



Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Friday, 12 June 2020.

PRESENT

Mr. T. Barkley CC (in the Chair)

Mr. G. A. Boulter CC  
Mr. J. G. Coxon CC  
Mr. T. Gillard CC

Mr. J. Kaufman CC  
Mr. T. J. Richardson CC  
Mr. S. D. Sheahan CC

59. Minutes.

The minutes of the meeting held on 31 January 2020 were taken as read, confirmed and signed.

60. Question Time.

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

61. 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).

62. Urgent Items.

There were no urgent items for consideration.

63. 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 personal interest in agenda item 9 (Quarterly Treasury Management Report) (minute 67 below refers) as he was in receipt of a pension from Lloyds Bank Plc. He stated that, should the debate on this item go into matters of detail regarding Lloyds Bank Plc, he would consider the matter a “personal interest that may lead to bias” and leave the room.

64. Risk Management Update.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an update on the impact of the Coronavirus (Covid-19) in the context of the Council’s risk management arrangements. The report also included a copy of the Corporate Risk Register which provided an update on each risk including an

assessment of the risk through the prism of Covid-19 impacts. A copy of the report marked 'Agenda Item 6', is filed with these minutes.

In introducing the report, the Director highlighted that during the early stages of the Coronavirus pandemic routine risk management processes had been paused to enable Departments to focus on the delivery of business-critical services. However, during that unprecedented period, where there had been significant service disruption and changes to demand, risk identification and evaluation had remained core to the Council's decision-making processes.

Members noted that the Council was now planning its recovery, which included rebuilding and, in some cases, re-focussing its services. The identification, evaluation and management of risks as part of that process was in the development phase and the Committee would be kept informed of those that escalated to the Corporate Risk Register in the usual way.

Arising from discussion and questions, the following points arose:

- (i) It was expected that the risk of a pandemic prior to the Covid-19 crisis had been identified and recorded for some time on the regional risk register that was held by the Local Resilience Forum (LRF). Actions to mitigate area wide risks were coordinated by the LRF in conjunction with the Council's Resilience Planning Group. Despite this, it was acknowledged that there were issues around PPE (Protective Personal Equipment) – both in terms of increased demand and supply chain issues. Members noted, however, that information documents received in recent times regarding global risks did not identify the risk of a global pandemic - focus having been on cyber security and environmental risks. It was highlighted that many countries had been caught by surprise and experienced similar difficulties around issues such as PPE. Locally, the LRF had quickly established a PPE cell which linked with the national response, to secure sufficient supplies to meet increased local needs.
- (ii) Regarding Corporate Risk 7.3 "If the Adults and Communities department does not have a sustainable external workforce to work with it may be unable to meet its statutory responsibilities", a number of mitigations had been put in place in response to the increased pressure on provider staffing (due to shielding/sickness/caring absences) and service delivery (due to changing and evolving demands for services) in areas such as care homes to ensure that staffing levels were sufficient to meet demand. This included an LLR (Leicester, Leicestershire and Rutland) led recruitment initiative taking place which had been successful in recruiting to over 100 posts. Providers had also received additional funding to cover the excess costs incurred due to the Coronavirus outbreak.
- (iii) Members welcomed the suggestion that a presentation be given at the Committee's next meeting on Corporate Risk 3.7 (If the Council does not manage its exposure to cyber risk, then decisions and controls cannot be taken to mitigate the threat of a successful cyber-attack), agreeing this would be timely given the heightened cyber security threat arising from the Coronavirus pandemic with the topic being used as bait on electronic communications.

## RESOLVED:

- (a) That the current status of the strategic risks facing the County Council, including the impact arising from COVID-19, be approved;
- (b) That the proposal to include an additional risk on the Corporate Risk Register as set out in paragraph 7 of the report 'If the Council does not plan, prepare and respond adequately to future developments in relation to both the COVID 19 pandemic and recovery to a "new normal" level of services, it could suffer long lasting economic, environmental, societal and technological challenges and miss opportunities', be supported;
- (c) That at the next meeting of the Committee a presentation be provided on corporate risk 3.7 (If the Council does not manage its exposure to cyber risk, then decisions and controls cannot be taken to mitigate the threat of a successful cyber-attack);
- (d) That the updates provided regarding the emerging risks and service recovery planning, counter fraud and insurance be noted.

65. External Audit Risk Assessment 2019/20 and Audit Plan 2019/20 Update.

*[At the request of the Chairman, and as agreed at the previous meeting, the Director of Corporate Resources advised Members that the external auditor's fees had now been agreed. The fees had increased by circa £12,000 as opposed to £20,000 as originally proposed. (Minute 52 of the previous meeting refers.)]*

The Committee received a report from the Director of Corporate Resources which set out the County Council's response to its external auditor's (Grant Thornton UK LLP) Risk Assessment for 2019/20 and also included an update made by Grant Thornton to its External Audit Plan for consideration and comment. A copy of the report marked 'Agenda Item 7', is filed with these minutes.

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

In introducing the report, the Director highlighted that due to the impact of the Covid-19 pandemic the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 were issued in April 2020 which amended the deadlines for the completion and external audit of the financial statements to allow additional time, during the 2019/20 financial year only. The revised deadlines meant that the draft accounts would now be required to be published by 31 August 2020 and subsequently the completion of the External Audit by 30 November 2020. The Council was currently on track to meet the revised deadlines.

In presenting its External Audit Risk Assessment, Mr Gregory of Grant Thornton LLP advised:

- (i) Having considered the County Council's responses to its risk assessment, Grant Thornton had been satisfied with the arrangements the Council had put in place and the assurances provided by officers.
- (ii) Audit plans for the local authorities audited by Grant Thornton for 2019/20 had been adjusted to include an additional key risk around the impact of the Covid-19

pandemic. The risk, as set out in the revised Audit Plan for the Council, marked Appendix B to the report, considered a wide-range of situations and scenarios including logistical aspects (such as the compilation of information to finalise the accounts being completed remotely and the potential of staff sickness absences), and the financial impact to the accounts.

- (iii) The lack of certainty around whether local authorities would receive further future funding from the Government made it difficult to be fully conclusive on the financial position. The current impact on Leicestershire County Council was very significant, but not as dire as it was for some other local authority areas. Some council's Section 151 officers were on the verge of issuing Section 114 notices where it was believed the budget could no longer be balanced. Guidance was in the process of being amended to ensure those councils had escalated the matter to the Government and fully discussed the options before they proceeded with issuing such a notice. Much analysis was being undertaken by Grant Thornton around the additional costs being faced by local authorities to contribute to the financial returns being submitted to Government.
- (iv) A key issue for the 2019/20 financial year would be the valuation of assets and liabilities as these would be much more difficult to estimate post Covid 19. This contributed to a much higher level of uncertainty in the accounts for both the County Council, particularly around the valuation of land and buildings which was based on market value, and the Pension Fund, particularly the value of pension fund investments which was also subject to a great deal of fluctuation and uncertainty. Members were assured that conversations between Grant Thornton and the Council were ongoing to regularly review and identify these risks and assess the impact on the Council's finances.

In response to a question regarding IRFS 16 leases, it was confirmed that the adoption of the new standards had been deferred for 12 months across the whole of the public sector as a consequence of the Covid-19 outbreak. Much information was required to be collated from across the whole of the Authority, so the extension would provide additional time for officers to work through the detail.

#### RESOLVED:

That the contents of the report by Grant Thornton (the Council's external auditors), 'Informing the Audit Risk Assessment for Leicestershire County Council 2019/20 and the Audit Plan 2019/20', be noted and the responses provided by officers to the questions raised by the external auditors, as set out in their report, be supported without amendment.

#### 66. Appointment of Independent Persons.

The Committee considered a report of the Director of Law and Governance, the purpose of which was to seek the Committee's approval to the proposed joint approach with the Leicester, Leicestershire and Rutland Combined Fire Authority (CFA) for the recruitment and appointment of Independent Persons that would support both organisations' Member Conduct Complaints Process and procedures for dealing with the dismissal of senior officers. A copy of the report marked 'Agenda Item 8', is filed with these minutes.

The Director of Law and Governance advised that the Local Government Association's (LGA) Model Member Code of Conduct, had recently been published in draft form for

consultation. A report on this would be presented at the next meeting of the Committee and its contents would be considered as part of the recruitment process for the Independent Persons.

RESOLVED:

- (a) That the proposal to undertake a joint recruitment process with the Leicester, Leicestershire and Rutland Combined Fire Authority for the appointment of Independent Persons from 30 September 2020 for a term of four years, be approved;
- (b) That the Monitoring Officer be authorised to agree adjustments to the recruitment timetable with the Leicester, Leicestershire and Rutland Combined Fire Authority and if necessary make recommendations to the Constitution Committee and full Council, following consultation with the Chairman of this Committee, as they consider necessary to ensure the continued running of the Council's member complaints process if the recruitment cannot take place in time for the Council meeting in September 2020.

67. Quarterly Treasury Management Update.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to update the Committee on the actions taken in respect of treasury management for the quarter ending 31 March 2020. A copy of the report marked 'Agenda Item 9', is filed with these minutes.

The Director reported that Britain's banks had been instructed to suspend paying dividends to its shareholders until at least the end of year 2020 as part of an industry wide measure to support the financial system and to avoid the country going into a direct recession owing to the outbreak of Covid-19.

In response to a question regarding investments made with overseas banks, the Director advised that there was always an element of risk. However, careful assessments were always undertaken by both the Council and its independent advisors to identify, measure and balance those risks against the potential return. Members noted that many overseas banks had headquarters in the UK and so were subject to UK legislation. Loans were also made in sterling which further minimised risk arising from fluctuations in the currency market.

RESOLVED:

That the actions taken in respect of treasury management for the quarter ending 31 March 2020, be noted.

68. Annual Treasury Management Report.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to advise the Committee of actions taken and the performance achieved in respect of the treasury management activities of the Council during 2019/20. A copy of the report marked 'Agenda Item 10', is filed with these minutes.

## RESOLVED:

That the action taken and the performance achieved in respect of the treasury management activities of the Council during 2019/20 be noted.

69. Internal Audit Service Annual Report 2019/20.

The Committee received a report of the Director of Corporate Resources, the purpose of which was to present the annual report on work conducted by the Internal Audit Service during 2019/20. A copy of the report marked 'Agenda Item 11', is filed with these minutes.

## RESOLVED:

(a) That the annual report on work conducted by the Internal Audit Service during 2019/20 be noted;

(b) That a copy of the annual report be distributed to all members of the Council.

70. Internal Audit Service Progress Report.

The Committee received a report of the Director of Corporate Resources which summarised the work conducted during the period 18 January to 29 May 2020, highlighted audits where high importance recommendations had been made, provided information on how the coronavirus has affected the Internal Audit Service and advised the approach being taken to prepare the Internal Audit Plan for 2020-21. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

## RESOLVED:

That the update now provided, and the internal audit work conducted during the period 18 January to 29 May 2020, together with progress made on the implementation of high importance recommendations, be noted.

71. Date of next meeting.

## RESOLVED:

That the next meeting of the Committee be held on Friday, 24<sup>th</sup> July 2020 at 10.00am.

10.00 – 11.10  
12 June 2020

CHAIRMAN