



# **Annual Governance Statement 2012**

## **1. SCOPE OF RESPONSIBILITY**

Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves.

Our ambition is to be at the forefront of those local authorities that are able to demonstrate that they have the necessary corporate governance to excel in the public sector. We aspire to be the best local authority in UK, in the best City.

The changing needs of our citizens and communities, significant reductions in resources and central government reforms, present a challenge to all councils. In addressing these challenges we must ensure that governance arrangements support the effective delivery of services and management of risk.

By applying the principles in our Code of Corporate Governance (summarised below) and applying the Nolan Principles of Standards in Public Life, we commit to devising and delivering services to the citizens of Leeds in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity.

Our Code of Corporate Governance outlines our governance principles;

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

This statement describes how we have complied with our Code of Corporate Governance and how we have met the requirements of the Accounts and Audit Regulations 2011. The statement should be read alongside our planning, performance management and accountability arrangements described in;

- The Vision for Leeds 2011-2030
- Our City Priority Plans 2011-2015
- Our Council Business Plan 2011-2015

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

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

The governance framework has been in place for the year to the date of approval of this Annual Governance Statement.

### **3. THE GOVERNANCE FRAMEWORK**

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

These are summarised below;

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

### **4. REVIEW OF EFFECTIVENESS**

We have a responsibility for conducting, at least annually, a review of the effectiveness of our governance arrangements. We consider this best practice and a fundamental component of high performing organisations,

Our review of effectiveness considers decisions taken and matters considered by Full Council and committees appointed by Full Council, the Executive Board, Corporate Leadership Team (and Directors knowledge of the operation of governance arrangements within their directorates), the work of the Corporate Governance and Audit Committee, internal auditors, service managers, work undertaken by external auditors and inspectorates and the opinion of the Local Government Ombudsman.

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

Our planning and performance and risk management framework has enabled us to **Focus effectively on the Council's Purpose and Community Needs**. Our new approach, incorporating both risk and performance management, has been successfully introduced in-year and provides the Executive and Scrutiny with the information to check and challenge attainment of our priorities.

A number of improvements have been implemented most notably the joint analysis and reporting of risk and performance information and better linkages to the appraisal processes. These arrangements have also been documented into a formal Performance Management Framework and the updated Risk Management Policy and over the coming year will see performance and risk management processes linking closely with the People Plan, e.g. through appraisals.

Executive Board has reviewed the corporate risk register of the significant business risks facing the council and this Board and the Corporate Governance and Audit Committee have received positive assurances about the operation of the arrangements for identifying and managing risk.

**Effective financial planning and management** – the 2011/12 budget represented a major challenge for the Council and required the Council to find savings of £90m. Whilst not all planned savings were fully achieved, other savings were identified and additional income secured, with the final outturn being an under-spend against the budget of £1.5m. The Section 151 Officer has ensured that effective budget monitoring and reporting arrangements, involving the Executive Board and Scrutiny have been put in place. Given the scale of the financial challenges, the Corporate Governance and Audit Committee reviewed the arrangements in March 2012, noting that there were appropriate systems and procedures in place to ensure sound financial planning and management.

**Effective arrangements for accountability** - Our governance arrangements continue to evolve. In this respect Members have reviewed the structure and format of the full Council meeting. This has included the introduction of State of the City meetings, that have enabled all Members to have oversight and involvement in the significant challenges facing the City and understand first hand the role played by partners in the city. Council has also been reconfigured to enable backbench Members, from all political groups, to bring forward 'Community Concerns' for consideration in the full Council meeting.

The delegation scheme for Council and Executive responsibilities has been regularly reviewed and updated to reflect various legislative and organisational changes. Sub delegation arrangements are in place and provide a clear description of decision-making responsibilities below director level.

The strategic landlord has presented, to our Corporate Governance and Audit Committee, details of the performance management framework to oversee the functions that have been delegated to the Arms Length Management Organisations and the Belle Isle Tenant Management Organisation. Currently the assurances available are based upon a programme of audit work undertaken by internal audit.

The strategic landlord is moving towards a position where they themselves can provide an assurance based on their own tailored performance management framework with internal audit providing independent verification.

Delegations have also been made to Birmingham City Council to enable that authority to effectively co-ordinate efforts to prevent illegal money lending nationwide. Positive assurances have been received by the Executive Board from Birmingham about how that delegation has operated during the year.

The leadership and governance arrangements for the city region and the Leeds initiative continue to evolve. Democratic accountability and reporting arrangements are an emerging theme. At the Annual Council Meeting it was agreed that all minutes from Joint Committees (including the Leeds City Region) and the Leeds Initiative Strategy Groups be presented to Council for consideration and thereby improve the links between ward members and these regional structures.

The Director of Children's Services reported to Executive Board on a review of an overspend which had occurred on a Primary School capital scheme; the review reported on issues that the project had encountered and provided assurances on the improvements which had been made to prevent a re-occurrence of the issues which led to the overspend on, and delay of the project.

The Executive Board emphasised the need to ensure that the necessary lessons were learned from the situation detailed within the submitted report. In addition, it was highlighted that a more cohesive approach between directorates was required and in respect of future Design and Cost Reports relating to similar developments, it was noted that such reports would not be submitted to Executive Board until design freeze and costs were understood, so that Members were in possession of all relevant facts when determining such matters.

**Effective Conduct Arrangements** - Our Conduct arrangements for Members have been substantially reviewed and amended due to changes in statutory requirements. The changes to the Members' Code of Conduct have been heavily influenced by the Nolan Principles of Standards in Public life and changes to our complaint handling arrangements now place greater emphasis on a speedy informal resolution of concerns, rather than on lengthy, more protracted arrangements dictated by the previous statutory regime.

Registers of Interest for Elected Members and Employees have been maintained and arrangements are in place for the declaration of appropriate interests when decisions are taken. We have also appointed an Independent Person in accordance with our statutory responsibilities.

The Standards Committee has operated in accordance with legislative requirements, and ceased its formal statutory functions (in line with legislation) on the 1<sup>st</sup> July. Since July a new Standards and Conduct Committee has been appointed by full council to provide oversight and leadership for the new arrangements.

The Code of Conduct for employees is due to be revised in 2012, providing an opportunity to align the Member and employee arrangements more closely and again reinforce our commitment to the Nolan Principles.

**Effective decision making arrangements** - Our decision-making arrangements are one of our significant governance controls, linking to all the governance principles that are set out in our Code of Corporate Governance.

We have reviewed the effectiveness of our decision-making framework more generally – the result of which has been full Council agreeing changes to the Executive Decision Making arrangements. The changes have included an amendment to the definition of Key Decisions – providing a greater focus on significant decisions within single electoral wards; simplifying other decision categories; and removing the Call In requirements for Area Committee Decisions and thereby, amongst other things, speeding up the process by which Community Groups could be in receipt of grants.

Positive assurances have been given by the Chief Planning Services Officer (in respect of planning functions), the Director of Resources relating to compliance with the council's executive decision making framework, access to information processes, and financial management procedures, and from the Scrutiny Officer in relation to the Council's Overview and Scrutiny arrangements.

**Effectively developing skills and capacity** - The Chief Human Resources Officer – working closely with the Scrutiny Board (Central and Corporate Functions), has established a People Plan for the Organisation. This has been an important step in ensuring that our workforce has the skills, capability and capacity to meet the challenges facing the City. The arrangements for monitoring progress against targets in the People Plan were reported to Corporate Governance and Audit committee in June 2012. Action plans are in place to address the themes emerging from the engagement surveys.

Of particular significance has been progress on Appraisals - with 92% of staff receiving an appraisal in 2011/12, and Engagement – where a cross council survey has measured the level of staff engagement.

As community leaders, it is vital that our Councillors are supported to be as effective as possible. A variety of learning programmes have been in place which have been continually monitored and evaluated by Councillors to ensure that where needed new initiatives have been implemented quickly and effectively.

**Effective Engagement** - Our Council Business Plan identified improvement as being required in both consultation and quality considerations in the decisions that we take. Our end of year report (reported to Executive Board) found 97% of decisions evidenced that **consultation and engagement had taken place with local people and other stakeholders** whilst the equivalent outturn for equality was that 85% of decisions evidenced that equality considerations had been taken account of.

All our directorates have, or are in the process of, introducing sign off processes to ensure continued improvements in this area.

Of significance for this statement, the annual internal audit report concluded that the internal control environment, including the key financial systems, is well established and continues to generally operate well in practice.

## **An Independent opinion of effectiveness**

In July 2012, KPMG's Interim Audit Report assessed our organisational control environment as effective overall with no issues or areas for improvement. In addition KPMG specifically reported that;

- the controls over all of the key financial system are generally sound;
- full reliance can be placed on Internal Audit's work<sup>1</sup> on the key financial systems and that Internal Audit are compliant with the *Code of Practice for Internal Audit in Local Government*.

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

The Annual Letter from the Local Government Ombudsman highlighted four cases of Maladministration<sup>2</sup>. One further case was drawn to the Council's attention by the Ombudsman where there were shortcomings in service provision.

Although these cases are presented against a generally positive picture of Ombudsman investigation decisions during the course of the year (where in over 70% of cases the Council was found to be not at fault), the Council deeply regrets the shortcomings in service provision which the Ombudsman has reported. Apologies have been given to those affected and the remedies proposed by the Ombudsman have either been implemented, are soon to be implemented or are to form part of a longer term action plan

The Executive Board has received a number of reports from Ofsted, the most recent being an improved annual assessment of Children's Services in December 2011. The findings and recommendations from Ofsted have been carefully considered and arrangements put in place to address and monitor the implementation of the recommendations arising.

## **5. SIGNIFICANT GOVERNANCE ISSUES**

The independent opinion of our External Auditors, provides considerable assurance in respect of the Council's arrangements. The External Auditor's recent Interim Audit assessed our organisational control environment as effective overall, with no significant issues or areas for improvement.

The outlook for local government over the next few years is a very challenging one. We have outcome focussed plans which set out our ambitions, that Leeds will become the best city in the United Kingdom by 2030. However in the short to medium term these ambitions are set against a context of declining resources and an uncertain economic outlook. It is therefore important that we take a longer term view and we are therefore undertaking a 'Budget + exercise' predicated on what our organisation may look like in 2016/17.

We though remain determined to do all we can to ensure all available resources are directed to supporting front line services, that further consideration be given to

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

<sup>2</sup> three of which were reported to Members in the AGS last year

enabling 'Areas' to better influence decisions that impact on them and seeking innovative ways of further securing Value for Money.

To support this a number of significant developments are under way which have implications for our governance arrangements and how we go about delivering our ambitions.

We have led the Commission on the Future of Local Government. The Commission brought together a variety leading thinkers and doers from the public, private and voluntary sectors to examine how local government can adapt, survive and thrive in leading, and empowering, local people to both shape local services and have a real stake in their communities. Our challenge is to work in a spirit of civic enterprise, underpinned by strong values of trust and transparency.

An immediate response to the work of the Commission is our review of the arrangements for area working, particularly how Member involvement and leadership at an area level can be improved and enhanced.

Running alongside this Executive Board are also overseeing the introduction of arrangements to support our new responsibilities around neighbourhood planning. The objective being to ensure both these better support the delivery of services, whilst also maintaining internal control standards that have public confidence.

Executive Board has also agreed a Customer Access Strategy (2012-15) to help further enhance service user access to services.

A business continuity review of all services has ensured that there is an accurate list of critical services within the organisation. Our plans to link business continuity, industrial action and disaster recovery arrangements were reported to the Corporate Governance and Audit Committee in March 2012 and is a priority for implementation over the next 12 months to further ensure the organisation remains resilient.

The achievement of our objectives around health and wellbeing rely heavily on our working relationships with the NHS, private providers and the third sector. Working differently across these boundaries is central to the achievement of our goals.

The Leader of Council has already established a new Executive Member Portfolio for Health and Wellbeing and our plans for a Health and Wellbeing board are well advanced as are our plans to integrate new Public Health functions from April 2013.

This changing face of service delivery, with greater emphasis on partnership working with local and regional bodies and in a variety of settings raises issues concerning governance and financial accountability and control. This will also be a significant feature in work planned for 2012/13 to progress the creation of a West Yorkshire Combined Authority as envisaged in our recently agreed City Deal.

These are big challenges and the Director of Resources has undertaken to review our Partnership Advisory Note to ensure that is fit for purpose. The document will be reissued to Directors before the end of the calendar year.

We also recognise we need to do more to achieve the aspirations set out in our Council Business Plan. In particular we believe further improvement is needed to meet our objective that every year 100% of staff have an appraisal and each member of staff will have a personal development plan; thereby supporting staff in having a clear understanding of their role as well as clear objectives and performance targets.



We will also strive to ensure that we meet our aspirations for;

- all major decisions affecting the lives of communities evidence that appropriate consultation has taken place.
- all major decisions evidence that appropriate consideration of equality issues has taken place.

Action plans have been drawn up to address recommendations arising from external and internal audit reports, findings from Ofsted and issues identified and reported by the Local Government Ombudsman.

### **ASSURANCE SUMMARY**

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.

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

We can confirm, to the best of our knowledge and belief, and there having been appropriate enquiries made, that this statement provides an accurate and fair view.

*Signed*

*Signed*

Date

Date

**Councillor Keith Wakefield  
Leader of the Council**

**Tom Riordan  
Chief Executive**

*Signed*

*Signed*

Date

Date

**Councillor Tom Murray  
Chair, Corporate Governance  
and Audit Committee**

**Alan Gay  
Director of Resources**