

Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Friday, 31 January 2020.

PRESENT

Mr. T. Barkley CC (in the Chair)

Mr. G. A. Boulter CC
Mr. J. G. Coxon CC
Mr. T. Gillard CC
Mr. J. Kaufman CC

Mr. J. T. Orson JP CC
Mr. T. J. Richardson CC
Mr. S. D. Sheahan CC
Mrs. A. Wright CC

46. Minutes.

The minutes of the meeting held on 1 November 2019 were taken as read, confirmed and signed.

47. Question Time.

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

48. Questions asked by members under Standing Order 7(3) and 7(5).

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

49. Urgent Items.

There were no urgent items for consideration.

50. 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. S. Sheahan CC and Mr. J. Coxon CC each declared a personal interest in agenda item 6 (Risk Management Update) (minute 51 below refers) as they owned property within close proximity to the proposed HS2 route. Both members stated that, should the debate on this item go into matters of detail regarding HS2 and in particular the location of the line, they would consider the matter a “personal interest that may lead to bias” and leave the room.

Mr. T. J. Richardson CC declared a personal interest in agenda item 11 (Quarterly Treasury Management Report) (minute 56 below refers) as he was in receipt of a pension from Lloyds Bank Plc. He stated that, should the debate on this item go into matters of detail regarding Lloyds Bank Plc, he would consider the matter a “personal interest that may lead to bias” and leave the room.

51. Risk Management Update.

The Committee received a report of the Director of Corporate Resources which provided an overview of the key risk areas faced by the County Council and the measures being taken to address them. A copy of the report marked 'Agenda Item 6', is filed with these minutes.

As part of this item, the Committee also received a presentation on Corporate Risk 7.1 on the Corporate Risk Register (If sickness absence is not effectively managed then staff costs, service delivery and staff wellbeing will be impacted). A copy of the presentation slides is filed with these minutes.

Arising from the presentation, the following points arose:

- (i) The Council had arranged for a peer review to be carried out by what was considered to be an exemplary local authority (North Yorkshire County Council) in respect of attendance management. The outcomes of the review had provided reassurance that the Council was largely taking the appropriate steps in managing staff absences.
- (ii) Performance management continued to be a key area of focus when managing staff absences. It was important that the expectations of managers following the Performance Management Framework were clear and focussed on carrying out the process in a robust but supportive way. Recognising individual needs would be essential, especially when dealing with complex cases. Withholding or withdrawing increments linked to attendance and the management of absence was one option that could be used as an incentive to meet the required standard. However, this method had not been commonly used by other local authorities and it was therefore unclear whether this would in reality motivate or de-motivate staff. Ensuring that managers actively and attentively used the performance management process was an area where much effort would be concentrated.
- (iii) In response to a query raised about whether individuals felt pressured to return to work too early following a period of sickness, it was confirmed that this had not been raised as an issue. Managers were trained to deal with all types of sickness absences including providing support to those on long-term sick leave; the Council also had long-term sick pay provisions in place for those that required it.
- (iv) Similarly to last year, a significant number (around 1500) of Council staff had opted to have the flu vaccine in 2019/20. Although there had been no increase in staff absences because of the flu during that period, there had been an increase in absences because of respiratory illnesses. The Public Health Department were in the process of analysing whether there was any correlation between sickness absences and those that had received a flu jab.
- (v) It was recognised that certain areas were more prone to specific illnesses or conditions than others; for example, absences due to musculoskeletal related conditions were currently higher in the Environment and Transport Department. Work was underway to address the specific areas that had been identified. It was suggested that it would be useful for Members of this Committee to be provided with further information on the reasons for staff absences broken down by department. Officers undertook to circulate this information outside of the meeting.

- (vi) In response to a question raised by a Member, the Director confirmed that, in terms of stress related absences, the number of those that were former members of the armed forces had been shown to be minimal.
- (vii) The Council had been signed up to the Trades Union Congress' Dying to Work Charter since March 2017, as part of its ongoing commitment to supporting and protecting staff throughout their employment following a diagnosis of terminal illness. Security of work was one of the provisions included within the Charter.

Risk Register

Arising from discussion, the following points were raised:

- (i) Following conversations with the Environment and Transport Department, it had been agreed that Corporate Risk 4.2 (If Arriva is successful in its concessionary travel appeal, then reimbursement costs for the total scheme could increase significantly) could be removed from the Corporate Risk Register (CRR). Members were assured, however, that the risk would continue to be monitored at departmental level.
- (ii) Corporate Risk 7.3 (If the department does not have a sustainable external workforce to work with it may be unable to meet its statutory responsibilities) had been re-instated due to high level risks associated with the upcoming Home Care Services re-procurement. Procuring the right providers to ensure a high-quality service was of fundamental importance. However, it was recognised that the care market could be particularly challenging in this regard. Assurance was provided that lessons from the previous procurement were being used to improve and design the new service. Members noted that the Adults and Communities Overview and Scrutiny Committee had received a number of reports recently on this matter, including one at its last meeting on 20 January 2020 when it had confirmed its support for the service proposals.

It was suggested that to provide further assurance on this matter a presentation on this risk be provided at a future meeting of this Committee.

- (iii) In response to a Member's request, Officers undertook to include the impact and likelihood components of the current risk scores into future reports.
- (iv) One of the aims of the Growth Unit was to provide for a more joined up approach with respect to coordinating and securing developer contributions. The Unit was not currently at full staffing capacity but aimed to be fully functional by April 2020.
- (v) It was suggested that a presentation be given at the next meeting on the recently launched CIPFA Financial Management Code and at the Committee's meeting in July 2020 a presentation be given on Corporate Risk 3.7 (If the Council does not manage its exposure to cyber risk, then decisions and controls cannot be taken to mitigate the threat of a successful cyber-attack).

RESOLVED:

- a) That the content of the presentation provided on corporate risk 7.1 (If sickness absence is not effectively managed then staff costs, service delivery and staff

wellbeing will be impacted) be noted;

- b) That the Director of Corporate Resources be requested to provide further information on the reasons for staff absences broken down by department;
- c) That the current status of the strategic risks facing the County Council be approved;
- d) That the Director of Corporate Resources be requested to include the impact and likelihood components of the current risk scores into future reports;
- e) That the updates provided on HS2 Phase 2B and counter fraud initiatives be noted;
- f) That at the next meeting of the Committee a presentation be provided on the recently launched CIPFA Management Code and at its meeting in July 2020 the Committee receive a presentation on corporate risk 3.7 (If the Council does not manage its exposure to cyber risk, then decisions and controls cannot be taken to mitigate the threat of a successful cyber-attack);
- g) That the Director of Corporate Resources be requested to arrange for the Committee to receive a presentation on corporate risk 7.3 (Adults and Communities – Home Care Services Re-Procurement - If the Department does not have a sustainable external workforce to work with it may be unable to meet its statutory responsibilities) at a future meeting when he considers appropriate;
- h) That the Cabinet be recommended to approve the revised Risk Management Policy and Strategy for 2020/21 as set out in Appendix B to this report.

52. External Audit Plan 2019/20.

The Committee considered a report which presented the External Audit Plan for 2019/20. A copy of the report marked 'Agenda Item 7', is filed with these minutes.

The Chairman welcomed Grant Patterson of Grant Thornton LLP UK, the County Council's external auditors, to the meeting.

Arising from discussion, the following points were raised:

- (i) The Committee expressed disappointment with the proposed increase to Grant Thornton's annual scale fee for 2019/20. Mr Patterson explained that the increase was necessary due to a change to the auditing standards set by the Financial Reporting Council. All audits were now required to achieve a 2A (few improvements needed) rating, which meant additional work would need to be undertaken to provide the level and quality of service now expected. The criteria for reaching a 2A rating had also changed making this more difficult to achieve.

Members requested that the Chairman of the Committee be kept informed of the ongoing discussions regarding the proposed annual fee increase and noted that PSAA (Public Sector Audit Appointments) approval of the figures would be required at the final stage.

- (ii) The decrease in materiality, although unusual, reflected the changes to the national auditing standards which now required a greater level of assurance. The change in limit was not expected to impact on the County Council's accounts and was an approach that was being adopted nationally.
- (iii) Members agreed with the proposal to delay the completion of the draft accounts to the end of June 2020 and consequently the completion of the external audit (which would now be carried out at the end of September), as a precautionary measure whilst the new financial system was being implemented. Issues with the system going 'live' were not expected, however, given the complexities of delivering such a large-scale change, the full extent could only be known once the system was fully operational. The Director confirmed that even with the delays outlined, the Council would still be meeting its legal requirements.

RESOLVED:

- a) That the External Audit Plan for 2019/20 and the update now provided by Grant Thornton UK LLP be noted;
- b) That the proposal to delay the completion of the County Council's annual accounts (excluding the pension fund accounts) in 2020 whilst a new financial system was introduced be supported;
- c) That the Director of Corporate Resources be requested to keep the Chairman of the Committee informed of discussions regarding the proposed increase in audit fees for the 2019/20 financial year.

53. Audit and Governance Update.

[Mr Gillard left the meeting at this point and did not return to the meeting]

The Committee considered a report of the Director of Corporate Resources which provided an update on current audit and governance issues. A copy of the report marked 'Agenda Item 8', is filed with these minutes.

An initial review had been carried out which showed that the Council would likely be compliant with most of the requirements of the new CIPFA Financial Management Code. The guidance notes, which were awaited, would provide the final details and clarify the extent of any adjustments that might be required to ensure full compliance. It was intended that the Committee would receive a further update at its next meeting.

RESOLVED:

That the updates provided on current audit and governance issues be welcomed and noted.

54. Resilience and Business Continuity Update.

The Committee considered a report of the Chief Executive which provided an annual update on the Council's Resilience and Business Continuity activities, work undertaken with other Leicester, Leicestershire and Rutland local authorities and wider multi-agency resilience activities. A copy of the report marked 'Agenda Item 9', is filed with these minutes.

Arising from discussion, the following points were raised:

- (i) A series of major flooding incidents had affected many parts of the Country during the reporting period. The local area had experienced the highest number of flooding incidents since 2012. Work was underway to assess local infrastructure to identify long-term solutions to largescale flooding.
- (ii) Every effort was made to move people back into their homes as quickly as possible following a major flooding incident. However, the process for this was often complex and could be time consuming. It was crucial that the affected area be made safe before allowing people to move back home.
- (iii) Locally, a great deal of contingency planning had been completed to prepare for Brexit. Given that the Government was still in the process of negotiating trade deals, there was still much uncertainty around the impact of Brexit once the transition period of Britain exiting the EU had ended.

RESOLVED:

That the update provided on Resilience and Business Continuity during 2019 be noted and the priorities identified for 2020/21 be supported.

55. Treasury Management Strategy Statement and Annual Investment Strategy 2020/21.

[Mrs Wright entered the meeting at this point]

The Committee considered a report of the Director of Corporate Resources regarding the Treasury Management Strategy Statement and Annual Investment Strategy 2020/21. A copy of the report marked 'Agenda Item 10', is filed with these minutes.

Arising from discussion, the following points arose:

- (i) Assurance was provided to the Committee that when investments were being considered by the Council, regard was always taken of wider reputational issues that might arise from investing with certain organisations. The Director of Corporate Resources specifically undertook to include reference of this within the Strategy.
- (ii) The ability for Local Authorities to reduce services without a corresponding income reduction as a means to regaining a balanced budget was a necessary safeguard to enable the continuation of other services.

RESOLVED:

- a) That the contents of the Treasury Management Strategy Statement and Annual Investment Strategy 2020/21 be noted;
- b) That the Director of Corporate Resources be requested to include reference within the Strategy of the regard taken by Officers when considering an investment of wider reputational issues that might arise from investing with certain organisations.

56. 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 for the quarter ending 31 December 2019 (Quarter 3). A copy of the report marked 'Agenda Item 11', is filed with these minutes.

RESOLVED:

That the actions taken in respect of treasury management for the quarter ending 31 December 2019 be noted.

57. Internal Audit Service Progress Report.

The Committee received a report of the Director of Corporate Resources which provided a summary of the work conducted during the period 1 October 2019 to 17 January 2020 and on the progress with implementing high recommendations. A copy of the report marked 'Agenda Item 12', is filed with these minutes.

Regarding school annual budget plans where a shortfall was predicted, the Director confirmed that the deficit balance was required to be carried forward from one financial year to the next.

RESOLVED:

That the audit work undertaken during the period 1 October 2019 to 17 January 2020 and actions taken to implement high importance recommendations be noted.

58. Date of next meeting.

Following requests from Members, Officers undertook to consider the options for rescheduling the date of the next meeting.

RESOLVED:

That Officers consider the options for rescheduling the date of the next meeting.

10.00-11.55am
31 January 2020

CHAIRMAN