

Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Friday, 13 May 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. G. Coxon CC
Mr. J. T. Orson CC
Mr. T. J. Richardson CC

65. Minutes.

The minutes of the meeting held on 28 January 2022 were taken as read, confirmed and signed.

66. Question Time.

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

67. 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).

68. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.

There were no urgent items for consideration.

69. 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 Non-Registerable Interest in agenda items 11, 12 and 13 (Recommended Change to the Annual Investment Strategy to add to the List of Acceptable Investments and Quarterly and Annual Treasury Management Reports) (minutes 75, 76 and 77 below refer) as he was in receipt of a pension from Lloyds Bank Plc.

70. Presentation of Petitions under Standing Order 35.

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

71. 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 an update on mitigating the risk of fraud. A copy of the report marked 'Agenda Item 7', is filed with these minutes.

As part of this item, the Committee also received a presentation on Corporate Risk 7.2 on the Corporate Risk Register (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, then the required/expected level and standard of service may not be delivered, and some services will be over reliant on the use of agency staff resulting in budget overspends and lower service delivery). A copy of the presentation slides is filed with these minutes.

Risk Presentation

Arising from discussion, the following points were made:

- (i) Members were pleased to note the actions taken by the Council to date in respect to apprenticeships. In response to a question raised, it was noted that whilst there were a number of stringent rules limiting the areas the Apprenticeship Levy from the Government could be used for, the Council was doing all it could do to maximise its own offer. For example, one of the areas the Council was currently looking into applying a certain percentage of the levy was to develop leadership skills in Special Schools. Members noted that there was also potential to use the levy to fund the relevant training for existing staff and the Council was looking into the options around this.
- (ii) The reasons why staff left the Council were varied and made up of both internal and external factors. Analysing the responses to exit interviews was a key part of determining any patterns and issues to be addressed. Though knowledge was also gained through external means (such as by monitoring the activity of the job market). Whilst staff were not always inclined to engage with exit interviews, revisions made to the process now meant that a higher percentage of staff were participating which was positive. Regarding the types of organisations staff leaving to take up another role were moving to, it was confirmed that further information on the reasons staff left the Council would be provided to Committee members outside of the meeting. However, a key issue known to be affecting the public sector at present was the large number of vacancies that had become available in the private sector that was often able to offer more competitive rates of pay. One example was the national drive to recruit more HGV drivers. There were also trends of staff moving to and from specific sectors (such as from Care to Catering).
- (iii) A member commented on the importance of staff feeling empowered to make the decisions required within their work areas. It was felt that having overly complex decision making processes and committee structures could mean some of the higher level decisions taking longer to progress than expected which could lead to staff feeling unempowered. It was questioned, if this was a factor in the reasons why staff left the Council, whether changes made to streamline the decision making processes and committee structures would make a difference in the Council retaining staff.

In response, it was expected that in its position as a Local Authority the Council would always need a certain level of rigour in its decision-making processes. However, it was acknowledged that over the last couple of years during the Covid-19 pandemic it had been necessary for different approaches to be taken to manage the crisis which had worked well overall, and there was a need to ensure the benefits gained during that period were not lost. For example, there were opportunities with digital innovation to streamline processes which were being explored and was where some investment was being made. Members noted that through the Council's Learning Development Programme consideration was being given to how the current training offer could be developed to encourage innovative ideas at work and how staff were supported to progress such ideas for the benefit of themselves and the organisation.

Risk Management Update

- (iv) It was questioned whether the risks of not achieving a 'County Deal', or achieving a lesser deal than expected, which could lead to funding being directed to neighbouring areas with higher level deals, needed to be listed on the Corporate Risk Register. The Director confirmed that discussions with the Government were ongoing, and developments were taking longer than anticipated. However, the points raised would be considered. Members noted that reference had been made to 'County Deals' in new legislation that had recently been proposed in the Queen's speech and the implications to the Council of that proposed legislation would be kept under review.
- (v) Members requested that a presentation be given at the Committee's next meeting on Corporate Risk B (If the implications of the Russian invasion of Ukraine are sustained, then the County Council and Leicestershire as a whole will be significantly impacted).

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 Corporate Risk B (If the implications of the Russian invasion of Ukraine are sustained, then the County Council and Leicestershire as a whole will be significantly impacted);
- (c) That the update regarding mitigating the risk of fraud be noted;
- (d) That further information on the reasons staff give for leaving the Council be provided to Committee members outside of the meeting;
- (e) That the Director of Corporate Resources be requested to consider whether the risks around not securing a County Deal or securing a lower level deal than anticipated needs including on the Corporate Risk Register.

72. Indicative External Audit Plan and Audit Risk Assessment 2021/22.

The Committee considered a report of the Director of Corporate Resources which presented the indicative External Audit Plan and Audit Risk Assessment for the Council and its Pension Fund (2021/22) for consideration. A copy of the report marked 'Agenda Item 8', is filed with these minutes.

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

In presenting Grant Thornton UK LLP's indicative External Audit Plan Mr Stocks highlighted the following points:

- (i) The External Audit Plan was due to be finalised in June 2022 with the External Audit due to commence in July 2022.
- (ii) Following initial inspection of the Council's income streams, the significant risk in the External Audit Plan around this looked to be reduced based on the assessment of the controls that were in place. However, a level of testing in this area would still be undertaken as part of the External Audit.
- (iii) In regard to the significant risk identified around Infrastructure Assets, specific areas were required to be assessed this time around due to a number of national issues that had been identified prior to completion of the last External Audit. The Chartered Institute of Public Finance and Accountancy (CIPFA) had launched a consultation this week on how such assets should be accounted for in response to the difficulties some authorities had been experiencing when completing valuations.
- (iv) A significant risk around the East Midlands (EM) Freeport had been included in the Audit Plan. Members were reassured that Grant Thornton would begin looking at the arrangements for this which were expected to be complex, to assess the areas (such as income flows around business rates) likely to have an impact on the Council's accounts in future years.
- (v) Work was ongoing in respect to the Council's Value for Money arrangements. Whilst there had been a few recommendations for improvement made the previous year the report on the Council's arrangements had largely been positive. The intention this year was to undertake a more detailed inspection of service areas such as education and social care, but currently there were no significant risks expected to be identified from the work being undertaken.
- (vi) Mr Stocks confirmed that Grant Thornton had been satisfied with the responses given by the County Council to enable completion of the Audit Risk Assessment for the County Council and its Pension Fund accounts. Members confirmed they were also satisfied with the responses in the report presented.

Arising from discussion, the following points were raised:

- (vii) Members wanted to understand more on the risk around the EM Freeport that had been included in the Audit Plan, including the governance arrangements (which were still being finalised), the visibility the Committee would have around Freeport activity going forwards and the impact on the western side of the County in terms

of infrastructure requirements. It was agreed that the Committee would be given a broader update on the wider impact of the Freeport at a future meeting.

- (viii) It was commented that the Government's response to implementing the recommendations of the Redmond Review appeared to be slow. Regarding the impact to the Council in the short term Mr Stocks acknowledged that progress with the major recommendations was likely to be limited. However, in terms of recent progress the Financial Reporting Council would soon be moving into the role of system leader for local audits which was expected to be helpful in terms of coordination. It was noted that the Public Sector Audit Appointments (PSAA) had also launched the tendering exercise to appoint external auditors for the period commencing from the 2023/24 financial year which was hoped would generate more market supply. The Director highlighted that the Internal Audit Progress and Plan report further down the agenda provided a further update on the actions being undertaken by the Department for Levelling Up, Housing and Communities and CIPFA in response to the Redmond Review.

RESOLVED:

- (a) That the report presenting the indicative External Audit Plan and Audit Risk Assessment 2021/22 for the Council and its Pension Fund be noted;
- (b) That the Director be requested to provide an update on the wider impact of the Freeport at a future meeting.

73. Provisional Draft Annual Governance Statement - 2021/22.

The Committee considered a joint report of the Director of Corporate Resources and the Chief Executive, the purpose of which was to outline the background and approach taken to produce the County Council's 2021/22 provisional draft Annual Governance Statement (AGS) and present the provisional 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 9', is filed with these minutes.

Arising from discussion, the following points arose:

- (i) One of the significant governance issues identified in the Provisional Draft AGS related to environmental damage caused to Firs Farm, Husbands Bosworth which was owned by the Council as part of the County Farms Estate. Concern was raised regarding the large amount of money it was going to cost the Council to rectify the damage made by the previous tenants. It was questioned, given the issue had been identified in 2018, why this issue had not been reported to the Committee sooner and whether there was any insurance in place to cover the costs. In response the Director advised that:
- a) There was always a degree of risk for landlords when hosting tenants, but this type of incident and the scale of criminal offences committed involving criminal gangs was exceptional.
- b) The Council had been constrained on the information it could divulge on the issues at Firs Farm due to it being the subject of a criminal investigation.

- c) As to whether the Council could do more to find the tenants that had absconded, it would be too resource intensive and not cost productive for the Council to follow-up in addition to the efforts the police (with their level of knowledge and experience on such issues) had already made.
 - d) The damage caused had initially been found on visual inspection with further detail being found later on which had increased the costs. The Council had followed up with its insurers to check whether they would cover the rectification cost, but unfortunately the insurance in place did not cover the type of environmental or illegal waste disposal undertaken on the farm.
 - e) The Council had been working closely with the appropriate environment agencies from when the issues had been first detected, particularly as there had been issues with livestock. This was usual practice.
 - f) The Council always undertook the necessary background checks when considering new tenancy applications for its properties to let.
 - g) It was agreed that the final cost of remedial work that was due to be undertaken would be provided to Committee members when this became available.
- (ii) In response to a question raised, officers undertook to consider whether it was appropriate to include the vision and outcome for Affordable and Quality Homes in Leicestershire in the AGS given that housing was not the responsibility of the County Council.

RESOLVED:

- (a) That the Provisional Draft Annual Governance Statement for 2021/22 be supported;
- (b) That the two significant governance issues reported in the provisional draft Annual Governance Statement for 2021/22 be noted;
- (c) That it be noted that the provisional draft AGS 2021/22 will be subject to amendments and that a final draft AGS 2021/22 will be circulated to Committee members before it is published with the draft Statement of Accounts before the end of June 2022;
- (d) That it be noted that the Annual Governance Statement, which may be subject to such changes as are required by the Code of Practice on Local Authority Accounting, has been prepared in accordance with best practice;
- (e) That officers be requested to consider whether it is appropriate to include the vision and outcome for Affordable and Quality Homes in Leicestershire in the Annual Governance Statement given that housing is not the responsibility of the County Council;
- (f) That the final cost of remedial work being undertaken in regard to Firs Farm be provided to Committee members when available.

74. Local Code of Corporate Governance.

The Committee considered a joint report of the Director of Corporate Resources and the Chief Executive which sought its support for the revised Local Code of Corporate Governance. A copy of the report marked 'Agenda Item 10', is filed with these minutes.

RESOLVED:

That the Committee notes that the changes made to the Local Code of Corporate Governance – April 2022 (attached as an Appendix to the report) are not material, but necessary to ensure the Code is up to date and relevant and that the changes will therefore be approved by the Directors of Corporate Resources and Law and Governance in accordance with their delegated powers.

75. Recommended Change to the Annual Investment Strategy to add to the List of Acceptable Investments.

The Committee considered a report of the Director of Corporate Resources, which sought its views about a recommended change to the list of acceptable investments within the Annual Investment Strategy to add Bank Risk Sharing Funds, which would enable an investment of £10m to be made as part of the Corporate Asset Investment Fund into Christofferson Robb and Company's (CRC) Capital Relief Fund 5, prior to approval of the Cabinet being sought at its meeting in June 2022. A copy of the report marked 'Agenda Item 11', is filed with these minutes.

Arising from discussion, the following points were raised:

- (i) In response to a question raised, officers undertook to provide Committee members with further information outside of the meeting to confirm the fee rates applied to the Council in respect to the proposed investment of £10m from its Corporate Asset Investment Fund into CRC's Capital Relief Fund 5.
- (ii) A member raised concern that investment opportunities could be lost should the view of the Committee be required to be sought each time a change to the list of acceptable investments was proposed to be made. The Director confirmed that the type of investment proposed to be made to the CRC was different to the treasury management investments the Council routinely made which was why a report for this exception had been necessary on this particular occasion. However, once added to the Annual Investment Strategy the Committee's consideration would only be required as part of the standard annual approval process.

RESOLVED:

- (a) That the proposed way forward to add 'Bank Risk Sharing Funds' to the list of acceptable investments included within the Annual Investment Strategy and the investment of £10m from the Corporate Asset Investment Fund into Christofferson Robb and Company's Capital Relief Fund 5 be supported;
- (b) That the comments now made be submitted to the Cabinet for consideration at its meeting in June 2022;
- (c) That fee information relating to the investment of £10m from the Council's Corporate Asset Investment Fund into Christofferson Robb and Company's Capital

Relief Fund 5 be provided to Committee members outside of the meeting.

76. 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 March 2022. A copy of the report marked 'Agenda Item 12', is filed with these minutes.

In introducing the report, the Director advised that since the time the report was published changes to the credit default swap price for Goldman Sachs had again increased beyond Link's acceptable range and it had therefore reduced its suggested lending duration to 100 days. This meant that it was no longer an acceptable counterparty under the Council's Annual Investment Strategy. Members were pleased to hear that the loans the Council had made to Goldman Sachs were due to be repaid in full next week - a total of £30m.

Arising from discussion, the following points arose:

- (i) Members were pleased to note the additional interest generated over the 2021/22 period by treasury management activities (largely activity in the private debt fund and interest rates rising quicker than forecasted) which was set to be in the region of £2m more than the amount originally budgeted for.
- (ii) A member questioned where this additional income would be re-invested to benefit the residents of the County. The Director advised that due to the continuous rises in inflation this would likely be used for future investments or towards offsetting the significant cost pressures the Council would be continuing to face over the coming years. For example, to manage cost pressures associated with the High Needs Block whilst the full implications of the Government's plans for future funding were awaited. Members noted with concern that the costs of the rising inflation were expected to significantly exceed what had already been budgeted for in the Council's Medium Term Financial Strategy. The Director stated that work was currently being undertaken to firm up the forecasting figures related to the inflationary rises but a severe shortfall (of tens of millions of pounds) in the Council's budget for the current financial year was anticipated.

RESOLVED:

That the actions taken in respect of treasury management for the quarter ending 31 March 2022 be noted.

77. Annual Treasury Management Report 2021/22.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to advise on the action taken and the performance achieved in respect of the treasury management activities of the Council in 2021/22. A copy of the report marked 'Agenda Item 13', is filed with these minutes.

RESOLVED:

- (a) That the Annual Treasury Management Report for 2021/22 be noted;

- (b) That it be noted that the Annual Treasury Management Report for 2021/22 will be submitted to the Cabinet for consideration at its meeting in June 2022.

78. Internal Audit Service - Progress and Plan.

The Committee received a report of the Director of Corporate Resources which summarised the work conducted during the period 9 October 2021 to 8 April 2022, highlighted audits where high importance recommendations had been made, and provided updates on planned work for the six months to the end of September 2022 and CIPFA's revised Position Statement on Audit Committees in Local Authorities and Police 2022. A copy of the report marked 'Agenda Item 14', is filed with these minutes.

In introducing the report, the Head of the Internal Audit and Assurance Service (HoIAS) advised the Committee of an error that had been made in paragraph 4 of the report regarding the list of planning work for the next six months to the end of September 2022. It was confirmed that the list was not provided in the report as had been stated and that paragraphs 14 and 15 referred and confirmed correctly that the list was scheduled to be agreed with the Director of Corporate Resources before the end of May.

He also confirmed that the references to 'Appendix 2' stated in paragraphs 7 – 11 of the report should read 'Appendix 1' to follow on from paragraph 6.

Arising from discussion, the following points were raised:

- (i) In reference to the two outstanding high importance recommendations relating to ICT Externally Hosted Contracts which required an audit to determine whether valid contracts were in place and a decision on whether the original (signed) contracts should be held centrally, the HoIAS confirmed that the auditors assigned to carry out the actions required would be working to conclude these but given the delays noted he would ask for these matters to be followed up as a priority.
- (ii) Assurance was provided that the Information Security Risk Assessment (ISRA) for the CCTV system installed at the Trees Care Home would be completed and authorised.
- (iii) CIPFA's revised 'Audit Committees, Practical Guidance for Local Authorities and Police' was expected to be published in June 2022. It was therefore intended that a report with any recommendations for the Council to take forward would be considered at the Committee's next meeting. Given the number of implications expected to directly affect the functioning of the Committee (including regarding how private matters were investigated and the policies around this), members considered that it would be prudent to hold a briefing once the guidance had been published to enable consideration to be given to the detail and discuss next steps in good time before the next meeting. Officers agreed to make the arrangements in due course.

RESOLVED:

- (a) That the contents of the Internal Audit Service Progress and Plan Report be noted;
- (b) That once the revised CIPFA practical guidance for audit committees for local authorities and the Police is published a briefing be arranged for Committee members to consider the revised guidance and any implications for the Corporate

Governance Committee.

79. Internal Audit Service Annual Report 2021/22.

The Committee considered a report of the Director of Corporate Resources which presented the annual report on the work conducted by the Internal Audit Service in 2021/22. A copy of the report marked 'Agenda Item 15', is filed with these minutes.

In introducing the report, the HoIAS highlighted the areas where work was still outstanding and that should the conclusion of this work require the overall opinion to be altered the Committee would be further advised.

Arising from discussion, the following points were raised:

- (i) A member raised concern regarding the delay in the Head of Internal Audit at Nottingham City Council concluding their annual overall opinion on the audit relating to East Midlands Shared Service (EMSS). It was noted that a number of issues still had to be resolved to enable a final opinion to be given. However, the HoIAS reported that he had received some of the individual reports on areas such as accounts receivable and payable, which had been positive. Therefore, whilst delayed, based on information seen to date, a negative opinion was not expected.
- (ii) In response to a concern raised by a Member regarding the significant governance issue identified in the Provisional Draft Annual Governance Statement for 2021/22 relating to environmental damage caused to Firs Farm, Husbands Bosworth and the cost to the Council to rectify the damage, the Director clarified that the Corporate Risk Register did not capture every incident that affected the Council and that the risk quickly became an issue. Members were reminded that the Council had been very constrained with the information it could divulge due to the matter being the subject of a criminal investigation. The Director confirmed that as well as providing the final cost of remedial work due to be undertaken to Committee members there would be a further opportunity to update the Committee on the situation when the next version of the Annual Governance Statement was due to be considered.

RESOLVED:

- (a) That the Internal Audit Service Annual Report for 2021-22 be noted;
- (b) That the Internal Audit Service Annual Report for 2021-22 be circulated to all members of the County Council for information.

80. Date of next meeting.

RESOLVED:

That the next meeting of the Corporate Governance Committee be held on 23rd September 2022 at 2.00pm.

10.00 am – 11.41am
13 May 2022

CHAIRMAN