

Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Friday, 28 January 2022.

PRESENT

Mr. T. Barkley CC (in the Chair)

Mr. N. D. Bannister CC  
Mr. D. C. Bill MBE CC  
Mr. G. A. Boulter CC

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

51. Minutes.

The minutes of the meetings held on 5 November and 3 December 2021 were taken as read, confirmed and signed.

52. Question Time.

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

53. 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).

54. Urgent Items.

There were no urgent items for consideration.

55. 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 Non-Registerable Interest in agenda items 13 and 14 (Treasury Management Strategy Statement and Annual Investment Strategy 2022/23 and Quarterly Treasury Management Report) (minutes 62 and 63 below refer) as he was in receipt of a pension from Lloyds Bank Plc.

56. Presentation of Petitions under Standing Order 35.

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

57. Resilience and Business Continuity Update.

The Committee considered a report of the Chief Executive, the purpose of which was to provide 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 8', is filed with these minutes.

Arising from discussion the following points were raised:

- (i) Keeping members informed and engaged on issues (such as flooding) arising in their areas was highlighted as being key to enabling appropriate responses to be given to constituent's concerns. This was considered to be an area where improvements needed to be made. In response officers undertook to consider how to improve keeping local members informed going forward.
- (ii) In response to comments raised by a Member highlighting the need to ensure member oversight of the outcomes of major incidents, officers undertook to include further information in future annual reports to the Committee.

RESOLVED:

- (a) That the report and presentation providing an annual update on the Council's Resilience and Business Continuity activities, work undertaken with Leicester, Leicestershire and Rutland local authorities, and wider multi-agency resilience activities be welcomed.
- (b) That the Chief Executive be requested to include further information in future annual reports to the Committee on the outcomes of the responses to major incidents and consider how to improve the timely sharing of information about incidents with relevant local members.

58. Auditor's Annual Report 2020/21.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to present a copy of Grant Thornton UK LLP's Auditor's Annual Report on the County Council for 2020/21 for consideration and comment. A copy of the report marked 'Agenda Item 9', is filed with these minutes.

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

In introducing Grant Thornton UK LLP's Auditor's Annual Report, Mr Barrie Morris advised that this was the first year the report (which replaced the previous Annual Audit Letter) had been produced in line with the new National Audit Office's practice guide. The review undertaken had been more thorough (with the Council being used as a test case) and this had therefore provided more assurance than would ordinarily be required. Mr Morris confirmed that overall, the report was positive, and the Council had accepted all the recommendations made for improvement.

Arising from discussion the following points arose:

- (i) One of the areas of improvement identified as part of the auditor's review related to ensuring there was sufficient capacity for the Internal Audit Service to deliver all areas under its responsibility. A Member questioned if this could be delivered. The Head of Internal Audit and Assurance Service confirmed that with resources fully returning to the Service from the academies provision, recruitment being undertaken to fill vacant posts and the creation of a new apprenticeship post, he was currently satisfied that resource levels would be sufficient.
- (ii) The Committee agreed that the high level of assurance given in the report was a credit to Council officers who undertook roles in the areas of work reported on and thanked them for their efforts.

RESOLVED:

That the Auditor's Annual Report on the County Council for 2020/21 produced by Grant Thornton UK LLP (the County Council's External Auditor) be welcomed.

59. External Audit - Progress Report and Sector Update.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to present a copy of a progress report and sector update from the Council's External Auditors (Grant Thornton UK LLP) for consideration and comment. A copy of the report marked 'Agenda Item 10', is filed with these minutes.

The Chairman thanked Mr Morris of Grant Thornton UK LLP, the County Council's external auditors, for remaining to present the item.

Arising from questions from members the following points were made:

- (i) Assurance was provided that Grant Thornton would be working to complete the external audit for the statement of accounts 2021/22 for the County Council and its Pension Fund in line with the statutory deadline of 30 November 2022. The completion of the external audit for the last couple of years had been delayed somewhat due to the impact of the Covid-19 pandemic and the increased work caused by changes in national auditing requirements. The replacement of the County Council's accountancy software in the year 2020/21 had also had an effect. The same issues were not expected for the current year, therefore no delays were anticipated.
- (ii) It was clarified that the reference in the Appendix that all files reviewed in relation to Value for Money required no more than limited improvement (page 73 of the agenda pack referred), was one of the findings of the Financial Reporting Council's annual report about the work carried out by Grant Thornton, not the County Council. Members noted that whilst a couple of the files had been identified as requiring limited improvement where the quality of reporting was concerned, the majority had been graded as 'good' with no improvements required.
- (iii) In response to concerns raised by a member about the risk of the County Council and other councils not being able to balance their budgets in the medium/long term, and the impact this could have on delivering public services, Mr Morris confirmed that:

- a. Grant Thornton would continue as part of its annual assessment to consider the overall arrangements the Council had in place to deliver its medium term financial plans and the future outlook to ensure that the Council was identifying any savings needed.
- b. Whilst Grant Thornton had commented positively about the way Leicestershire County Council managed its finances in its 2020/21 annual report, it was acknowledged that local government finances and public funding in general continued to be under significant pressure. Therefore, the identification and delivery of any necessary savings was becoming increasingly more challenging for local councils.
- c. The situation was such that the option to reduce or stop certain services was something that councils were having to consider. Grant Thornton had made a recommendation about this in its 2020/21 annual report of the County Council, suggesting that it made a distinction between 'statutory' and 'discretionary' spending in its budgetary information provided to members and published online. Though it was recognised that in some cases a distinction would be difficult to determine.

The Director confirmed that the Council always aimed to create a coherent and credible plan to deliver its MTFS. Although further challenges lay ahead, the key would be for the Council to keep focussed on the actions it could take to find solutions. Assurance was also given that since the most recent changes to national auditing requirements were introduced, the Council had seen a marked increase in the level of rigour undertaken by the auditors to assess the arrangements the Council had in place to manage its finances, both in terms of sustainability and for the protection of services.

A member highlighted that the situation of each council would be different depending on how they were managed and funded. It would therefore be important to sustain focus on the local situation and for all members to lobby the Government for fairer funding for Leicestershire. Members commended officers on the excellent job they had been doing in managing the budget under very difficult circumstances and praised the efforts made to set out a clear plan for a way forward.

- (iv) In response to a question raised and a concern that some councils might eventually be unable to afford to provide even statutory services, it was confirmed that whilst external auditing companies such as Grant Thornton were not able to make formal representations to the Government to address the financial challenges discussed, they were obligated to take formal action where individual councils were failing to set a balanced budget, or did not have robust plans in place for the future. Members were reminded that such action had been taken as outlined in recent public interest reports. Grant Thornton also regularly liaised with those who were able to make representations to the Government on such issues (such as CIPFA, the County Council Network and Treasurers societies) to ensure that its views and concerns could be taken into account.

RESOLVED:

- (a) That the progress report and sector update from the County Council's External Auditor (Grant Thornton UK LLP) be noted;
- (b) That the additional information and assurance provided regarding pressures on local government funding and the future delivery of services be noted.

60. Risk Management Update.

*[Mr. D. C. Bill MBE CC 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 was to provide an overview of key risk areas and the measures being taken to address them. The report also provided updates on the Corporate Risk Register, emerging risks and issues, mitigating the risk of fraud, the Council's Risk Management Policy Statement and Strategy and the Council's Insurance Policy. A copy of the report marked 'Agenda Item 11', is filed with these minutes.

In introducing the report, the Director confirmed that a reminder of the risk scoring matrix details had been included in the report in response to the Committee's request at its November meeting.

Arising from discussion the following points arose:

- (i) Concern was raised that Corporate Risk 4.2 (If Arriva is successful in its concessionary travel appeal, or the City in its challenge on the methodology of reimbursing operators, then reimbursement costs for the scheme could increase) had been on the Corporate Risk Register (CRR) for some time. The Director confirmed that the Internal Audit Service had recently followed up this matter as a priority and requested the latest position from the relevant officers. Assurance had been provided that the actions to enable the risk to be removed were almost concluded. It was anticipated that further progress would be made before the Committee's next meeting.
- (ii) Members noted that the monitoring of Covid grant funding payments made to the Council was an area of work that was ongoing for the Internal Audit Service and a report on the activities undertaken would continue to be included in the Internal Audit progress reports regularly considered by the Committee as necessary.
- (iii) Regarding Corporate Risk 7.1 (If sickness absence is not effectively managed then staff costs, service delivery and staff wellbeing will be impacted), it was questioned whether the productivity levels and the wellbeing of staff working from home was being considered as part of this risk. Members commented that if these areas were not monitored effectively then they could potentially have an impact on sickness absence levels. The Director confirmed that he would raise this point with the team managing the Ways of Working Programme, which was currently under development, to ensure this was being considered.
- (iv) A member sought assurance that Cabinet Lead Members had oversight of departmental risk registers and the risks that escalated to the CRR. It was agreed that this point had been raised with the relevant officers/members some time ago and that it may be useful to raise again.

- (v) Members requested a presentation be given at the Committee's next meeting on either Corporate Risk 1.11 (regarding the consequences if Freeport designation is not achieved) or Corporate Risk 7.2 (regarding the risk if departments are unable to promptly recruit and retain staff with the right skills and values and in the numbers required to fill the roles needed) as the Director of Corporate Resources considered appropriate.

RESOLVED:

- (a) That the current status of the strategic risks facing the County Council be approved;
- (b) That at the next meeting of the Committee a presentation be provided on either Corporate Risk 1.11 (regarding the consequences if Freeport designation is not achieved) or Corporate Risk 7.2 (regarding the risk if departments are unable to promptly recruit and retain staff with the right skills and values and in the numbers required to fill the roles needed) as the Director of Corporate Resources considers to be appropriate;
- (c) That the Director be requested to raise with the Assistant Director for Corporate Resources, leading on the Ways of Working Programme, the Committee's concerns that productivity levels and the wellbeing of staff working from home should be considered as part of Corporate Risk 7.1 (If sickness absence is not effectively managed then staff costs, service delivery and staff wellbeing will be impacted);
- (d) That the updates provided regarding the emerging risks and issues, mitigating the risk of fraud, the Risk Management Policy Statement and Strategy and the Insurance Policy be noted;
- (e) That assurance be sought that the appropriate lead members had oversight of the departmental risk registers and the risks escalated to the Corporate Risk Register.

61. Regulation of Investigatory Powers Act 2000 and the Investigatory Powers Act 2016.

The Committee considered a report of the Director of Law and Governance, the purpose of which was to advise on the Authority's use of the Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016 (IPA) for the period from 1 January to 31 December 2021 and to ask the Committee to review the Covert Surveillance and the Acquisition of Communications Data Policy Statement relating to RIPA. A copy of the report marked 'Agenda Item 12', is filed with these minutes.

Arising from discussion the following points were raised:

- (i) Four out of the six cases where surveillance activities had been approved for the period reported had resulted in criminal proceedings being held. Work was ongoing to conclude two outstanding cases (relating to the seizure of counterfeit and unsafe products), but it was envisaged that the remaining cases would also end in some form of legal/criminal proceeding and therefore could potentially result in prosecution.

- (ii) In response to a question raised by a Member, the Head of Regulatory Services stated that in his opinion the process to enable the Council to undertake the necessary covert surveillance activities (to obtain information covertly to support with investigations) in accordance with RIPA was adequate and that obtaining the judicial approval required to carry out such activities was not normally an issue. Members noted that where non-covert surveillance activities were concerned, the Council had the authority to seize items such as computers and other electronic devices to obtain communications content where it was relevant to a particular investigation.

RESOLVED:

- (a) That the Council's use of the Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016 (IPA) for the period from 1 January to 31 December 2021 be noted;
- (b) That the Council's existing Covert Surveillance and the Acquisition of Communications Data Policy Statement on the use of RIPA powers (which is appended to the report and unchanged since approval by the Cabinet in March 2021) be agreed as still being fit for purpose;
- (c) That the Committee continue to receive an annual report on the use of RIPA and IPA powers.

62. Treasury Management Strategy Statement and Annual Investment Strategy 2022/23.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide the Committee with an opportunity to review the treasury management strategy statement and annual investment strategy for 2022/23. A copy of the report marked 'Agenda Item 13', is filed with these minutes.

The Director advised the Committee of an error contained in paragraph 22 of the Appendix. He clarified that the figure relating to the funding requirement included in the new MTFs capital programme should have read £143m (as referenced at paragraph 8 of the same Appendix), rather than the £161m as had been stated. This would be amended in the version of the Appendix that would be considered by the Cabinet.

RESOLVED:

- (a) That the contents of the Treasury Management Strategy Statement and Annual Investment Strategy 2022/23 be supported.
- (b) That it be noted that the Treasury Management Strategy Statement and Annual Investment Strategy would be submitted to the Cabinet for consideration at its meeting in February 2022 as part of the Medium Term Financial Strategy.

63. Quarterly Treasury Management Report.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to update the Committee on the actions taken in respect of treasury management for the quarter ending 31 December 2021. A copy of the report marked 'Agenda Item 14', is filed with these minutes.

In response to a question raised by a Member, it was acknowledged that inevitably there would be an impact on the financial markets if Russia was to invade the Ukraine as anticipated. However, it was too early to know the type and scale of any impact on the County Council's investments and whether therefore any preventative measures needed to be put in place at this early stage. Members were assured that officers were regularly receiving information about the issue from Link Asset Management, the Council's treasury management adviser, and considered the latest indicators to inform any action the Council might need to take in due course.

RESOLVED:

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

64. Date of next meeting.

RESOLVED:

That the next meeting of the Corporate Governance Committee be held on 13th May 2022 at 10.00am.

10.00 – 11.32am  
28 January 2022

CHAIRMAN