



Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Friday, 23 September 2016.

PRESENT

Mr. A. M. Kershaw CC (in the Chair)

Mr. G. A. Hart CC
Mr. J. Kaufman CC
Mr. K. W. P. Lynch CC

Mr. T. J. Richardson CC
Mr. S. D. Sheahan CC
Mr. R. J. Shepherd CC

116. Appointment of Chairman.

That Mr. A. M. Kershaw CC be elected Chairman for the period ending with the Annual Meeting of the County Council in May 2017.

Mr. Kershaw in the Chair

117. Election of Vice-Chairman.

That Mr R. J. Shepherd CC be appointed Deputy Chairman for the period ending with the date of the Annual Meeting of the County Council in 2017.

118. Minutes of the previous meeting.

The minutes of the meeting held on 19 February 2016 were taken as read, confirmed and signed.

119. Question Time.

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

120. Questions asked by members.

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

121. Urgent Items.

There were no urgent items for consideration.

122. 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 Richardson CC declared a personal interest in item 12 (Quarterly Treasury Management Report) as he was in receipt of a pension from Lloyds Bank Plc.

123. External Audit of the 2015/16 Statement of Accounts and the Annual Governance Statement.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to set out the key findings from the external audit of the 2015/16 financial statements and to seek approval of the draft letter of representation. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

The Chairman welcomed Mr John Cornett and Mr Daniel Hayward from KPMG, the Council's external auditors, to the meeting. Mr Cornett requested that officers of the County Council be thanked for their professionalism and quick responses to any queries raised by KPMG during the external audit work.

Arising from discussion, the following points arose:

- Whilst two significant adjustments had been made in the accounts, neither was considered to be material and these would not affect an unqualified opinion being given by KPMG. Mr Cornett confirmed that KPMG were satisfied that these resulted from a simple oversight and there were no underlying systematic issues that required rectification.
- One value for money risk had been identified regarding the delivery of savings, but Mr Cornett confirmed that KPMG were satisfied that the Council's Medium Term Financial Strategy was robust and strong processes had been put in place to manage these.
- Members expressed concern that the letter of representation to be signed by the Chairman on behalf of the Committee assumed members had a detailed knowledge of the accounts and their preparation. Members highlighted that officers prepared the accounts and these were not considered by this Committee but were presented to the Constitution Committee for approval. Mr Cornett confirmed that the Chairman was only required to sign the letter to confirm that the Committee had seen it and had therefore been made aware of the work undertaken by officers when preparing the accounts and the adjustments made and highlighted through the audit process; the letter could therefore be amended to reflect this.

RESOLVED:

- (a) That the External Audit of the Financial Statements be approved;
- (b) That the letter of representation to KPMG be amended to reflect that the Chairman signed this on behalf of the Committee to confirm only that it had seen and approved the letter that would be submitted by the Chief Financial Officer.

124. Appointment of External Auditors 2018/19 - Update.

The Committee considered a report of the Director of Corporate Resources, which outlined the changes made to arrangements for appointing External Auditors following the closure of the Audit Commission and set out the options available to appoint its own auditors by 31 December 2017 for the 2018/19 financial year. A copy of the report, marked 'Agenda Item 9', is filed with these minutes.

RESOLVED:

That the County Council be recommended to adopt Option 3 (Opt-in to a Sector Led Body) as detailed in the report.

125. 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 them. The report also provided an update on related risk management matters such as Counter Fraud initiatives and Insurances. A copy of the report, marked 'Agenda Item 10', is filed with these minutes.

The Committee also received a presentation on the risks associated with Health and Social Care Integration as detailed in the Corporate Risk Register. A copy of the presentation slides is filed with these minutes.

Presentation

Arising from the presentation the following points were noted:

- It was currently unclear what the potential consequences of leaving the EU might have on staffing numbers within the health sector.
- The University Hospitals of Leicester NHS Trust was one of the largest teaching Trusts in the country. However, whilst many staff were trained locally less than 25% went on to remain in a Leicestershire hospital. Work was therefore being done to improve retention.
- There was greater focus on 'prevention' and on those that used health and social care services the most, with a view to treating them within the community and avoiding the need for hospitalisation as far as possible.
- Work done in Manchester to better coordinate the urgent care and health and social care system provided a good example for utilising acute care funding to achieve broader benefits.
- Acute hospitals struggled most as they carried the deficit for most of the NHS, helping those patients that could not be helped elsewhere within the system. It was a difficult problem to address and required all health bodies to co-operate through the new integrated approach.
- The integration of health and social care would result in closer joint working and greater communication between health bodies, improving connectivity between services.
- Members considered that the controls to mitigate the risks identified seemed appropriate, but it would be necessary to ensure that there was sufficient oversight across service boundaries to test these measures and to guarantee the new system was robust and operating effectively.

Risk Register

- A member requested further clarification of risk 1.3 concerning the management of Section 106 agreements and the County Council's assertion that district council's not having a CIL in place posed a greater risk to the Authority. Officers were asked and the Director of Corporate Resources undertook to provide a clear example which demonstrated this.

- A presentation on the Combined Authority (CA) and Devolution Deals would be provided at a future meeting when parliamentary approval had been confirmed and the position regarding the operation of the CA had been made clearer.
- All district councils (with the exception of Charnwood Borough Council which operated its own local system) had agreed to jointly procure an external service to challenge single person discount eligibility for council tax. This had previously generated significant returns and savings.

RESOLVED:

- (a) That the current status of the strategic risks facing the County Council and the updated Corporate Risk Register be approved;
- (b) That the following be noted:
 - (i) The emerging risks around the Combined Authority and devolution proposals;
 - (ii) The increased demands regarding Unaccompanied Asylum Seeking Children;
 - (iii) The Counter fraud initiatives that had taken place during the last quarter;
 - (iv) The update on insurances;
- (c) That a presentation be provided at the next meeting of the Committee providing an update on the risks around the significant pressures on the children's social care placement budget which funds the care of vulnerable children.

126. Proposed changes to the Contract Procedure Rules.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to outline the operation of the Contract Procedure Rules between 1 October 2015 and 30 June 2016, actions taken to continue to ensure compliance with the Rules and to propose revisions to those Rules. A copy of the report, marked 'Agenda Item 11', is filed with these minutes.

Members noted that the comparison figures of approved exceptions and extensions to the Contract Procedure Rules detailed in tables 1 and 2 in the report were incorrect as the figure referred to the reporting period Oct 15 – June 16 rather than the comparison period of July 15 – June 16. Revised tables were circulated at the meeting; copies of these are filed with these minutes.

In response to questions raised, the Director confirmed that:

- A breach of the EU Rules risked reputational damage to the Authority and possible court action resulting in a fine.
- A failure to follow the Council's Contract Procedure Rules appropriately could result in disciplinary action being taken against staff.
- It was not possible to determine whether any potential procurement-related savings may accrue to the Authority as a result of the UK leaving the EU as the outcome of the re-negotiations would not be known for some time.
- A recent meeting of the Local Government Association's National Advisory Group on Procurement had considered the potential changes that might be negotiated as part of Britain's exit from the EU and the general view of local authority Heads of

Procurement had been that an increase in the financial threshold (above which the public procurement rules apply), would make the regulations less onerous locally.

RESOLVED:

- (a) That the contents of the report on the operation of the Contract Procedure Rules between October 2015 and June 2016 be noted as well as the adoption of the Central Government supplier suitability questionnaire in full;
- (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.

127. Quarterly Treasury Management Report.

The Committee considered a report of the Director of Corporate Resources which set out the actions taken in respect of treasury management in the quarter ended 30th June 2016. A copy of the report, marked 'Agenda Item 12', is filed with these minutes.

RESOLVED:

- (a) That the contents of the report be noted;
- (b) That only loans which breached the authorised lending list as set out in paragraph 20 of the report be reported to the Committee on a quarterly basis.

128. Ombudsman Annual Review 2015/16 and Corporate Complaints Handling.

The Committee considered a joint report of the Chief Executive and the Director of Corporate Resources, the purpose of which was to advise Members of the Ombudsman Annual review letter for the Authority for 2015/16 and to provide an update on improvements to the Corporate Complaints procedures. A copy of the report, marked 'Agenda Item 13', is filed with these minutes.

In response to questions raised, Members noted that over the last three years the County Council had significantly improved its complaints handling processes and there had been a cultural shift to respond to these positively; to resolve these and improve systems for the future.

RESOLVED:

That the contents of the report be noted.

129. Annual Report on the Operation of Members' Code of Conduct 2015/16.

The Committee considered a report of the Director of Law and Governance, the purpose of which was to provide an annual overview of the operation of the Members' Code of Conduct. A copy of the report, marked 'Agenda Item 14', is filed with these minutes.

Members noted that five Independent Persons to support the Member Conduct Complaints process had been appointed subject to formal approval by full Council at its meeting on 28th September.

RESOLVED:

That the report be noted.

130. Internal Audit Service Quarterly Progress Report.

The Committee considered a report of the Director of Corporate Resources which summarised the work of Leicestershire County Council's Internal Audit Service (LCCIAS) finalised since the last report to the Committee and highlighted audits where high importance recommendations had been made to managers. A copy of the report, marked 'Agenda Item 15', is filed with these minutes.

Members noted the arrangements to enable Members of the Committee to request electronic copies of completed internal audit reports as requested at its last meeting, but suggested that this would be useful for all members of the Authority to support and inform their overall understanding of the work being undertaken. The Head of Internal Audit Services undertook to notify all Members of the Authority of their ability to request in future completed audit reports as detailed in the quarterly updates presented to the Corporate Governance Committee which would be available on the County Council's website.

RESOLVED:

(a) That the contents of the report be noted;

(b) That all Members of the Authority be advised of their ability to request in future completed audit reports as detailed in the quarterly updates presented to the Corporate Governance Committee.

131. Dates of future meetings.

RESOLVED:

That future meetings of the Corporate Governance Committee would take place at 10.00am on the following dates:

25 November 2016

17 February 2017

26 May 2017

22 September 2017

17 November 2017

10.00 - 11.50 am
23 September 2016

CHAIRMAN