



Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Friday, 26 July 2019.

PRESENT

Mr. T. Barkley CC
Mr. G. A. Boulter CC
Mr. J. G. Coxon CC
Mr. J. Kaufman CC
Mrs. R. Page CC

Mr. A. E. Pearson CC
Mrs B. Seaton CC
Mr. S. D. Sheahan CC
Mrs. A. Wright CC

1. Appointment of Chairman.

RESOLVED:

That Mr T. Barkley CC be elected Chairman for the period ending with the date of the Annual Meeting of the County Council in May 2020.

Mr T. Barkley CC – in the Chair

2. Election of Vice Chairman.

RESOLVED:

That Mr T. J. Richardson CC be elected Chairman for the period ending with the date of the Annual Meeting of the County Council in May 2020.

3. Minutes of the meeting held on 10th May 2019.

The minutes of the meeting held on 10 May 2019 were taken as read, confirmed and signed.

4. Question Time.

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

5. 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).

6. 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.

7. 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.

Mrs. A. Wright CC declared a personal interest which might lead to bias in agenda item 9: Risk Management Report, in connection with work carried out by her employer, Browne Jacobson LLP, on matters referred to in that report. She undertook to leave the room during consideration of this item.

During the meeting (minute 25 below refers) Mr. S. Sheahan CC and Mr. J. Coxon CC each declared a personal interest in agenda item 9 (Risk Management Report) as they owned property within close proximity to the proposed HS2 route. Both members stated that, should the debate on this item go into matters of detail regarding HS2 and in particular the location of the line, they would consider the matter a “personal interest that may lead to bias” and leave the room.

8. External Audit of the 2018/19 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts

The Committee considered a report of the Director of Corporate Resources which set out the key findings from the external audit of the 2018/19 financial statements and sought approval of the draft letter of representation to Grant Thornton UK LLP, the Council’s external auditors. A copy of the report marked ‘Agenda Item 8’, is filed with these minutes.

The Chairman welcomed John Gregory and Avtar Sohal of Grant Thornton UK LLP to the meeting.

Mr Gregory highlighted the following regarding the outcome of the external audit:

- One significant adjustment had been made to the County Council’s accounts, increasing its pension liability by £13m, following a recent court ruling which had confirmed the transition arrangements introduced by the Government following changes made to public service pensions were discriminatory (Lord Chancellor v McCloud and others). This affected pension funds nationally and had resulted in all local authorities having to make similar late adjustments to their accounts;
- The additional liability was an estimate only as the remedy for the case had not yet been determined and might not be for some time. The auditors had confirmed the estimate to be fair and reasonable. This would not affect the Council for some time as the costs would be added to and spread out over the existing pension deficit reduction period;
- The audit process, which was a risk-based assessment, had determined that the County Council was in a strong financial position overall and no significant risks had been highlighted that required further action. Mr Gregory advised that this was a particularly significant finding as usually further assessment around a council’s financial resilience would be necessary, particularly for an authority of this size;

- Risk ratings were determined following a review of estimations made by the County Council within their accounts and corroborative evidence sought to ensure these were reasonable;
- The Council continued to face financial uncertainties but having tested the Council's risk management processes and considering the level and management of its reserves, it was regarded as being in a strong position to withstand such uncertainties in the short to medium term;
- Any material misstatements identified as part of the audit would be reported to the Committee either by officers or the auditors. No such misstatements had been identified this year.

The Director of Corporate Resources thanked Grant Thornton UK LLP for the work they had undertaken adding that he felt the audit process had been thorough and detailed, providing significant challenge to the Council's processes. Overall, he was particularly pleased with the comments regarding the County Council's financial resilience, as this reflected a decade of work and prudent financial planning by the County Council to ensure it could respond to ever changing financial pressures.

The Chairman added that he felt substantial assurance had been provided in all areas by the external auditors and thanked officers for the work undertaken.

Members thanked Mr Gregory and Grant Thornton UK LLP for the work they had undertaken on behalf of the Council.

RESOLVED:

- (a) That the key findings from the external audit of the 2018/19 finance statements carried out by Grant Thornton LLP be noted;
- (b) That the letters of representation be approved.

9. Risk Management Report.

[Mrs. A. Wright CC having declared an interest which might lead to bias in this item left the meeting at this point and did not return to the meeting.]

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an overview of key risks faced by the Authority and the measures being taken to address them. A copy of the report marked 'Agenda Item 9', is filed with these minutes.

The Committee also received a presentation on Corporate Risk 1.7 on the Corporate Risk Register: If the Council is not compliant with the HMRC IR35 regulations regarding the employment of self-employed personnel then there is a risk of large financial penalties. A copy of the presentation slides is filed with these minutes.

Presentation - Employment Status for Tax, 'Off-Payroll' Working (IR35) for Public Authorities

- i) Since April 2017, public authorities (and agency, or third party paying the intermediary) have had the responsibility of determining an individual's employment status and whether off-payroll working rules apply and ensuring that tax and National Insurance contributions are paid as necessary;
- ii) A number of steps had been taken by the County Council to ensure its compliance with the rules, in particular improving the guidance and support for managers to enable them to identify where IR35 might be relevant;
- iii) A HR Compliance Officer had been appointed and would be dedicated to the tasks associated with ensuring the Council's compliance with IR35 regulations;
- iv) Reed agency had been contracted as a managed service for agency workers. This included Reed managing the payroll for those workers;
- v) A clear process had been set-up for new engagements and checks were being carried out by managers to evidence IR35 compliance.

Prior to consideration of the Corporate Risk Register both Mr. S. Sheahan CC and Mr. J. Coxon CC each declared a personal interest in this item as they owned property within close proximity to the proposed HS2 route. Both members stated that, should the Committee debate matters relating to HS2, in particular the location of the line, they would consider the matter a "personal interest that may lead to bias" and leave the room.

Risk Register

- vi) Risk 2.3: Challenges caused by the Welfare Reform Act 2012 and the Welfare Reform and Work Act 2016 - A Member expressed concern on the impact for local residents and the County Council regarding the Government's delay to move existing claimants from the legacy benefits to Universal Credit. The County Council, along with other Local Authorities, were awaiting further direction from the Secretary of State on this matter;
- vii) Emerging Risk: Climate Change - It was acknowledged that the County Council's target to be carbon neutral in its operations by 2030 was ambitious and would require support from all parties involved for this to be achieved. Members supported the inclusion of this risk on the Corporate Risk Register to ensure this could be properly monitored. The Director advised that a report setting out initial proposals to meet this target would be presented to the Cabinet in the Autumn;
- viii) Members requested that a presentation be provided at its next meeting on corporate risk 1.3 (If the Council fails to maximise developer contributions, then there could be a failure to fund corporate infrastructure projects).

RESOLVED:

- (a) That the current status of the strategic risks facing the County Council be approved;

- (b) That the content of the presentation provided on corporate risk 1.7 – If the Council is not compliant with HMRC IR35 regulations regarding the employment of self-employed personnel then there is a risk of large financial penalties – be noted;
- (c) That at the next meeting of the Committee a presentation be provided on corporate risk 1.3 (If the Council fails to maximise developer contributions, then there could be a failure to fund corporate infrastructure projects);
- (d) That the updates provided on Climate Change and HS2 Phase 2B be noted;
- (e) That the update provided on the risk management health check be noted.

10. Local Code of Corporate Governance 2019.

The Committee considered a report of the Director of Corporate Resources and the Director of Law and Governance, the purpose of which was to provide an overview of the revisions made to the Code and to recommend its approval by the Cabinet on 13 September and full Council on 25 September 2019. A copy of the report marked 'Agenda Item 10', is filed with these minutes.

Arising from discussion, the following points arose:

- i) In response to a question from a Member regarding the co-ordination of Freedom of Interest (FOI) requests, the Director of Law and Governance confirmed that although some departments co-ordinated their own requests, the County Council had a central team that owned, recorded and co-ordinated multi-departmental FOI requests;
- ii) Regarding planned actions recorded within the Code, a Member suggested that the language used could be made more specific to ensure there was no uncertainty about what was required to be done by officers and members;
- iii) A Member sought confirmation of the date the Modern Slavery and Human Trafficking Statement had been approved by the Cabinet which was referenced in the new Code. The Director undertook to provide this information after the meeting.

RESOLVED:

- (a) That the Director of Corporate Resources and the Chief Executive be requested to consider the language used in respect of planned actions recorded within the Code to ensure these were appropriately specific;
- (b) That the Cabinet be recommended to approve the revised Local Code of Corporate Governance 2019 and that this be referred to full Council for approval on 25 September 2019;
- (c) That the Chief Executive be requested to confirm when the Modern Slavery and Human Trafficking Statement had been approved by the Cabinet and to circulate a copy of this to the Committee for information.

11. Annual Report on the operation of the Members' Code of Conduct and arrangements for dealing with complaints

The Committee considered a report of the Director of Law and Governance regarding the operation of the Council's Members' Code of Conduct from May 2018 to date. A copy of the report marked 'Agenda Item 11', is filed with these minutes.

The Director advised the Committee of an error contained in paragraph 5 of the report and clarified that there had been four complaints relating to five members, rather than seven as had been stated.

RESOLVED:

That the report be noted.

12. Internal Audit Service Progress Report.

The Committee considered a report of the Director of Corporate Resources which provided a summary of work conducted between 29 April 2019 and 12 July 2019. It also advised of progress on the implementation of high importance recommendations. A copy of the report marked 'Agenda Item 12', is filed with these minutes

In response to questions raised regarding the robustness of the County Council's processes for preventing overpayments the Director advised that large overpayments were unusual, though, as some payments to service users and providers were paid in advance, there was always a degree of risk in the system. As a result, as a matter of good practice a significant amount of technical testing was carried out on a regular basis to ensure any errors were spotted early. Lessons had been learnt from the recent audit of residential rehabilitation payments made to providers and greater rigour added to the system to further improve practices.

RESOLVED:

That the audit work undertaken during the period 29 April 2019 to 12 July 2019 and actions taken to implement high importance recommendations be noted.

13. Quarterly Treasury Management Update.

The Committee considered a report of the Director of Corporate Resources which provided an update on the actions taken in respect of treasury management for the quarter ending 30 June 2019. A copy of the report marked 'Agenda Item 13', is filed with these minutes.

In response to questions raised, the Director confirmed that the Council held no investments abroad and so was not affected by fluctuating exchange rates.

RESOLVED:

That the actions taken in respect of treasury management for the quarter ending 30 June 2019 be noted.

14. Date of future meetings.

RESOLVED:

That the next meeting of the Committee be held on 1st November 2019 at 10.00am.

Meeting dates proposed for 2020 are: –

Friday, 31st January at 10.00am

Friday, 22nd May at 2.00pm

Friday, 24th July at 10.00am

Friday, 6th November at 10.00am

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26 26 July 2019

CHAIRMAN

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