

Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Friday, 13 May 2016.

PRESENT

Mr. A. M. Kershaw CC (in the Chair)

Mr. G. A. Boulter CC
Mr. G. A. Hart CC
Mr. K. W. P. Lynch CC

Mr. T. J. Richardson CC
Mr. R. Sharp CC
Mr. R. J. Shepherd CC

103. Minutes of the previous meeting.

The minutes of the meeting held on 19 February 2016 were taken as read, confirmed and signed.

104. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 35.

105. Questions asked by members.

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

106. Urgent items.

There were no urgent items for consideration.

107. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

Mr Richardson CC declared a personal interest in item 6: Quarterly Treasury Management Report, and item 7: Annual Treasury Management Report 2015/16, as he was in receipt of a pension from Lloyds Bank.

Mr Shepherd CC declared a personal interest in item 10 as he was a Governor of Burton-on-the-Wolds Primary School.

108. Quarterly Treasury Management Report.

The Committee considered a report of the Director of Corporate Resources, which provided an update on the actions taken in respect of treasury management in the quarter ended 31 March 2016. A copy of the report, marked 'Agenda Item 6', is filed with these minutes.

RESOLVED:

That the Quarterly Treasury Management Report be noted.

109. Annual Treasury Management Report 2015/16.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to report on the action taken and the performance achieved in respect of the treasury management activities of the Council in 2015/16. A copy of the report, marked 'Agenda Item 7', is filed with these minutes.

Arising from discussions the following points were noted:

- (i) Consideration had been given to different ways of increasing the returns from Treasury Management funds however there were restrictions on how this money could be invested. Minimising risk was a priority and there was a need to keep those resources fairly liquid. Whilst the money could not be invested in housing development it had been used for initiatives such as the Local Authority Mortgage Scheme and the Property Fund. Members acknowledged that such loans were not covered by the Treasury Management portfolio, but requested that the Director of Corporate Resources give consideration to including such schemes in the Treasury Management Strategy in future;
- (ii) Some Members raised concern that not all breaches of the Treasury Management Policy were reported to the Committee. The Director of Corporate Resources confirmed that breaches would always be reported where there is an error. He also undertook to report to the Committee where circumstances had changed beyond the Council's control for example where the credit rating of a previously acceptable counterparty had fallen, but this would be re-considered at the next Policy review.
- (iii) With regard to the specific breach referred to in the report which involved lending above the maximum permitted amount to a counterparty the Director of Corporate Resources informed that in accordance with recommendations made by the Internal Audit Service there was now an additional step of validation in place which would prevent such a breach occurring again in the future;

RESOLVED:

- (a) That the Annual Treasury Management Report 2015/16 be noted;
- (b) That the Director of Corporate Resources give consideration to the appropriateness of including details of loans such as the Local Authority Mortgage Scheme and the Property Fund in the Treasury Management Strategy in future.

110. Risk Management Update.

The Committee considered a report of the Director of Corporate Resources which provided an overview of key risk areas and the measures being taken to address them. The report also provided an update on related risk management matters such as Business Intelligence, and the proposals for a Combined Authority for Leicester and Leicestershire. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

The Committee also received a presentation on the risks associated with the significant pressures on the children's social care placement budget which funds the care of vulnerable children, and the education budget resulting from the increase in the provision of support to high needs pupils (including SEN placements), both of which are included in the Corporate Strategic Risk Register. A copy of the slides forming the presentation is filed with these minutes.

Presentation

Arising from the presentation the following points were noted:

- (i) Residential placements were more expensive than family based placements and evidence indicated that they were less successful. Therefore it was intended to increase the number of foster placements in Leicestershire. Investment would be needed to gain the return in the long term. It was confirmed that the costs referred to in the presentation slides included all management costs. It was believed that as the service grew some management costs would reduce;
- (ii) In order to attract more foster carers a package was being put together which included greater support to families, including out of hours support. Ideally there would be a ratio of 15 foster carers per support worker but in Leicestershire the number was higher. Members noted that there was a scheme in place to encourage Council employees to foster and the Director of Children and Families agreed to obtain the details of how successful this scheme had been to date and report back to Members;
- (iii) In order to support children in foster placements additional 'wrap around' services were required. Discussions were underway with Health providers and in particular Child and Adolescent Mental Health Services (CAMHS) regarding implementing these services;
- (iv) A Member questioned the rationale for closing a children's home in Leicestershire, leaving only one remaining open, when there was a need to still place children out of the County. It was noted that the home that had been closed was too large and children with complex needs could not always be placed in the same establishment as other children due to the risk of negatively impacting those children. A more specialist environment was required for the children with complex needs and the costs involved in placing children out of the County were not greatly different from the cost of housing them in Leicestershire. Members noted that there were also instances when children needed to be placed out of County for their own safety;
- (v) Due to financial pressures there was a temptation to only provide the statutory services however it was not felt to be a prudent strategy to keep cutting services and therefore other models of care were being considered. Focus would continue to be on taking action early to avoid children coming into the care system in the first place, and once they were in care to manage the residential population much better.

Risk Register

Arising from discussions the following points were noted:

- (i) The holder of the newly titled role of Head of Assurance Services would report to the Section 151 Officer: the Director of Finance, who would be ultimately responsible for insurance matters.
- (ii) The Medium Term Financial Strategy (MTFS) contained a review of the early help and intervention programmes.
- (iii) Members requested further information regarding risk 1.3 concerning the management of Section 106 agreements and the effect of district Councils not having a Community Infrastructure (CIL) in place. The Director of Corporate Resources undertook to provide further information on this.

RESOLVED:

- (a) That the current status of the strategic risk, the addition of new risks facing the Council and the updated Corporate Risk Register be approved.
- (b) That the following be noted:
 - (i) The emerging risks around the Combined Authority proposals and the anticipated devolution deal;
 - (ii) the business intelligence and business continuity update;
 - (iii) the risk maturity assessment update;
 - (iv) the transfer of responsibility for managing the insurance function.
- (c) That a presentation be provided at the next meeting of the Committee on either:
 - (i) the risks associated with the proposals for a Combined Authority for Leicester and Leicestershire (if the timing is appropriate); or
 - (ii) the risks associated with the Health and Social Care Integration;
- (d) That a follow up presentation be provided at the meeting of the Committee in November 2016 on the risks around the significant pressures on the children's social care placement budget which funds the care of vulnerable children;
- (e) That the Directors of Children and Families and Corporate Resources provide further information on:
 - (i) the success of the scheme put in place to encourage Council employees to foster children in the area;
 - (ii) risk 1.3 concerning the management of Section 106 agreements and the effect of district councils not having a CIL in place.

111. Internal Audit Service Quarterly Progress Report.

The Committee considered a report of the Director of Corporate Resources which summarised the work of Leicestershire County Council's Internal Audit Service (LCCIAS) finalised since the last report to the Committee and highlighted audits where high importance recommendations had been made to managers. A copy of the report, marked 'Agenda Item 9' is filed with these minutes.

Arising from discussions the following points were noted:

- (i) With regard to the Internal Audit Service work which had been carried out in the Adults and Communities Department on Personal Budgets it was reported that the Payment Card system was working well and further details would be provided to the Committee when the system was fully operational;
- (ii) Members acknowledged that Internal Audit reports were managed at departmental level and only those recommendations of high importance were reported to the Committee in accordance with its terms of reference. Members requested, and the Director of Corporate Resources undertook to give further consideration to a method of enabling Members to access completed internal audit reports outside the formal meeting with the aim of supporting and informing their overall understanding of the work being undertaken.

RESOLVED:

That the Internal Audit Service Quarterly Progress Report be noted.

112. Internal Audit Service Annual Report 2015/16.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an annual report on work conducted by the Internal Audit Service. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

Arising from discussions the following points were noted:

- (i) Whilst there had been problems in the Adults and Communities department with their financial systems, the Finance Department had since taken complete management control of key elements of debt collection and payments functions and the Director of Corporate Resources was confident that the issues had been resolved;
- (ii) There was a suite of information including Key Performance Indicators on debt collection which was available to Members and this could be included in future reports to the Committee. High level indicators on debt were included in the MTFS;
- (iii) The internal audit procedure was for reports to be signed off by one of the two managers in the Internal Audit Service and then be passed to Assistant Directors of the relevant Department. Whilst individual internal audit reports were not seen by Members, the High Importance recommendations were brought to the Committee. In addition Cabinet Members had regular meetings with the Director relating to their portfolio and important audits would be discussed during those meetings;
- (iv) Members were informed that there was a requirement for an external assessment of the internal audit function once every 5 years and that would have to be undertaken by 31 March 2018. A report would be brought to the Committee on the options for how an independent external assessment of the Internal Audit Service could be carried out.

RESOLVED:

That the Internal Audit Service Annual Report 2015-16 be noted.

113. Draft Annual Governance Statement 2015/16.

The Committee considered a joint report of the Director of Corporate Resources and the Chief Executive outlining the background and approach taken to produce the County Council's 2015/16 Annual Governance Statement (AGS), and presenting the draft AGS for comment prior to sign off by the Chief Executive and Leader of the Council. A copy of the report, marked 'Agenda Item 11', is filed with these minutes.

Arising from discussions the following points were noted:

- (i) With regard to Principle B: Members and officers working together to achieve a common purpose with clearly defined functions and roles, it was reported that the specific audit score for partnership working had remained approximately the same during the year.
- (ii) Members questioned where and how partnership working was scrutinised and what was the level of transparency. It was noted that the Internal Audit Service Annual Report referred to 3 partnership related audits. The Director of Corporate Resources explained that each partnership had its own individual Governance framework through which any problems could be addressed and confirmed that it would not be appropriate or practical for the County Council's Corporate Governance Committee to have oversight of this. Members noted that each partner referred back to its own lead authority and the Corporate Governance Committee could therefore only view the County Council's arrangements. Members suggested that there could be a mechanism for those partners to bring issues to the County Council's Corporate Governance Committee if they felt that the issue merited it. The Director of Corporate Resources undertook to give the matter further consideration. It was noted that the proposed Combined Authority for Leicester and Leicestershire would have both a Corporate Governance function and a Scrutiny function and the details of this could be covered as part of the presentation on the Combined Authority at the September Committee meeting.
- (iii) For the 2016/17 year the AGS Framework would change to have more focus on sustainability and environmental outcomes.

RESOLVED:

- (a) That the draft 2015/16 Annual Governance Statement be approved;
- (b) That it be noted that the Statement, which may be subject to change as required by the Code of Practice in Local Authority Accounting as detailed in paragraph 15 of the report, has been prepared in accordance with best practice.

114. Internal Audit Annual Plan for 2016/17.

The Committee considered a report of the Director of Corporate Resources the purpose of which was to provide members with information about the contents of the Internal Audit Service Audit Plan 2016-17 for the County Council and audit resource allocated to other organisations.

RESOLVED:

That the Internal Audit Plan for 2016-17 be noted.

115. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on 23 September 2016 at 10:00am.

10.00 - 11.55 am
13 May 2016

CHAIRMAN