

Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Friday, 26 January 2024.

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. B. Champion CC

Mr G. Grimes
Mr. J. T. Orson CC
Mr. T. J. Richardson CC

44. Minutes.

The minutes of the meeting held on 17 November 2023 were taken as read, confirmed and signed.

45. Question Time.

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

46. 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).

47. Urgent Items.

There were no urgent items for consideration.

48. 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 14 and 15 (Treasury Management Strategy Statement 2024-2025 and Quarterly Treasury Management Update) as he was in receipt of a pension from Lloyds Bank Plc.

49. Presentation of Petitions under Standing Order 35.

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

50. External Audit of the 2022/23 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to present the external auditor's annual report for 2022/23 and an update on the external audit of the 2022/23 financial statements. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

The Chairman welcomed Mr Mark Stocks, Key Audit Partner from Grant Thornton UK LLP, to the meeting.

Arising from discussion, the following points were made:

- (i) Mr Stocks reported that compared to other authorities the County Council was doing well in terms of financial sustainability and no significant risks had been identified. Some recommendations had been made to improve governance around procurement processes due to the year on year rise in contract exceptions and extensions, and in relation to the East Midlands Freeport.
- (ii) Members noted the separate report on the agenda to be considered at this meeting which proposed changes to the Contract Procedure Rules. Mr Stocks confirmed that these changes would help address some of the recommendations it had made regarding procurement, but a cultural reset would be required to ensure these were being fully implemented across the organisation.
- (iii) A Member questioned why in a recent report to the Environment and Climate Change Overview and Scrutiny Committee, it had been suggested that delivery of the Council's Net Zero target might need to be pushed back to 2050 when the external audit had shown the Council to be on target to deliver this by 2045 in line with its current Strategy. Members noted that the Scrutiny report set out the most recent position, but that the external audit had been looking back over 2022/23. As financial pressures increased the Council had to redetermine its strategic priorities in line with decreasing resources. Delivery of the Council's Net Zero Strategy got harder and more expensive over time and so whilst good progress had been made to date, it would be difficult for this to continue at pace in future years. Particularly as the Council would be reliant on the Government and grant funding which was uncertain.
- (iv) The external audit had raised concerns regarding the size of the Council's Dedicated Schools Grant (High Needs Block) deficit which was forecast to reach £90m in 2026/27. Though not regarded as a significant weakness, given that all councils were in a similar position, it had been reported as a risk to the County Council should the Government not renew the current statutory override (which meant the Council could hold this debt off its balance sheet). A Member suggested it would be more helpful if the external auditors' comments could be directed to Government rather than the County Council, given this was a national problem. Mr Stocks commented that it was not a matter for auditors to seek to comment on, or influence Government Policy but to review and highlight risk to individual organisations.
- (v) Members noted that the Council was in regular contact with the Department for Education regarding pressures on the SEND service and the level of DSG

deficit through its involvement in the Delivering Better Value in SEND Programme.

- (vi) The external audit of the accounts had not been completed due to delayed information being available from the Council's external valuers regarding property, plant and equipment. This information was expected to be received shortly to enable the audit to be finalised and presented to the Committee in March.

RESOLVED:

That the External Auditors Annual Report and the information now provided regarding its findings be noted.

51. CIPFA Financial Management Code 2022/23

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to advise of the Council's compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code for the financial year 2022/23. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

Members commented on the difficulties faced by local authorities, due to their complex and varied nature, in complying with the Code, and suggested that in doing so this made their accounts overly complex and therefore less transparent.

Mr Stocks from Grant Thornton UK LLP, the Council's external auditor, commented that the Government mandated that all councils must use International Finance Reporting Standards (IFRS) when preparing their statutory accounts. This was hard for local authorities to implement given the nature of them as an organisation and it made their account processes unnecessarily complex. Many professional bodies had discussed the need for changing the CIPFA Code of Practice to make local government accounting more consistent and usable. However, this would not address the core problem of having to meet IFRS. This was therefore a matter for the Government.

RESOLVED:

That the report on the Council's compliance with the CIPFA Financial Management Code during the 2022/23 financial year be noted.

52. 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 of 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 2023. 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 9' is filed with these minutes.

Arising from discussion, the following points were made:

- (i) Members welcomed the report and commented on the value of the work Trading Standards undertook.
- (ii) The threshold that was required to be met before Council officers could use the surveillance powers under the RIPA and IPA were high and the Magistrates Court scrutinised and challenged applications when made. The Director commented that the threshold was appropriate.
- (iii) Council Trading Standards officers had a good, working knowledge of the law and were proactive in using RIPA where this was considered appropriate and necessary. Internal arrangements in place were robust in checking and challenging each application before submission to the Magistrates Court.
- (iv) Members were pleased to note that of the 10 authorisations granted for the use of RIPA powers, all had resulted in a successful prosecution, the surveillance material obtained being the key evidence in all such cases.

RESOLVED:

- (a) That the 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 2023 be noted;
- (b) That the Council's Covert Surveillance and the Acquisition of Communications Data Policy Statement (which is unchanged since approval by Cabinet in March 2021) be confirmed as remaining fit for purpose;
- (c) That the Committee agrees to continue to receive an annual report on the use of RIPA and IPA powers.

53. Contract Procedure Rules Update

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an update on the operation of the Contract Procedure Rules (CPRs) between 1st July 2022 and 30 September 2023. The report also proposed amendments to the CPRs for the Committee's consideration prior to submission to County Council for approval. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

Arising from discussion, the following points were made:

- (i) The new rules would provide tighter controls around contract exceptions and extensions. The changes would be communicated widely to staff, and this would aid the cultural change necessary to ensure the current number of contract exceptions and extensions was reduced.
- (ii) Members noted that officers would be required to complete a form setting out the reasons why a contract exception was required, including details of what mitigation would be in place to manage risk and when and how it was proposed the contract would be procured. Additional approvals were required and if the contract value was over the threshold this would be submitted to the Cabinet for approval. Full details of the need for the exception/extension would be set out in the report to Cabinet which would be published on the Council's website.

Members were pleased to note that any spend would not be permitted until appropriate approvals were in place.

- (iii) Members were assured that all contract exceptions/extensions had to be completed within a year of approval having been given. If this did not happen, then the process would have to be repeated.

RESOLVED:

- (a) That the contents of the report on the operation of the Contract Procedure Rules between 1 July 2022 and 30 September 2023 be noted, along with the proposed new reporting dates;
- (b) That the County Council be recommended to approve the proposed amendments to the Contract Procedure Rules, as set out in Appendix B to the report.

54. Risk Management Update.

The Committee considered a report of the Director of Corporate Resources which presented the Corporate Risk Register for approval and provided an update on the Council's Insurance Policy. The Committee also received a presentation on Property & Occupants Risk Management. A copy of the report marked 'Agenda item 11' and the presentation slides is filed with these minutes.

In response to questions raised, Members noted the following:

- (i) Risk 7.5 (Adults and Communities - If there is continuing increase in demand for assessments (care needs and financial) then it may not be met by existing capacity) - The Department had conducted a review and cleared a large proportion of the assessment backlog. Staffing levels had also now improved which would further ensure the backlog was reduced as quickly as possible.
- (ii) The Cost of Living Risk - This related to rising costs as a result of rising inflation and the increase in the living wage.

RESOLVED:

- (a) That the current status of the strategic risks facing the County Council be approved;
- (b) That a presentation be provided at the next meeting on risk 7.7 (If current demand for Education Health Care (EHC) Needs Assessment and updating of EHC Plans after annual review exceeds available capacity of staff within SEND Services (particularly educational psychology and SEN Officer) then this leaves the Council vulnerable to complaints of mal-administration with regards to statutory timescales. The situation is worsened by a lack of specialist placements which means that children with complex needs may not be placed in a timely way and hence may not receive the support to which they are entitled through their EHC Plan);
- (c) That the updates regarding the Risk Management Policy Statement and Strategy and the Insurance Policy be noted;

- (d) That the update and the presentation provided on Property & Occupants Risk Management be noted.

55. External Quality Assessment of the Internal Audit Service and the Revised Internal Audit Charter

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to set out plans for an External Quality Assessment (EQA) of the Council's Internal Audit Service and to seek approval of the revised Internal Audit Charter which was a key governance document. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

RESOLVED:

- (a) That the work being undertaken as part of the five yearly EQA be noted;
- (b) That the revised Internal Audit Charter attached as Appendix 2 to the report, be approved.

56. Internal Audit Service - Progress against 2023-24 Plan

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide a summary of work undertaken during the period 11 September 2023 to 12 January 2024 and to report on progress with implementing high importance recommendations as at 12 January 2024. A copy of the report marked 'Agenda Item 13' is filed with these minutes.

Arising from discussion, the following points were made:

- (i) Members raised concerns that the Head of Audit and Risk at Nottingham City Council had not yet issued their annual opinion for 2022/23 in respect of East Midlands Shared Service (EMSS). They questioned the reasons for the delay, particularly as only limited assurance had been given the previous year. It was noted that this was due to substantial staff vacancies and sickness absence and other pressures currently faced by the City Council, not East Midlands Service itself. The Director provided assurance that despite the delay, they were in contact with the Nottingham Internal Audit Service and continued to see individual audit reports presented to the EMSS Joint Committee which provided some degree of assurance in the interim.
- (ii) It was noted that the Internal Audit Plan had to be flexible to adapt to the changing priorities of the Council and risks arising. Over the reporting period a number of audits had therefore been added for the next 6 months.
- (iii) The Head of Internal Audit Service reported that a formal audit planning process would be undertaken shortly and future reports would be adapted to provide greater visibility of progress and actions.

RESOLVED:

That the contents of the report be noted.

57. Treasury Management Strategy Statement 2024 - 2025

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 which included the minimum revenue provision (MRP) policy statement and the annual investment strategy for 2024/25. A copy of the report marked 'Agenda Item 14' is filed with these minutes.

RESOLVED:

That the treasury management strategy statement, including the MRP policy statement and the annual investment strategy for 2024/25 be noted and supported.

58. Quarterly Treasury Management Update

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an update on the actions taken in respect of treasury management for the quarter ending 31 December 2023 (Quarter 3). A copy of the report marked 'Agenda Item 15' is filed with these minutes.

As there was sometimes a gap between the period covered within the quarterly reports and the timing of the meeting, Members requested that the Director include some additional, more up to date information on the economy beyond the period covered when possible.

In response to a Members' question, it was noted that the £100,000 loan to ESPO had been short term (a few days over the New Year holiday period) and was not a cause for concern. The County Council was the Administering Authority for ESPO, and so managed its accounts.

RESOLVED:

That the update provided be noted.

59. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on 24 May 2024.