

Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Monday, 23 April 2018.

PRESENT

Mr. W. Liquorish JP CC (in the Chair)

Mr. G. A. Boulter CC
Mrs. H. J. Fryer CC
Mr. J. Kaufman CC
Mr. J. Morgan CC

Mr. J. T. Orson JP CC
Mr. T. J. Richardson CC
Mrs B. Seaton CC
Mr. S. D. Sheahan CC

60. Minutes of the previous meeting.

The minutes of the meeting held on 29 January 2018 were taken as read, confirmed and signed as an accurate record of the meeting. However, it was noted that with regard to minute 56: Quarterly Treasury Management Update, the incorrect figure had been given at the meeting for the amount that had been loaned to Northamptonshire County Council and the correct figure was £5 million not £10 million.

61. Question Time.

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

62. Questions asked by members.

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

63. Urgent items.

There were no urgent items for consideration.

64. Declarations of interest in respect of items on the agenda.

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

Mr. T. J. Richardson CC declared a personal interest in item 7: Quarterly Treasury Management Update as he was in receipt of a pension from Lloyds Bank.

65. Annual Report on Grants and Returns.

The Committee considered a report of the Director of Corporate Resources which presented the external Annual Report on Grants and Returns 2016/17. A copy of the report, marked 'Agenda Item 6', is filed with these minutes.

The Chairman welcomed John Cornett of KPMG, the County Council's external auditors for 2017/18, to the meeting.

RESOLVED:

That the annual report on Grants and Returns 2016/17 be approved.

66. Quarterly Treasury Management Update.

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 2018. A copy of the report, marked 'Agenda Item 7', is filed with these minutes.

Arising from discussions the following points were noted:

- (i) The Annual Investment Strategy, which was agreed by the County Council every year, set out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. Private Debt investments were approved by Cabinet as this was a change to the policy. Due to the short time scale for treasury management, Officers had delegated authority to make investments within the guidelines set out by the Strategy, and individual investments would be approved by the Director of Corporate Resources or his nominee.
- (ii) It was expected that globally, interest rates would slowly rise over the coming years but not reach the level they were at before the global financial crisis in 2008.
- (iii) Possible loans to other local authorities were identified through money market brokers who would search the market for a suitable authority for another authority to lend to. The name of the local authority that wanted to borrow would not be provided by the broker until the other authority had expressed an interest in arranging the loan. It was very unusual for loans to be arranged directly between authorities without the use of a broker. In response to a question from a Member the Director of Corporate Resources agreed to provide information to Members after the meeting on the brokers' fees.
- (iv) Due diligence for lending to banks was through the banks' inclusion on the approved list of the County Council's treasury management advisors. Local authorities did not usually have credit ratings, hence they did not appear on the advisor's list. Despite this local authorities had always been an authorised counterparty, due to the very low risk of default.
- (v) The winter period was the most popular for loans to be arranged between local authorities as over the summer period cash flow improved for local authorities.
- (vi) The £5 million loan from Leicestershire County Council to Northamptonshire County Council had been arranged via a broker. In response to a question from a Member the Director of Corporate Resources stated that the risk of Northamptonshire County Council defaulting was considered to be very low.
- (vii) It was noted that in addition to Northamptonshire County Council, Leicestershire County Council had loans with three other local authorities; Birmingham City

Council, Thurrock Borough Council and London Borough of Southwark, and reassurance was given by the Director of Corporate Resources that there were no concerns that these loans would not be repaid.

- (viii) In response to a question from a Member regarding the Maturity dates of the loans within the portfolio, the Director of Corporate Resources agreed to provide further information to Members after the meeting.

RESOLVED:

That the contents of the report be noted.

67. Risk Management Update.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an overview of key risk areas and the measures being taken to address them. A copy of the report, marked 'Agenda Item 8, is filed with these minutes.

The Committee also received a presentation on Risk 1.4 on the Corporate Risk register: If claims relating to uninsured risks materialise or continue to increase then LCC will need to find increased payments from reserves, impacting on funds available to support services. A copy of the presentation slides is filed with these minutes.

Presentation – Uninsured Risks

Arising from the presentation the following points were noted:

- (i) Prior to 1964 the County Council did not have insurance in place however the Council was still receiving claims from the 1950s which had to be dealt with.
- (ii) Between 1969 and 1992 the County Council was insured by Municipal Mutual Insurance (MMI). Around that time there were not many insurance companies in the local government market to choose from. Unfortunately MMI conducted little risk management and wrote business with no excesses. As a result the company paid out on a large amount of claims which caused them to go into administration. The subsequent scheme of arrangement put in place to run off the company's tail of claims triggered a levy against all creditors of 25%.
- (iii) The County Council was now using self-insurance to a greater extent than previously which had the advantage that there was no insurer profit, lower broker commission and the insurance premium tax did not have to be paid. This position allowed for greater control over claims and the opportunity for enhanced risk management. Consideration would be given by the County Council in future to whether the level for self-insurance should be higher.
- (iv) Academies were a separate legal entity and should have their own insurance or be part of the government scheme. Responsibility for defending claims against academies would not be borne by the County Council.
- (v) In response to a question from a Member regarding whether local authorities could be responsible for claims arising against a predecessor authority that was in existence prior to local government reorganisation, it was explained that there were occasions when this would be the case. For example; following Local Government

Reorganisation (LGR) in 1974 the County Council became responsible for dealing with claims from Leicester Corporation which ceased to exist. This was the case if the County Council took over the function in question. If a claim pre-dating the 1997 LGR arose from within the City boundary, and related to a function for which the County Council was responsible, the claim would be handled by the County Council in line with the insurance arrangements in place at the relevant time.

Risk Register

- (vi) In response to a question from a Member regarding whether there was any further information regarding Risk 4.2 and the Arriva concessionary travel appeal, the Director of Corporate Resources stated that the most up to date position was as set out in the report. Members stated that they would monitor the situation with regards to Arriva.

RESOLVED:

- (a) That the contents of the report be noted;
- (b) That the current status of the strategic risks and emerging risks facing the Council, as detailed in the report, be noted;
- (c) That the update regarding counter fraud initiatives be noted;
- (d) That a presentation and report be provided for the next meeting of the Committee on Risk 3.6: If a replacement Enterprise Resource Planning (ERP) system is not implemented effectively and by 2020 then the organisation will not reap the full benefits of change.

68. Internal Audit Service Progress Report.

The Committee considered a report of the Director of Corporate Resources which provided a summary of progress against the Internal Audit Plan 2017-18, reported on progress with implementing high importance recommendations, and provided an update on progress with the Internal Audit Plan 2018-19. A copy of the report, marked 'Agenda Item 9', is filed with these minutes.

With regard to the delay in producing the Internal Audit Plan 2018-19 a Member questioned whether this was partly due to the extra resource that was required as a result of the Internal Audit Service taking on Leicester City Council's internal audit function. The Director of Corporate Resources reassured Members that this was not the case and that resources were available to carry out audit functions for both authorities.

RESOLVED:

- (a) That the contents of the report be noted;
- (b) That the delay in producing the 2018-19 Internal Audit Plan be noted and a report on the Plan be brought to the meeting of the Corporate Governance Committee on 25 July 2018.

69. Internal Audit Outcome of a Peer Review.

The Committee considered a report of the Director of Corporate Resources which gave the outcome of a recently conducted peer review of the Council's Internal Audit Service. A copy of the report, marked 'Agenda Item 10', is filed with these minutes.

Members, along with the Director of Corporate Resources, gave thanks to the Head of Internal Audit & Assurance for the work he had done which led to the Internal Audit Service receiving the top rating for the peer review.

RESOLVED:

That the outcome of the peer review contained in Veritau's report be noted.

70. Internal Audit Service Annual Report 2017-18.

The Committee considered a report of the Director of Corporate Resources which presented the annual report on work conducted by the Internal Audit Service. A copy of the report, marked 'Agenda Item 11', is filed with these minutes.

In response to questions from Members the Director of Corporate Resources explained that there were job roles in the Internal Audit Service which were not currently filled however the money for those roles was available therefore it was a matter of recruiting to those posts. It was hoped that most of the vacant posts would be filled by summer 2018. The quality of applicants available varied according to the nature of the role. The Internal Audit Service was looking to develop its own Audit staff and also use CIPFA trainees and apprentices. Links were also being developed with Birmingham University to recruit their MBA students. In response to further questions the Director of Corporate Resources again gave reassurance that the quality of the Internal Audit Service for the County Council was not being affected by the Service carrying out Leicester City Council's internal audit function as well.

RESOLVED:

- (a) That the Internal Audit Service Annual report for 2017-18 be noted;
- (b) That an update be provided at the meeting of the Corporate Governance Committee on 25 July 2018 regarding progress with filling job vacancies in the Internal Audit Service.

71. Annual Governance Statement 2017/18.

The Committee considered a report of the Director of Corporate Resources which explained the approach taken to producing the Annual Governance Statement (AGS), and presented the AGS for comment by the Committee prior to sign off by the Chief Executive and Leader of the Council. A copy of the report, marked 'Agenda Item 12', is filed with these minutes.

With regards to Governance issues relating to Help to Live at Home, Members noted that contingency providers were being used to support the delivery of care in areas where the lead provider could not pick up all of the new packages in their lot, and this issue had been fully explored at the Adults and Communities Overview and Scrutiny Committee.

RESOLVED:

- (a) That the draft 2017/18 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, has been prepared in accordance with best practice.

72. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on 25 July 2018 at 2:00pm.

10.00 - 11.35 am
23 April 2018

CHAIRMAN