

Minutes of a meeting of the Corporate Governance Committee held at County Hall,
Glenfield on Friday, 4 June 2021.

PRESENT

Mr. N. D. Bannister CC
Mr. T. Barkley CC
Mr. G. A. Boulter CC
Mr. J. G. Coxon CC

Mr. M. Hunt CC
Mr. J. T. Orson JP CC
Mr. T. J. Richardson CC

1. Appointment of Chairman.

RESOLVED:

That Mr. T. Barkley CC be elected Chairman for the period ending with the date of the Annual Meeting of the County Council in 2022.

Mr. T. Barkley CC in the Chair.

2. Election of Vice Chairman.

RESOLVED:

That Mr. T. J. Richardson CC be elected Vice Chairman for the period ending with the date of the Annual Meeting of the County Council in 2022.

3. Minutes.

The minutes of the meeting held on 29 January 2021 were taken as read, confirmed and signed.

4. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 34.

5. 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).

6. Urgent Items.

There were no urgent items for consideration.

7. 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. T. J. Richardson CC declared a personal interest in agenda items 14 and 15 (Quarterly and Annual Treasury Management Reports) (minutes 14 and 15 below refer) as he was in receipt of a pension from Lloyds Bank Plc.

Mr. N. Bannister CC declared a personal interest in agenda item 8 (Risk Management Update) (minute 8 below refers) in relation to the fraud investigations outlined in the report as he was a member of the Crown Prosecution Service. He also declared a personal interest in agenda item 9 (Final Outcomes of Public Reports Issued by the Local Government and Social Care Ombudsman) (minute 9 below refers) as the report referred to school admissions in academy schools and a member of his immediate family worked as a Teaching Assistant at a local academy school.

8. Risk Management Update.

The Committee considered a report of the Director of Corporate Resources which was to provide an overview of key risk areas and the measures being taken to address them. The report also provided updates on counter fraud and the Council's recovery planning in response to the impact of the Covid-19 pandemic. A copy of the report marked 'Agenda Item 8', is filed with these minutes.

As part of this item, the Committee also received a presentation by the Director of Environment and Transport Department, on Corporate Risk 4.3 on the Corporate Risk Register (If as a result of the impacts of the coronavirus pandemic bus operators significantly change their services, then there could be substantial impacts on communities accessing essential services and lead to required intervention under our Passenger Transport Policy and Strategy). A copy of the presentation slides is filed with these minutes.

Risk Presentation

Arising from discussion and questions the following points arose:

- (i) The results of engagement and consultation with non-bus users as well as current users of local bus services would be a key consideration in terms of informing future strategies to manage future demand, understand future business needs and attract new customers to use bus services.
- (ii) Further guidance in respect of cross boundary services was awaited from the Government but the Enhanced Partnership Scheme within the National Bus Strategy (NBS) was expected to leave responsibility with bus operators to ensure that cross boundary challenges were raised within the relevant partnerships. The Council also planned to continue working with local partners such as Leicester City Council and bus service operators in an effort to overcome such challenges.
- (iii) Regarding whether there were any options to mitigate Corporate Risk 4.3 that did not require the Council to sign up to the NBS and issue a statutory notice, it was advised that the options currently available were limited, particularly where rural areas were concerned, and if the Council did not sign up to the National Bus

Strategy this would create a risk to future funding as the Government was linking the availability of future funding to actions associated with the Strategy. The Enhanced Partnership Scheme was expected to place a greater level of responsibility with bus operators but provide a greater number of opportunities for the Council to influence certain areas, so this was likely to be the most suitable option. The other option under the NBS would be Franchising, however due to a number of factors including the rural nature of the County this was deemed as a less suitable option at the current time but the Environment and Transport Department would keep the situation under review to keep track of the options available.

- (iv) Concern was raised regarding the short timeframe for work including engagement with the public and key partners to be undertaken by local authorities to produce and publish a Bus Service Improvement Plan by the end of October 2021. The Director acknowledged the timescales set by Central Government were ambitious and confirmed that officers were not underestimating the amount of work that needed to be carried out overall between now and the end of March 2022 when the Enhanced Partnership Agreement with operators was expected to be in place.
- (v) The intention was for the 'public' engagement exercise to begin once Cabinet approval of the NBS pathway to be followed had been given, the item was currently programmed to be presented to the Cabinet in October 2021, and that this would run through to March 2022 ahead of the Enhanced Partnership Agreement/Approach being introduced. It was envisaged that the approach would eventually become part of normal ways of working and be refreshed as necessary.
- (vi) In response to questions raised by a member regarding the Council's plans to trial a demand responsive transport scheme (DRTS) in a rural area, the Director confirmed the following points:
 - The trial would provide an opportunity for the Council to test DRTS solutions in a rural area and work with service providers to understand the broader applicability across Leicestershire. Ensuring commercial viability of services where there were no developer funding contributions available would also be a key consideration.
 - Feedback and experiences from the Arriva Click DRT service in New Lubbethorpe would feed into the trial and details of this service had been used to inform the Rural Mobility Fund bid.
 - In response to a query regarding the potential to gain evidence from other areas that had trialled DRTS' such as Liverpool and Sittingbourne, the Director undertook to provide further information on where best practice and lessons learnt examples that were used to inform the Rural Mobility Fund bid had been obtained and how this information would be used going forward.
 - Members noted that a condition of the Council receiving the rural mobility funding it had been awarded to carry out the trial was the requirement to follow a particular procurement process and one of the requirements of that process was around ensuring fair competition in the market, the detail of which officers were currently in the process of working through.

Risk Management Update

Arising from discussion the following points arose:

- (vii) In response to a question relating to Corporate Risk 7.3 (If the Department fails to develop and maintain a stable, sustainable, and quality social care market to work with it may be unable to meet its statutory responsibilities), the Director undertook to provide further information to Committee members outside of the meeting regarding the timescales around the re-commissioning of domiciliary care services.
- (viii) The Director of Law and Governance advised that as far as she was aware Corporate Risk 4.4 (Risk of challenge and/or financial penalty due to either an actual or perceived breach of procurement guidelines) had been added to the Corporate Risk Register to capture a number of procurement risks raised nationally to ensure these were fully reflected in the register.
- (ix) Regarding the outcomes of the five fraud cases the Council had investigated during 2020/21, the Director confirmed that, despite some referrals that had been made to other authorities such as to the police where further action was considered by the County Council to have been required, there had been no notification of prosecutions with these cases as such. It was stated that the Local Government Transparency Code did not require the Council to include any details about prosecutions in the summary it published annually to its website. However, it would be possible to provide members of the Committee with further details of the investigation outcomes outside of the meeting.
- (x) Following a suggestion made by a member, the Director of Corporate Resources undertook to give consideration to the risk management process to ensure member oversight of departmental risk registers was sufficient.
- (xi) Members requested that a presentation be given at the Committee's next meeting on Corporate Risk 9.4 (If climate change impacts happen more frequently or at a greater intensity than anticipated, then there is the risk that County Council services will be negatively affected).

[Subsequent to the meeting the Director of Law and Governance undertook to provide further details to Committee members relating to Corporate Risk 4.4 to clarify the reason why the risk had been added to the Corporate Risk Register.]

RESOLVED:

- (a) That the current status of the strategic risks facing the County Council be approved and the Director of Corporate Resources be requested to give consideration to the comments now made.
- (b) That the contents of the presentation provided on Corporate Risk 4.3 (If as a result of the impacts of the coronavirus pandemic bus operators significantly change their services, then there could be substantial impacts on communities accessing essential services and lead to required intervention under our Passenger Transport Policy and Strategy) be noted and the Director of Corporate Responses be requested to provide further information on the Council's plans to trial a demand responsive transport scheme in a rural area.

- (c) That at the Committee's next meeting a presentation be provided on Corporate Risk 9.4 (If climate change impacts happen more frequently or at a greater intensity than anticipated, then there is the risk that County Council services will be negatively affected).
- (d) That the Director of Corporate Resources be requested to provide further information on the timescales around the re-commissioning of domiciliary care services.
- (e) That the Director of Corporate Resources be requested to give consideration to the risk management process to ensure member oversight of departmental risk registers is sufficient.

9. Final Outcomes of Public Reports Issued by the Local Government and Social Care Ombudsman.

The Committee considered a joint report of the Director of Law and Governance and the Director of Children and Family Services, the purpose of which was to provide an update on the final outcomes following the issuing of two public reports by the Local Government and Social Care Ombudsman (LGO) about the County Council in recent months. A copy of the report marked 'Agenda Item 9', is filed with these minutes.

Arising from discussion the following points arose:

- (i) Members were advised that the actions in the Improvement Action Plan set out in Appendix C to the report that were marked as complete but awaiting further sign off either by the Department Management Team (DMT) or Leicestershire Heads had now been signed off and were therefore fully concluded.
- (ii) The Committee noted that subject to agreement of financial payments to the further 79 third parties identified as being affected by charging mechanisms adopted by the provider in question relating to the Free Early Education Entitlement (FEEE) scheme, all actions required by the two separate LGO investigations detailed in the report had been carried out. It was agreed that a briefing note would be circulated to all members of the Committee to advise them of the final outcomes of the outstanding action once discussions with the relevant parties had concluded.

RESOLVED:

- (a) That the report regarding the final outcomes of the public reports issued by the Local Government and Social Care Ombudsman be noted.
- (b) That the Director of Law and Governance and Director of Children and Family Services be requested to provide a briefing note to Committee members regarding the final outcomes of the outstanding action in relation to the Free Early Education Entitlement (FEEE) scheme once discussions with the relevant parties have concluded.

10. Annual Audit Letter 2019/20.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to present the Annual Audit Letter 2019/20 for approval. A copy of the report marked 'Agenda Item 10', is filed with these minutes.

The Chairman welcomed Mr John Gregory from Grant Thornton UK LLP, the County Council's external auditors for 2019/20, to the meeting.

Mr Gregory confirmed that an unqualified opinion had been issued on the Authority's accounts for the year ending March 2020 and the value for money conclusion issued for that period was also unqualified. He stated that as previously reported to the Committee the Emphasis of Matter (EoM) that had been included in Grant Thornton's audit opinion regarding the valuation of land and buildings, was simply an additional paragraph to draw the reader's attention to a particular part of the accounts, in this case to acknowledge disclosures of material uncertainty that had been made in the Bruton Knowles' valuation report as at 31 March 2020 as a result of the Covid-19 pandemic.

Mr Gregory also confirmed that with regard to the Whole of Government Accounts the work referred to in the Annual Audit Letter to complete the work on the Council's consolidation return following guidance issued by the National Audit Office was now complete, there were no outstanding issues to report on this matter and an assurance statement would be issued to this effect.

Arising from discussion and questions the following points were raised:

- (i) In response to concerns raised regarding the disparity between the planned fees for the period and the actual fees charged to the Council for the year ending March 2020, Mr Gregory advised the following:
 - The areas of additional work unrelated to the Covid-19 pandemic had been foreseen, negotiated with the relevant Council officers and factored into the relevant Audit Plan to communicate that fee increases were expected. The increases had also been discussed with the Public Sector Audit Appointments Ltd. (PSAA) (the sector led body for external auditor appointments) around the same time and subsequently approved. These fee increases reflected the pressures Grant Thornton was facing to make the changes imposed by regulators to national auditing standards such as around pension liabilities and Property, Plant and Equipment (PPE). For example, there was now an expectation for auditing companies to employ its own or obtain advice from valuation experts to help support the work around the valuation of PPE.
 - The effects of the Covid-19 pandemic had caused the costs to Grant Thornton to deliver audits for the year ending March 2020 to increase significantly by around 40-50%. Rather than recovering all of the costs from its clients, Grant Thornton had absorbed much of the costs itself and asked its clients to pay a proportion of the total amount. The additional fees were necessary due to the additional work that the pandemic had created, particularly as due to the Covid-19 restrictions much of the usual informal contact had not been possible and work ordinarily carried out face to face had had to be conducted remotely which could often be a longer process and had caused delays in auditing processes. There had also been specific technical accounting issues to

resolve. Members were further advised that these issues were also not isolated to Grant Thornton in that other companies had also experienced similar issues.

- As to whether Grant Thornton was able to offset some of the additional costs relating the Covid-19 pandemic against a perceived reduction in chargeable travel time to appointments, Mr Gregory explained that whilst staff travelling to attend meetings such as at County Hall may have been chargeable the majority of travel that Grant Thornton's audit team undertook prior to the pandemic to carry out audits would have usually formed part of their daily commute and would therefore not be chargeable to clients.
- (ii) In response to a query raised by a member, it was confirmed that the valuation of pensions was an area also considered by the Local Pension Board and Committee. Mr Gregory added that each year auditors were required to consider their report against other areas of reporting to ensure consistency.

RESOLVED:

That the Annual Audit Letter for 2019-20 be approved and distributed to all Members of the Council.

11. External Audit Plan and Risk Assessment 2020/21.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to present the External Audit Plan and Audit Risk Assessment for the Council and its Pension Fund for consideration. A copy of the report marked 'Agenda Item 11', is filed with these minutes.

In presenting the item, Mr John Gregory from Grant Thornton UK LLP, highlighted that there would be further significant increases in auditing fees for the County Council and the Pension Fund for the year 2020/21. This was mainly due to the revised approach to the Value for Money audit and additional requirements from the Financial Reporting Council (FRC) in relation to improved financial reporting and a number of revised International Auditing Standards (ISA's), which would require increased audit work. Given the increased expectation on audit firms was across all sectors and audit firms, Mr Gregory advised that Grant Thornton had raised its concerns to the PSAA to request the matter of audit fees be managed as a national issue but the PSAA had confirmed it did not see this as part of its role. It had therefore been necessary for Grant Thornton to increase its fees for all of its local authority clients with the County Council maintaining the lowest fee applied by Grant Thornton.

It was questioned, given the implications of the revisions to International Auditing Standards had been known for some time, whether the original quotes made by Grant Thornton for its auditing services were too low. Mr Gregory acknowledged there was a possibility that Grant Thornton and other firms may have bid too low at the time of the tendering exercise. However, an important consideration with this was that the tendering exercise that influenced the scale fees being set by the PSAA had been designed in such a way that pushed prices down considerably. This matter had been captured as an element that had created damage to the local (external) audit system as part of the findings of the independent Redmond Review into the effectiveness of local (external) audit.

RESOLVED:

That the contents of the report be noted.

12. Update on Developments on Local (External) Audit Arrangements.

The Committee considered a joint report of the Director of Corporate Resources and the Director of Law and Governance, the purpose of which was to provide an update on developments in local (external) audit arrangements that are associated with the Committee's responsibilities. A copy of the report marked 'Agenda Item 12', is filed with these minutes.

RESOLVED:

That the Ministry of Housing, Communities and Local Government report 'Local authority financial reporting and external audit: Spring update' be noted.

13. Proposed Changes to the Contract Procedure Rules.

The Committee considered a joint report of the Director of Corporate Resources and the Director of Law and Governance, the purpose of which was to report on the operation of the Contract Procedure Rules between 1 July 2020 and 31 March 2021 and propose that recommendations to the County Council are made to revise the Contract Procedure Rules. A copy of the report marked 'Agenda Item 13', is filed with these minutes.

Arising from discussion and questions the following matters were raised:

- (i) In regard to the contract exceptions set out in Appendix A to the report, members requested the following information, which the Director undertook to provide to the Committee outside of the meeting:
 - Confirmation of whether the new contract for Arboriculture Maintenance Services on Schools and Other Council Properties in Leicestershire to undertake 'top up' forestry and tree care services, which was anticipated would be in place by 1 April 2021, had become effective.
 - The reason for granting a contract exception for the treatment of Dry Recyclables arising within Leicestershire.
 - The reason for granting a contract exception in relation to the Green Homes Grant Scheme given this was a government funded scheme.
- (ii) Members requested further details regarding the approval process for contract exceptions and extensions. With particular consideration to larger contract values, it was felt that given the financial pressures the Council was currently facing and the recent developments in local external audit, such as the outcomes of the Redmond Review making reference to the need for greater member oversight in certain areas, ensuring sufficient member involvement in the approval process was an important factor. In response to member's comments, to enable consideration to be given as to whether member involvement in the process of approving contract exceptions and extensions was sufficient, the Director undertook to provide the Committee with details of the current approvals process for contract exceptions and extensions to highlight where member involvement occurred in relation to the associated thresholds/conditions, details of where these thresholds and conditions were met in the exceptions listed in Appendix A of the

report and how they were executed, and details of the thresholds put in place around spend controls to justify why low value exceptions appeared in the report to the Committee.

RESOLVED:

- (a) That the contents of this report on the operation of the Contract Procedure Rules between 1 July 2020 and 31 March 2021 be noted and that the Director of Corporate Resources be requested to give consideration to the comments now raised.
- (b) That the County Council be recommended to approve the proposed amendments to the Contract Procedure Rules, as set out in Appendix B of the report.
- (c) That the Director of Corporate Resources be requested to provide details of the current process for approving contract exceptions and extensions and further details around the approvals made on the contract exceptions and extensions set out in Appendix A of the report.

14. 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 for the quarter ending 31 March 2021. A copy of the report marked 'Agenda Item 14', is filed with these minutes.

Arising from questions the following points arose:

- (i) Regarding the options available to the Council for short term investment, the Director confirmed that officers would always consider the options available at the appropriate time to weigh up the risk with the reward and try to maximise the return for the Council's portfolio. However, given the low interest rates currently forecasted, which were expected to last for some time, and the requirements relating to cash flows in the Council's Treasury Management Strategy, the options to gain a substantial return were likely to be limited until the rates showed sign of improving. As to whether some of the balance could be invested into running council services, it was confirmed that this would not be possible as the purpose of this type of money was restricted to managing cash flows.
- (ii) When considering making an investment under the Council's loan portfolio to a bank, it was usual practice for officers to acquire a list of bank ratings from the Council's treasury management advisors to determine suitability. Investments would only be made to organisations that met the Council's list of requirements. As to the reasoning behind the investment made to the Australia and New Zealand Bank, this would have been deemed the most suitable option available to the Council at the time the investment was made.

RESOLVED:

That the actions taken in respect of treasury management for the quarter ending 31 March 2021 be noted.

15. Annual Treasury Management Report 2020/21.

The Committee received a report of the Director of Corporate Resources, the purpose of which was to advise of the action taken and the performance achieved in respect of the treasury management activities of the Council in 2020/21. A copy of the report marked 'Agenda Item 15', is filed with these minutes.

RESOLVED:

That the action taken and the performance achieved in respect of the treasury management activities of the Council during 2020/21 be noted.

16. Internal Audit Service - Annual Report 2020/21.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an annual report on the work conducted by the Internal Audit Service (IAS) with the intention that this then be distributed to all members of the Council. A copy of the report marked 'Agenda Item 16', is filed with these minutes.

Regarding the IAS' budget underspend relating to unfilled vacancies, it was confirmed that this had been a result of the impact of the Covid-19 pandemic and the uncertainty of future plans this had created. The service had been required to respond reactively to a number of the additional demands the Council had faced which included a number of staff within the service being redeployed to assist in other areas. This issue had since been addressed in the IAS Audit Plan for 2021/22; the restructure of the service was progressing and there had been approvals for additional resources and retention held in the budget for any special requirements that may arise.

RESOLVED:

That the annual report on work conducted by the Internal Audit Service during 2020/21 be noted.

17. Internal Audit Service Audit Plan 2021/22.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide members with information about the approach to develop the County Council's IAS Plan for 2021/22. A copy of the report marked 'Agenda Item 17', is filed with these minutes.

Members noted the change in the approach for the 2021-22 IAS Plan and the proposal to adopt six monthly planning cycles to modernise the planning routine. The aim was to create greater flexibility by developing and maintaining shorter plans which would be reviewed and updated more regularly to reflect current priorities. Members further noted that this approach was in common with the approach many other Head of Internal Audit Services' at other councils were adopting on reflection of the impact of the Covid-19 pandemic and the effects this had on IAS Audit Plans.

A member commented on the changes to working practices that had resulted from the Covid-19 pandemic and it was queried how the IAS plans would fit in with the longer-term strategic intentions around future ways of working. The Director explained that the instant necessity for a high number of staff to work remotely at the beginning of the pandemic had meant that the IAS experienced continuous demand at that time, particularly

because assurance was needed in areas such as IT security. Looking ahead it was expected that the Council's programme to develop new ways of working would involve further extensions of agile working and the IAS team would be actively involved in areas such as approval processes, development of softer skills, staff wellbeing and health and safety audits.

RESOLVED:

That the Committee notes the development of the methodology of the Internal Audit Plan for 2021-22.

18. Internal Audit Service Progress Report.

The Committee considered a report of the Director of Corporate Resources, which summarised the work conducted during the period 9 January to 14 May 2021 and highlighted audits where high importance recommendations had been made. a copy of the report marked 'Agenda Item 18', is filed with these minutes.

RESOLVED:

That the update now provided, and the internal audit work conducted during the period 9 January to 14 May 2021, together with progress made on the implementation of high importance recommendations, be noted.

19. Date of next meeting.

It was noted that the next meeting was scheduled to be held on Friday 23 July at 10.00am.

2.00 – 4.12pm
4 June 2021

CHAIRMAN