). The letter also stated that the audit of financial statements went very smoothly and an unqualified opinion was given on the statements and on arrangements for securing value for money.

Findings of the Local Government Ombudsman (LGO)

- 3.23 The Corporate Governance and Audit Committee received the annual letter from the Ombudsman for 2008-2009 at its meeting on 30th September 2009.
- 3.24 The letter showed that the number of complaints received was roughly in line with the volume of complaints received last year and in previous years.

- 3.25 Within the letter the Ombudsman drew attention to the need to continue to focus on issues of consistency in collecting and responding to evidence, in relation to anti-social behaviour complaints.

Matters Considered by the Council's Governance Committees

Corporate Governance and Audit Committee

- 3.26 Throughout the year, the Corporate Governance and Audit Committee has received a variety of reports regarding the governance arrangements in place across the Council. The Committee has raised particular concern in relation to the outcome of the inspection of safeguarding and looked after children's services, and requested that further reports be submitted to provide assurance that:
- the arrangements described in response to the inspection are operating as intended; and
 - the wider corporate directorate governance adopted by the authority enables early warning of possible severe failure, rather than relying on inspections by external bodies.
- 3.27 The Committee has also received several reports in relation to the governance arrangements of the Leeds City Region and Children's Trust arrangements, as well as the annual letter from the Local Government Ombudsman which recommended that the Council should review the way in which it responds to complaints about antisocial behaviour.
- 3.28 The Corporate Governance and Audit Committee produces an Annual Report on its work, which will be considered by full Council in July 2010.

General Purposes Committee

- 3.29 The General Purposes Committee has considered reports including proposals for the adoption of revised Executive arrangements and the annual review of the Constitution. However, no significant governance issues have been raised by the Committee during 2009/10.

Standards Committee

- 3.30 The Standards Committee has considered the results of the ethical governance based questions on the Staff Survey, and concerns were raised that only 68% of respondents were aware that they are required to register interests that may affect their work. The Committee was assured that among employees at Senior Officer grade or above, this figure rises to 81%. However officers in Human Resources take action to further raise the profile of the register of interests.
- 3.31 The Standards Committee Annual Report 2009/10 will be considered by the Corporate Governance and Audit Committee in June 2010, and by full Council in July 2010.

Matters Considered by Scrutiny Boards

- 3.32 The Annual Report which documents the key work of the Scrutiny Boards will be considered by full Council, and contains anticipated benefits arising from the inquiries undertaken.

Assurances provided by the Council's Subsidiaries

- 3.33 Assurances from the ALMOs and Education Leeds will be provided before the Statement is finalised in September 2010.

Assurances Provided by Governance Lead Officers

- 3.34 Each governance lead officer has described the arrangements in place, and has commented on whether they are;
- current and fit for purpose;
 - effectively communicated; and
 - embedded and routinely complied with.
- 3.35 Lead officers also provided an opinion on the level of assurance, listed any significant issues and described how these issues will be addressed in the coming year. The significant issues highlighted by lead officers and the corresponding actions are listed below. Consideration will be given to whether Directors, Chief Officers with concurrent delegations and the Council's subsidiaries will also be asked to complete an assurance template in 2010/11.
- 3.36 Each officer has confirmed that there are no fundamental control weaknesses in their respective areas of responsibility. However, where improvements have been identified, these are outlined below.

Assistant Chief Executive (Corporate Governance)

- 3.37 Review the Council's internal control arrangements to ensure that they are proportionate to its risks.
- 3.38 The guidance for report authors needs to be updated to advise authors on the duties to which they need to have regard such as exempt information and arguments to support the public interest test.
- 3.39 Consideration will be given as to how failure to update a sub-delegation scheme may be escalated to prompt compliance. Directors' assurance templates may also add value in this area if introduced, as they could include the arrangements in place to ensure that Sub-Delegation Schemes are up to date.
- 3.40 Better alignment is required of the Financial Procedure Rules, Contracts Procedure Rules, Executive Procedure Rules and decision making framework.

Chief Officer (Legal, Licensing and Registration)

- 3.41 A planned realignment in legal services will free-up senior officer time to increase the effectiveness of arrangements to communicate statutory obligations to relevant decision makers.

Chief Officer (Business Transformation)

- 3.42 Policies to govern the management and secure handling, storage, disposal, and sharing of information assets are not yet current and fit for purpose. The Government Protective Marking Scheme, new Records Management Facility and the Electronic Document and Records Management System will be rolled out over the next 12 months. Key policies will be in place by March 2011.
- 3.43 The Information Governance Framework is not fully embedded across the Council, therefore it will be reviewed and aligned with the Information Assurance Maturity Model and the Security Policy Framework, and a communications plan will be developed.
- 3.44 Arrangements are not currently in place to ensure that information assets are identified and risk managed, therefore an Information Asset Register will be created, Information Risk Management and Information Sharing Policies will be drafted and a report will be prepared setting out proposals for the Assistant Chief Executive (Planning, Policy and Improvement) to adopt the role of Senior Information Risk Owner.

Chief Officer (Leeds Initiative and Partnerships)

- 3.45 The Vision for Leeds, Leeds Strategic Plan and Council Business Plan will be reviewed and revised during 2010/11. In addition the Performance Management Framework will be reviewed to strengthen partnership performance management arrangements.
- 3.46 Arrangements to secure data quality are not fully embedded and complied with, therefore work will continue to raise awareness of the importance of data quality. The development of the Data Quality Management Framework in 2010/11 will provide a mechanism for monitoring data quality going forward.
- 3.47 Better co-ordination of consultation and engagement through the development of a Council wide forward plan of activities and developing the role of the Consultation Group.

Chief Officer (Human Resources)

- 3.48 The Officer Code of Conduct has not been updated for some time. A light touch review is currently taking place, and a revised Code will be introduced in Summer 2010. Action will also be taken to raise awareness of the Code, and compliance with the register of interests and gifts and hospitality will be audited.

- 3.49 An audit of employment policies will be undertaken to establish whether they are fit for purpose, effectively communicated and embedded and routinely complied with. A programme will also be developed to ensure that managers can effectively operate employment policies.
- 3.50 Appraisal and training procedures are not embedded and routinely complied with. The Organisational Development review will be completed to ensure that resources are directed to Council priorities. HR business partners will work with services with low compliance rates.
- 3.51 An independent review of health and safety suggested that a number of improvements were required to ensure arrangements are current and fit for purpose. The recommendations of this review will be implemented in 2010/11.

Chief Procurement Officer

- 3.52 There is no proactive monitoring by the Procurement Unit to confirm whether Contracts Procedure Rules are currently being complied with by Directorates. Therefore, procedures and reporting guidelines will be developed and implemented to address this.
- 3.53 Training will be provided to officers who are involved in procurement activities to ensure a consistent approach, and to increase awareness of legal updates and the Remedies Directive.

Chief Democratic Services Officer

- 3.54 No significant issues raised.

Chief Officer (Audit and Risk)

- 3.55 The Council needs to ensure that it has a corporate and systematic approach to securing value for money as a contribution to the Council's response to economic pressures.
- 3.56 At the time of writing, work is ongoing on the Annual Internal Audit Report and the opinion on the control environment. The opinion, including the opinion on this Statement, will be included in the final version of the Statement.

Chief Officer (Financial Management)

- 3.57 Development of a new Medium Term Financial Plan to reflect the changed financial climate facing the Council. To be reviewed in Summer/Autumn 2010 in line with the review of the Council's Business Plan.
- 3.58 Financial Procedure Rules to be reviewed and modernised.
- 3.59 Improved financial reporting and accountability, including the roll out of the new FMS projections module.

Head of Governance Services

- 3.60 There is no communication plan in place for the responsibilities set out in Parts 2 and 3 (Sections 1-4) of the Constitution, therefore a plan will be developed and implemented, particularly aimed at more clearly communicating Member, Committee and officer responsibilities.
- 3.61 To increase awareness of the role and responsibility of lead officers for significant partnerships and the low take-up of training on partnership governance, new lead officers will be advised of their role and responsibilities as soon as their partnership is added to the register, and they will be invited to training at least annually. An offer will also be made on a regular basis to attend DMTs to provide training, and Directors will be advised of training for lead officers to encourage take-up.
- 3.62 A communication plan will be developed to increase awareness of all Leeds City Council Members of the local assessment process.
- 3.63 The record retention and disposal arrangements within Governance Services have been reviewed and a framework has been introduced to improve controls in this respect.

Head of Scrutiny and Member Development

- 3.64 No significant issues raised.

Conclusions of the Assistant Chief Executive (Corporate Governance)

- 3.65 The Assistant Chief Executive (Corporate Governance) has reviewed and challenged the assurance statements provided and the work of the Governance Committees, their Annual Reports and forthcoming work programmes, and on the basis of such assurances, considers that where there have been significant or material concerns regarding the Council's internal control arrangements, these are being addressed. Significant pieces of work have been undertaken during the year to address actions arising from last year's statement and the governance issues that have arisen during the year. As a result of the review of assurances provided, the Assistant Chief Executive (Corporate Governance) recommends that the actions identified above will help to ensure that the Council's governance arrangements are fit for purpose, effectively communicated, embedded and routinely complied with.
- 3.66 During the year, the Corporate Governance Board will monitor progress against the measures identified and ensure that the Council's Governance Committees are informed of progress.

4.0 ASSURANCE SUMMARY

- 4.1 From the review, assessment and on-going monitoring work undertaken² and supported by the verification work undertaken by Internal Audit, we have reached the opinion that key systems are operating soundly and that there are no fundamental control weaknesses.

² By the Corporate Governance and Audit Committee, the Standards Committee, the General Purposes Committee, and the Corporate Governance Board supporting the work of those Committees.

- 4.2 No system of control can provide absolute assurance against material misstatement or loss; this statement is intended to provide reasonable assurance. There is an on-going process for identifying, evaluating and managing the key risks. These risks are reflected in the audit plan and are the subject of separate reports during the course of the year.
- 4.3 There is also evidence that an on-going process for identifying, evaluating and managing the key risks and that the programme of improvement outlined is appropriate.

Signed

Signed

Date

Date

**Councillor Keith Wakefield
Leader of the Council**

**Paul Rogerson CBE
Chief Executive**

Signed

Signed

Date

Date

**Councillor Geoff Driver
Chair
On Behalf of Corporate Governance
and Audit Committee**

**Nicolé Jackson
Assistant Chief Executive
(Corporate Governance)
On behalf of Corporate Governance
Board**