



Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Friday, 17 November 2017.

PRESENT

Mr. W. Liquorish JP CC (in the Chair)

Mr. G. A. Boulter CC
Mr. T. Gillard CC
Mr. D. Jennings CC
Mr. J. Kaufman CC

Mrs. R. Page CC
Mr. T. J. Richardson CC
Mr. S. D. Sheahan CC
Mr. D. Slater CC

31. Minutes of the previous meeting.

The minutes of the meeting held on 22 September 2017 were taken as read, confirmed and signed.

32. Question Time.

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

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

Mr. G. A. Boulter CC asked the following question:-

“On Tuesday 10th October, Cabinet passed a motion for the County Council to seek to obtain "Elected Professional Client Status" so that it no longer benefits from protections given to investors with a "Retail Client" status.

1. Would the loss of these protections in any way increase the risks to the County Council?
2. Should such risks be considered in the risk register?”

Mr. W. A. Liquorish CC replied as follows:-

“The current regulatory environment means that Leicestershire County Council is classed as a professional investor, so does not enjoy any of the protections that are available to retail investors. Assuming that the opt-up under MiFID II is successful, the Council will simply be retaining its current position. Given the authority’s internal and external financial expertise – it manages a £4bn Pension Fund as well as the £200m cash held by the Council – the protections available to retail investors are unnecessary. They are largely designed to ensure that investors do not invest in products that they do not understand, and the nature of our treasury management activities and the expertise that we have available means that the risks are minimal.

Not “opting up” is a much bigger risk, as it will restrict the types of investment that we can access (to all intents and purposes, we would only be able to use fixed term cash

deposits) and this will have a potentially significant detrimental impact onto the return generated from the investments.

Given that we currently do not have those protections that are available to retail investors, that the risks are very low and have been managed successfully for a number of years, being classified as a retail investor would actually leave us in a worse position. "Opting up" leaves us in the same position that we currently are therefore there is no need for the risk register to be amended."

34. Urgent items.

There were no urgent items for consideration.

35. 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. D. Jennings CC declared a personal interest in item 8: External Auditor Independence Breach as he was Chairman of the Local Government Superannuation Board.

Mr. T. J. Richardson CC declared a personal interest in item 9: Quarterly Treasury Management Report as he was in receipt of a pension from Lloyds Bank.

36. Change to the Order of Business.

The Chairman sought and obtained the consent of the Committee to vary the order of business from that set out on the agenda.

37. Quarterly Treasury Management Update.

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 30 September 2017. A copy of the report, marked 'Agenda Item 9' is filed with these minutes.

RESOLVED:

That the contents of the report be noted.

38. Recommended change to Treasury Management Policy in respect of the lending of surplus balances.

The Committee received a report from the Director of Corporate Resources which sought its views on a recommended change to the permitted investments within the Treasury Management Policy, with a view to improving returns with a manageable increase in risk. A copy of the report, marked 'Agenda Item 10', is filed with these minutes.

In response to a question from a Member it was clarified that the proposal was that investments with pooled Private Debt funds would be conducted through a third-party, Partners Group Multi Asset Credit Fund 2017, and that third party would charge the County Council a management fee which would be taken from the investment. On average over the investment term the management fee would be 7%.

RESOLVED:

- (a) That the contents of the report be noted;
- (b) That the comments now made be submitted to Cabinet for consideration at its meeting on 12 December.

39. Annual Audit Letter

The Committee considered a report of the Director of Corporate Resources which presented the Annual Audit Letter for 2016/17 for approval. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

The Chairman welcomed John Cornett of KPMG, the County Council's external auditors for 2016/17, to the meeting.

Arising from discussions the following points were noted:

- (i) It was open to the County Council to remit the invoice for the audit of the Leicestershire Pension Fund to those other Local Authorities that are part of the Fund.
- (ii) Whilst the Value For Money conclusion for the County Council was unqualified, there was a growing trend amongst neighbouring authorities for qualified Value For Money conclusions to be issued by auditors as those authorities increasingly struggled to meet financial challenges.
- (iii) Members offered their thanks to officers in the Corporate Resources Department at the County Council for their contribution towards the County Council achieving a positive Annual Audit Letter for 2016/17.

RESOLVED:

That the Annual Audit Letter be approved and distributed to all Members of the Council.

40. External Auditor- Independence Breach.

The Committee considered a report of the Director of Corporate Resources which advised of a breach of independence between the external auditor KPMG and the Leicestershire Pension Fund. A copy of the report, marked 'Agenda Item 8' is filed with these minutes.

Arising from discussions the following points were noted:

- (i) All engagements between KPMG and the County Council had been investigated and no further breaches had been identified. Reassurance was given that the auditors had new arrangements in place to prevent a breach of independence happening again.
- (ii) In response to a question from a Member as to why officers at the County Council had not identified the breach of independence, the Director of Corporate Resources explained that his department was not required to be familiar with all the rules that govern auditors.

- (iii) KPMG's only involvement with the recovery of tax paid on overseas equity dividends was at the beginning of the legal claims process. At this stage in the autumn of 2017 no further auditor work was required therefore a replacement for KPMG did not need to be found. Should the legal claims be successful the County Council would still gain the financial benefits but KPMG would now not receive a fee. As a consequence the County Council had inadvertently benefited financially from the breach of independence.
- (iv) In response to a query from a Member as to whether there would be any reputational damage to the County Council as a result of the breach of independence, reassurance was given that KPMG would bear any reputational damage that could occur.

RESOLVED:

That the information provided in the letter from KPMG dated 12 October 2017 be noted.

41. Business Continuity Annual Report.

The Committee received a report from the Director of Corporate Resources which provided an inaugural annual update on Resilience and Business Continuity work within Leicestershire County Council. A copy of the report, marked 'Agenda Item 11', is filed with these minutes.

Arising from discussions the following points were noted:

- (i) A Member training session on Resilience and Regulatory Services had been held on Friday 29th September 2017. It was requested that the presentation slides from this session be circulated to Corporate Governance Committee Members.
- (ii) At all times a senior officer of the County Council was on call to act as a point of contact in the event of a major incident and decide what action needed to be taken. This officer had a very wide brief to cover all resilience matters. Members requested to be provided with a card showing all the essential telephone numbers they might need during a major incident and the Chief Executive agreed to give this further consideration.
- (iii) A Member queried whether an incident similar to the Grenfell Tower tragedy was capable of occurring in Leicestershire. In response reassurance was given that the County Council did not have that kind of building stock and even if it did procedures were in place to manage such an incident. The Tactical Co-ordination Group had been set up, volunteers had been recruited to help out and provision had been made to provide food and clothes to the public.

RESOLVED:

That the contents of the report be noted.

42. Clinical Governance

The Committee received a report from the Director of Corporate Resources which updated the Committee on changes to the process of assuring clinical governance since

November 2016. A copy of the report, marked 'Agenda Item 12', is filed with these minutes.

Arising from the report the following points were raised:

- (i) With regard to Table 2 in the report a Member queried why serious incidents appeared to have increased in the period after March 2017. Clarification was given that these incidents were rare and with small numbers there could be statistical anomalies. The Director of Public Health suggested that a contributory reason may have been that the substance misuse service provider Turning Point had been mobilised in summer 2016 so there may have been a delay in the data coming through but this was unconfirmed. The Director of Public Health was able to clarify that the incidents occurred in two main categories; children in the care of the Health Visitors Service, and deaths of patients relating to substance misuse.
- (ii) In response to a question from a Member regarding whether medication errors should be reported to the Care Quality Commission (CQC) the Director of Public Health informed that only non-NHS providers were regulated by the CQC. If it was a non-NHS provider but the incident was a low clinical risk then the CQC would not be informed but if it was more serious then they would be. This threshold was in place to make sure resources were prioritised appropriately. Turning Point was an NHS provider so they would report to the NHS instead and Public Health would also be informed of any incidents. Members were therefore reassured that collectively measures were in place to enable the various bodies to take any necessary action in response to errors.
- (iii) Public Health gave full consideration to patient feedback which came in the form of complaints and compliments and the department investigated emerging themes.
- (iv) With regard to high profile governance failures in NHS Trusts in other parts of the country it was questioned how Members could be assured that the governance of the NHS in Leicestershire was adequate. The Director of Public Health reassured that the structures and processes in Leicestershire were based on best practice learnt over 25 years and that he had faith in the ability of Clinical Commissioning Groups to investigate incidents.

RESOLVED:

That the contents of the report be noted.

43. Risk Management

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an overview of key risk areas and the measures being taken to address them. A copy of the report, marked 'Agenda Item 13, is filed with these minutes.

The Committee also received a presentation on property and occupants risk management post the Grenfell Tower fire tragedy. A copy of the presentation slides is filed with these minutes.

Presentation - Property and occupants risk management

Arising from the presentation the following points were noted:

- (i) A Member queried whether building inspections were conducted by private inspectors or local authority inspectors and raised concerns that if private inspectors were used then those inspectors could not be held to account if a problem with a building was later discovered. The Director of Corporate Resources agreed to check the answer and report back to Members.
- (ii) In response to a question regarding what monitoring mechanisms were in place regarding the risks around property and occupants, Members were informed that the Property and Occupants Risk Group had a work plan and resilience colleagues were to be invited to meetings of the Group along with a representative from Leicestershire Police that specialised in terrorism.
- (iii) The County Council did own some buildings which were over 18 metres high but none of these were residential properties. Nevertheless checks on these buildings had been conducted and therefore the County Council was ahead of schedule.

Corporate Risk Register

Arising from discussions the following points were noted:

- (i) A Member questioned whether risk 1.4: claims relating to uninsured risks, should be separated out in the risk register, however the Director of Corporate Resources advised that this would make the risk register too lengthy and unmanageable. The Director agreed to bring to the Committee details should there be any evidence that significant claims could be materialising.
- (ii) With regard to risk 2.4: Help to Live at Home, a Member asked for details regarding who were the new providers, whether the County Council had employed more than the original providers that had pulled out, and whether Care Quality Commission reports were available for the new providers. The Director of Corporate Resources agreed to provide this information to Members after the meeting once he had confirmed the details.
- (iii) With regard to risk 2.5: the Better Care Fund Plan, it was clarified that whilst it was expected that this risk would move to amber in the next 12 months, the status of the risk really depended on the approach the government took to the Plan and whether they provided new guidance.

RESOLVED:

- (a) That the contents of the report and presentation be noted;
- (b) That the current status of the strategic risks and emerging risks facing the Council, as detailed in the report and the Corporate Risk Register, be noted;
- (c) That the updated Corporate Risk Register be approved;
- (d) That a presentation and report be provided for the next meeting of the Committee on the Information Commissioner's Office report on Leicestershire County Council, and the risk that the Council fails to meet the information security and governance requirements.

44. Internal Audit Service 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 14', is filed with these minutes.

In response to concerns raised by a Member that the implementation of Universal Credit had caused financial problems for claimants the Director of Corporate Resources informed that the Department of Work and Pensions were aware of these issues and were giving them further consideration.

RESOLVED:

That the contents of the report be noted.

45. Covert Surveillance and RIPA 2000

The Committee considered a report of the Director of Law and Governance which provided an update on the Authority's use of the Regulation of Investigatory Powers Act 2000 (RIPA). The report also recommended that the County Council's Policy Statement on the use of RIPA remained fit for purpose. A copy of the report marked 'Agenda Item 15' is filed with these minutes.

RESOLVED:

- a) That the County Council's use of the Regulation of Investigatory Powers Act 2000 for the period from 1 October 2016 to 30 September 2017 be noted;
- b) That Cabinet be recommended that the County Council's Policy Statement on the use of RIPA powers remains fit for purpose;
- c) That the Committee agrees to continue to receive an annual report on the use of RIPA powers and to report to the Cabinet on an annual basis on both the use of RIPA powers and whether the Policy remains fit for purpose.

46. DCLG Consultation Paper - Disqualification of Councillors Holding Office.

The Committee considered a report of the Director of Law and Governance which informed Members of the consultation paper issued by the Department for Communities and Local Government (DCLG) concerning an update to the criteria that barred individuals from standing to become councillors and holding office.

Members were of the view that there needed to be more clarity on the rules to enable them to be interpreted consistently across different authorities. In particular it was felt that further guidance needed to be provided on the issue of bullying.

Members noted that the definition of a local authority on page 7 of the consultation document did not make reference to unitary authorities and asked for this point to be added to the response to the consultation.

RESOLVED:

That the proposed responses to the consultation paper as set out in Appendix 2 and paragraph 7 of the report be approved subject to amendments in line with the comments now made.

47. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on 29 January 2018 at 10:00am.

10.05 am - 12.00 pm
17 November 2017

CHAIRMAN