

Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Friday, 27 January 2023.

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

35. Minutes of the previous meeting.

The minutes of the meeting held on 21 November 2022 were taken as read, confirmed and signed.

36. Question Time.

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

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

The Chief Executive reported that the following questions had been received under Standing Order 7(3) and 7(5) from Mr M. Hunt CC.

- “1. All companies bidding for Central Government contracts worth more than £5million a year must commit to achieving Net Zero emissions by 2050 but Leicestershire County Council has no (Scope 3) requirements of that nature. What commitments on, or even recording of, carbon emissions have been requested of bidders to the recent Residual Waste Contract?
2. What proportionate requirements to meet Net Zero Carbon can be added to our current Qualitative Sustainability Criteria for procurement and would they be enforceable?
3. How can we strengthen our current Supplier Code of Conduct to encourage reporting of Carbon and other Green House Gas (GHG) emissions?
4. Where we have existing contracts, what can be done to collect data on their GHG Emissions?”

Reply by the Chairman

- “1. The (non-mandatory) guidance released by central government to incorporate a commitment to achieving Net Zero emissions by 2050 was issued after the Council started the Residual Waste Contract procurement.

The Residual Waste Contract does, however, have a specific requirement in relation to future reporting of performance indicators relating to environmental factors which can be amended at any time to include reporting on national obligations such as Carbon Dioxide emissions. The Contractor is required to support and use all reasonable endeavours in providing such information, if requested.

The Contractor must also perform the Contract in accordance with the Council's environmental strategy and there is specific reference in the contract to the Council's declaration of a climate emergency with the Contractor required to support the Council with this in relation to the waste managed under the contract.

2. We are currently working on a set of proposals which will be reported to Corporate Governance Committee setting out how the Council can incorporate Net Zero considerations into its procurement activity more effectively. The criteria would be enforceable, providing they could be administered consistently. Some of the challenges in adding to the criteria in procurement include:
 - Not all companies are currently required to report emissions. SMEs are less likely to have reported and audit information.
 - For companies who do report data, quality can be variable; for example, scope 3 emissions require some assessment of the emissions associated with supply chains. This is difficult to calculate and even harder to allocate to a specific contract or assimilate into the bidding process.
 - There could be a conflict with other objectives. For example, smaller local operators may not be the most carbon efficient operators because they do not have the resource to appoint specialist expertise and implement initiatives to drive down their carbon emissions.
3. The Supplier Code of Conduct was refreshed this year to include an expectation of all of the Council's suppliers to be aware of how their activity can contribute to the Net Zero Strategy and the Net Zero target. The supplier code of conduct was designed to lay out the legal requirements the Council expects suppliers to meet and is fit for purpose for all suppliers. As it is not a legal requirement for all organisations to report on carbon and GHG emissions, it is not appropriate to include this as a mandatory requirement at this stage. We are exploring other ways through the procurement process, supplier set up or supplier questionnaires to capture this data.
4. In February it is planned to issue a questionnaire to all of the Council's current providers which will enable data collection on the supply chain and its maturity in recording and reporting GHG emissions."

38. Urgent items.

There were no urgent items for consideration.

39. 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 2023-24 and Quarterly Treasury Management Report respectively) as he was in receipt of a pension from Lloyds Bank Plc.

40. Presentation of Petitions under Standing Order 35.

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

41. Risk Management Update

The Committee considered a report of the Director of Corporate Resources which provided an overview of key risk areas and the measures being taken to address these. The report also provided an update on the Council's Risk Management Policy Statement and Strategy and the Council's Insurance Policy. A copy of the report marked 'Agenda item 7' is filed with these minutes.

As part of this item the Committee received a presentation from the Director of Adults and Communities on Corporate Risk 7.6 (If Adults & Communities fail to provide robust evidence of good practice for the CQC inspectors, then this will result in a poor inspection outcome and incur reputational risk alongside extra resources and possible external governance to undertake any actions required to make the improvements necessary to fulfil statutory requirements). A copy of the presentation slides is filed with these minutes.

Arising from discussion, the following points were made:

Risk Presentation

- (i) This was a new inspection process which would commence in April this year and apply to all adult social care authorities. Two authorities (Hampshire County Council and Manchester City Council) had been subject to partial testing and learning had been shared from those exercises to help other authorities prepare.
- (ii) It was a contractual requirement for external providers to inform the County Council and the CQC of any safeguarding alerts. Audits were also undertaken annually, though it was acknowledged that these provided only a retrospective view. Training was provided to make sure alerts were made as necessary and in a timely way.

Risk Register

- (iii) Risk 4.2 (concessionary travel appeal by Arriva) had not been resolved but was nearing a conclusion. A further update would be provided to the Committee at its next meeting.

- (iv) The Council insured its own property assets and where these were let, the cost of such insurance was recharged to the tenant in line with their lease agreement.
- (v) In light of the expected cost to the Council to clean up Firs Farm (a farm estate owned and let by the Council where large amounts of potentially hazardous waste had been found) it was noted that consideration would be given to insuring against such incidents in the future. The Director commented that there was a general exclusion for environmental matters in such policies and there would therefore need to be a balance between the added cost of such insurance with the perceived level of risk noting that this case was an exception.
- (vi) Members noted that a report would be provided to the Council's Scrutiny Commission regarding the Investing Leicestershire Programme performance in September. This would include an update on the Council's property inspection approach, in particular the frequency of those inspections. The Director of Law and Governance advised Members that farms owned by the Council would be subject to a standard agricultural tenancy which would include a right for the Council to inspect at appropriate intervals, but that this could not interfere with a tenant's rights to free enjoyment of the land. It was suggested that as part of the report to the Scrutiny Commission details of the standard terms for inspection included within such agreements be explained.

RESOLVED:

- (a) That the updates provided regarding the emerging risks and issues, the Risk Management Policy Statement and Strategy and the Insurance Policy be noted;
- (b) That the presentation provided on risk 7.6 (If Adults & Communities fail to provide robust evidence of good practice for the CQC inspectors, then this will result in a poor inspection outcome and incur reputational risk alongside extra resources and possible external governance to undertake any actions required to make the improvements necessary to fulfil statutory requirements) be noted;
- (c) That the current status of the strategic risks facing the County Council be approved;
- (d) That an update on risk 4.2 (concessionary travel appeal by Arriva) be provided at the next meeting of the Committee;
- (e) That the annual report on the Investing in Leicestershire Programme performance to be presented to the Council's Scrutiny Commission in September include details of the frequency of inspections undertaken of its farm properties and outline the provisions contained in farm tenancy agreements regarding the regularity of the Council's right to inspect.

42. 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 1 January to 31 December 2022. The Report also asked the Committee to review the Council's Covert Surveillance and the Acquisition of Communications Data Policy Statement relating to RIPA. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

In response to questions raised, the Head of Regulatory Services provided assurance that there had been no significant legal challenges to the Council's exercise of its RIPA/IPA powers by the Magistrates Court. Members noted the robust internal systems put in place before legal approval was sought.

RESOLVED:

- (a) That the Council's use of the Regulation of Investigatory Powers Act (RIPA) 2000 and the Investigatory Powers Act (IPA) 2016 for the period 1 January to 31 December 2022 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 was 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.

43. Resilience and Business Continuity Annual 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 9', is filed with these minutes.

Arising from discussion, the following points were made:

- (i) Throughout the year plans had been reviewed and refreshed to check these continued to be robust. Contractors had also been contacted as part of this process give the increased risk of critical supply failure.
- (ii) The Service had been in a continuous state of response over the last two years and the operational arena had continued to worsen over the last year.
- (iii) Arrangements to keep members informed of lessons learnt following incidents through the development of an action plan was welcomed. Members were also pleased to see that following previous comments by the Committee, action had been taken to ensure a process had been put in place to notify (as appropriate and depending on the nature and severity of the incident and its potential impact) local members of incidents in real time.
- (iv) A member commented that the report lacked detail on what work had been undertaken and outcomes achieved. It was noted that most incidents were managed as business as usual, but some information would be provided alongside the proposed action plan to give members greater assurance of actions identified and steps taken to improve the Council's response processes.

RESOLVED:

That the Council's Resilience and Business Continuity activities, work undertaken with Leicester, Leicestershire and Rutland local authorities, and wider multi-agency resilience activities be noted and welcomed.

44. Contract Exceptions

The Committee considered a joint report of the Director of Corporate Resources and the Director of Law and Governance which set out the current approval routes for contract exceptions and details of the exceptions that required Cabinet approval during the period 1st July 2021 to 30th June 2022. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

In presenting the report, the Director of Corporate Resources provided the following additional information regarding the contract exceptions detailed in paragraph 8 of the report:

- Publication of Legal Traffic Orders in Local Press – This contract was a statutory contract for the Council. Potential savings had been identified through a different procurement route, but this would take time to pursue. An extension of six months had therefore been sought and agreed. The new contract was now in place and a saving of approximately £300,000 delivered as a result.
- Highway Management System – This had been identified as an important and high risk contract with significant IT and public implications if not managed correctly. Staff capacity to undertake the procurement properly meant additional time was needed and so an extension had been agreed. The procurement was now well underway.
- Agency staff outside of Corporate Contract – Given significant shortages and difficulties in recruiting social care staff, which was a national issue, the Council's agent, REED, could not fulfil positions as required. There had therefore been a need to temporarily go off contract to secure agency social workers as a matter of urgency to ensure continuity of service.
- Local Bus Services – A further award had been made to the existing suppliers to allow additional time for the procurement during a period when the market was particularly volatile following the Covid-19 pandemic. A review of the Council's transport strategy was being undertaken to support the procurement process now underway.
- Minor adaptations works – This contract had been misclassified and incorrectly signed off by the Chief Officer. It related to adult social care contracts with small local providers that provided minor adaptations to properties. There had been a reduction in the number of those providers and more time was therefore needed to work with the market to try and build local support to continue to undertake such work. This procurement was currently out to tender.
- Extensions of hire charge – The contract related to works ongoing at sites in Whetstone and Bardonia where facilities on hire were already on site. It was not considered cost effective to go out to tender and so an extension of the existing hire contracts was agreed.
- Extension to Public Rights of Way Contract – The contract had been extended to secure continuous services which were a statutory duty, whilst the procurement was undertaken.

Members congratulated officers on their flexibility to adapt to changing circumstances and service pressures whilst also seeking to achieve savings wherever possible.

RESOLVED:

That the update now provided be noted.

45. Internal Audit Service - External Quality Assessment

The Committee considered a report of the Director of Corporate Resources which sought its views on the arrangements being made to fulfil the requirement for an external quality assessment of Leicestershire County Council's Internal Audit Service. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

RESOLVED:

- (a) That the update now provided on the arrangements being made to fulfil the requirement for an external quality assessment (EQA) of the Council's Internal Audit Service be noted;
- (b) That the approach to determine the preferred method of conducting the EQA be supported.

46. CIPFA Financial Management Code 2021/22

The Committee considered a report of the Director of Corporate Resources which advised of the Council's compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code for the financial year 2021/22.

In response to questions raised, the Director reported that whilst the exercise had exposed a few areas that required improvement overall confirmation had been provided that there were no hidden, underlying problems which the Council had not been aware of.

Members noted that the Code and Financial Resilience Index would likely be added to the compendium of work Grant Thornton UK (the Council's external auditors) would carry out as part of its value for money assessment. Whilst it would be a big task to begin with, it should make the audit quicker in the long term and would provide a good base line to compare against in the future.

RESOLVED:

That the Council's compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code for the financial year 2021/22.

47. Treasury Management Strategy Statement 2023 - 24

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 for 2023/24 which includes the minimum revenue provision policy statement and the annual investment strategy for that year. A copy of the report marked 'Agenda item 13' is filed with these minutes.

RESOLVED:

- (a) That the contents of the Treasury Management Strategy Statement 2023/24 be supported;
- (b) That it be noted that the Treasury Management Strategy Statement would be submitted to the Cabinet for consideration at its meeting in February 2022 as part of the Medium Term Financial Strategy.

48. 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 action taken in respect of treasury management for the quarter ending 31st December 2022. A copy of the report marked 'Agenda Item 14' is filed with these minutes.

In response to questions raised, the Director reported that long term projections suggested that interest rates would likely remain around 4% to the end of the year and then gradually fall over the next two years.

RESOLVED:

That the action taken in respect of treasury management for the quarter ending 31st December 2022 be noted.

49. Date of next meeting.

The Chairman advised Members that whilst the next scheduled meeting was to be held on 26th May 2023 and additional meeting would need to be held in March to consider the external audit of the 2022/23 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts.

RESOLVED:

- (a) That the next scheduled meeting of the Committee be held on 26th May 2023 at 10.00am;
- (b) That it be noted that an additional meeting would be arranged for March to consider the external audit of the 2022/23 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts.

10.00 - 11.40 am
27 January 2023

CHAIRMAN