



Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Friday, 23 July 2021.

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. J. G. Coxon CC
Mr. J. T. Orson JP CC
Mr. T. J. Richardson CC

20. Minutes.

The minutes of the meeting held on 4 June 2021 were taken as read, confirmed and signed.

21. Question Time.

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

22. 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).

23. Urgent Items.

There were no urgent items for consideration.

24. 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 11 (Quarterly Treasury Management Report) (minute 30 below refers) as he was in receipt of a pension from Lloyds Bank Plc.

25. 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 and an update on counter fraud initiatives. A copy of the report marked 'Agenda Item 6', is filed with these minutes.

As part of this item, the Committee also received a presentation on Corporate Risk 9.4 on the Corporate Risk Register (If climate change impacts happen more frequently or at a

greater intensity than anticipated, then there is the risk that County Council services will be negatively affected). A copy of the presentation slides is filed with these minutes.

Risk Presentation

Arising from discussion and questions the following points arose:

- (i) In regard to drainage assets it was clarified that the legacy network referred to in the slides related to small drains below 1.5 metres in diameter. The Flood Risk Management Team had carried out an extensive exercise to map as many of these drains as possible across the County to enable risk assessments and ratings of each individual drain to be undertaken. The processes for carrying out the mapping and risk assessments were complex with physical exploration often being required, but good progress was being made. Around 600 or 700 additional small drains had been mapped so far but it was believed many more remained to be discovered.
- (ii) One of the duties the Council was required to carry out under the Flood and Water Management Act was to investigate flooding incidents. The procedure for carrying out the investigations required a great deal of meticulousness and involved many different parties, which often impacted on flooding response times and any future mitigations that might be put in place.
- (iii) Regular consideration was given to investments in highways assets and infrastructure. There was a variety of road treatments available and various factors to consider before investments were made. For example, surface treatment was more susceptible to melting than conventional treatments but was cheaper and caused less disruption of traffic. Another example was that the Council had been using polymer modified binders on major roads, which improved temperature resistance. However, this type of product was unsuitable for use on minor roads.
- (iv) It was queried, given the impact severe weather conditions had on the rail network and in turn the local economy, whether there had been any discussions between the Council and Network Rail regarding this matter. It was stated that where the risks to railways were concerned there were boundaries in terms of the Council's assessments. However, any knock-on effects from weather impacts on Network Rail were something that would be considered.
- (v) Whilst discussing the impact the jet stream could have on the UK's weather, it was confirmed that it was too early to say whether there had been a major change to the UK's climate projections. Local assessments relied upon the best available projections which were published by the Met Office in 2018. However, additional information that was emerging internationally suggested that the risks for certain weather events were being underestimated. This meant that extreme weather events could be even more likely than the Met Office forecasted. A major update of the official data used to produce the projections was not expected in the short term, so whilst the Met Office projections were closely followed efforts were also made by the Environment and Transport Department (ETD) to keep informed in other ways of the changing risks.
- (vi) A member commented that soil in certain areas of Leicestershire like Melton was particularly rich in clay, so if extreme weather conditions continued, certain industries and structures such as agricultural and bridges that had been formed in

those areas would be more susceptible to flooding and subsidence in later years and the risk would increase over time.

Risk Management Update

Arising from discussion the following points arose:

- (i) In response to a question regarding the potential implications of the Environment Bill, which was expected to be introduced by Central Government, to the Council as a Waste Disposal Authority, it was reported that the ETD had confirmed that risks around specific changes to legislation were covered in the Departmental Risk Register. Currently, it was expected that the Council should have a degree of protection from the main potential new burden cost risks due to mitigating actions already in place. However, the ETD would continue to engage with the Government and trade bodies to monitor the situation. The Director undertook to circulate the full update from the ETD to members of the Committee outside of the meeting.
- (ii) The webinars regarding the risk of cyber-crime that Leicestershire Police had recently launched for Leicestershire's schools and academies as a result of the Council working in conjunction with the Leicestershire Police's Cyber Crime Unit were welcomed. The Director undertook to enquire and confirm to Committee members outside of the meeting whether Leicestershire Police intended to carry out any more webinars of this kind. The need for Leicestershire Police to continue to take action to mitigate the cyber risk in schools was highlighted and assurance was given that the high-level nature of the national risk was fully recognised by the Police and that action was being taken.
- (iii) It was too early to know the full impact of the 'Pingdemic' issue (where a large number of people had been told by the NHS Covid App to self-isolate) to Council services, but confirmed that the situation would be kept under review under the usual risk management processes. It was expected that depending on the severity of any impact, action plans put in place to manage the impact of the Covid-19 pandemic in the earlier stages may also need to be relied upon again.
- (iv) In terms of the potential effects, such as staff shortages, of the 'Pingdemic' on the Home Care Service and the re-procurement, which was currently underway, the same approach would be taken. Unfortunately, the impacts of the Pandemic to Council services were inevitable, but processes to manage issues such as PPE provision were now well established offering a robust level of mitigation. Another mitigating factor was that as the demand for home care services had increased, more people were currently working in the care sector. Members noted that the re-procurement of the Home Care Service was different to the last in that the model of service delivery was based upon an open framework of providers who had bid to work in Leicestershire, so a less disruptive implementation was anticipated.
- (v) The RAG rating for Corporate Risk 7.3 (If the Adults and Communities Department fails to develop and maintain a stable, sustainable, and quality social care market to work with it may be unable to meet its statutory responsibilities) remained Red because although the overall risk score had reduced from 20 to 16, under the Council's Risk Management Policy and Framework the score needed to reduce to 15 or below to move out of the highest risk category. The risk was expected to gradually decrease over time.

- (vi) It was agreed that consideration would be given by the Director of Corporate Resources when finalising the agenda for the Committee's next meeting to whether a risk presentation was needed, or other agenda items should be prioritised and requested that officers make a recommendation to the Chairman of the Committee at the appropriate time on how to proceed.

RESOLVED:

- (a) That the current status of the strategic risks facing the County Council be approved and the Director be requested to give consideration to the comments now raised;
- (b) That the contents of the presentation provided on Corporate Risk 9.4 (if climate change impacts happen more frequently or at a greater intensity than anticipated, then there is the risk that County Council services will be negatively affected) be noted;
- (c) That the Director of Corporate Resources be requested to give consideration when finalising the agenda for the Committee's next meeting to whether a risk presentation was needed, or other agenda items should be prioritised and make a recommendation to the Chairman of the Committee on how to proceed;
- (d) That the updates regarding emerging risks and counter fraud initiatives be noted;
- (e) That the update from the Environment and Transport Department regarding management of potential risks to the Council which may arise from the requirements of the Environment Bill be circulated to members of the Committee outside of the meeting.
- (f) That the Director of Corporate Resources be requested to enquire outside of the meeting whether further police webinars regarding the cyber risks in schools are planned.

26. Annual Report on the Operation of the Members' Code of Conduct 2020/21.

The Committee considered a report of the Director of Law and Governance regarding the operation of the Council's Members' Code of Conduct from July 2020 to date. A copy of the report marked 'Agenda Item 7', is filed with these minutes.

Regarding the revised Local Government Association Model Code of Conduct and the local discussions taking place to seek commonality of code across the Leicestershire County and District Councils, the Director confirmed the District Councils worked closely with the Parish Councils and there was an intention to consult with the Leicestershire and Rutland Association of Local Councils as part of the process of trying to achieve a model code.

RESOLVED:

That the annual report on the operation of the Members' Code of Conduct 2020/21 be noted.

27. Supplier Code of Conduct.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to advise of work undertaken to refresh the Supplier Code of Conduct and seek the Committee's support to implement the refreshed Code with immediate effect. A copy of the report marked 'Agenda Item 8', is filed with these minutes.

RESOLVED:

That the work undertaken to refresh the Supplier Code of Conduct attached as an appendix to the report be welcomed and the proposal to implement the Code with immediate effect be supported.

28. Draft Annual Governance Statement 2020/21.

The Committee considered a joint report of the Director of Corporate Resources and the Chief Executive, the purpose of which was to outline the background and approach taken to produce the County Council's 2020/21 draft Annual Governance Statement (AGS) and present the draft AGS for comment prior to sign off by the Chief Executive and Leader of the Council. A copy of the report marked 'Agenda Item 9', is filed with these minutes.

RESOLVED:

- (a) That the Draft Annual Governance Statement for 2020/21 attached as an appendix to the report be noted and supported without amendment;
- (b) That it be noted that there are no significant governance issues in the Draft Annual Governance Statement 2020/21;
- (c) That it be noted that the Annual Governance Statement, which may be subject to such changes as are required by the Code of Practice on Local Authority Accounting, has been prepared in accordance with best practice;
- (d) That the CIPFA Audit Committee Update Guide attached as an appendix to the report be noted.

29. Internal Audit Plan and Progress Report and Further Update on Developments in Local (External) Audit Arrangements.

The Committee considered a report of the Director of Corporate Resources, which summarised the work conducted during the period 15 May to 18 June 2021, highlighted audits where high importance recommendations had been made and provided a further update on local (external) audit arrangements from 2023 and beyond. It also introduced a proposal to shorten internal audit planning cycles to six month periods. A copy of the report marked 'Agenda Item 10', is filed with these minutes.

In introducing the report, the Head of Internal Audit and Assurance Service (HoIAS) reported that there had been two parliamentary committee reports published during the week leading up to this Committee meeting which related to the developments in local (external) audit arrangements. One was a Public Accounts Committee report which had been quite critical of Central Government and recommended it should ensure that the Public Sector Audit Appointment's (PSAA) next procurement exercise supports a new fee

regime for local government audit to bring fees in line with the costs of the work entailed and create an appropriate funding structure. The Committee had requested responses back on the recommendation by the end of September 2021.

A further report had been published by the Housing, Communities and Local Government Select Committee which appeared to indirectly support the PSAA led procurement option by recommending that the Government removed the ability for local authorities to choose their own auditors as the Committee felt there was a risk that auditors might be reluctant to raise potential problems for fear of losing their contract.

Arising from discussion the following points arose:

- (i) A member commented that each update arising from the Redmond Review seemed to imply that more and more onerous conditions were to be placed upon local authorities in respect of corporate governance. The opinion of the HoIAS was sought about what the likely impact on the Committee's workload would be if the recommendations from the Review were accepted. The HoIAS said that the situation was complex with certain elements relying on Central Government decision making and changes to legislation being brought in, which meant that some developments would take longer to see than others (in some cases a number of years). There was also ongoing concern and discussion around the continuing problem with retaining and recruiting external auditors of quality.
- (ii) The HoIAS stated that in his experience, traditionally, Governance had always been seen by the County Council as being extremely important in terms of how the Authority functioned and that thinking was expected to continue, so it was felt the Council was in a reasonably positive position to manage many of the changes and additional requirements that were either already in place or proposed for the future. It was felt that a number of the requirements would potentially strengthen the Committee's role and be beneficial to the Council as a whole, but additional work for the Council was to be expected - for the Committee this was likely to mean additional matters to consider as developments evolved. For example, one of the localised recommendations required that consideration be given to the prospect of an independent member joining the Corporate Governance Committee membership.
- (iii) Some other developments in external audit and governance had already been progressed for example, external auditors were now working to a new code of audit practice which had elevated their work around Governance. As part of their audit work, interviews with key people were now expected to be more rigorous. Grant Thornton LLP UK, the County Council's External Auditors, was in the process of arranging these interviews which were likely to require some level of member involvement. Another development was that external auditors were now required to provide a narrative report as part of their value for money opinion, which the Committee would be required to consider alongside other reports. External auditors were now also required to produce an annual report for Full Council which it was anticipated the Committee would also be required to consider at the appropriate time.
- (iv) Concern was raised that the dates to complete the high importance (HI) recommendations relating to Direct Payments (Personal Budgets) had been further extended. It was acknowledged that there had been a series of previous extensions for the reasons previously reported to the Committee, due to the

impact of the Covid-19 pandemic which had required a large number of staff to be redeployed to assist in other Council service areas. Assurance was provided that the Internal Audit Service regularly followed up with Departments until sufficient progress had been made with HI recommendations. It was hoped that the recommendations relating to Direct Payments would be concluded in line with the further date extension. The Committee requested that if the HI recommendations relating to Direct Payments were still outstanding at the time of the Committee's next meeting, the Director of Adults and Communities be requested to attend and provide an update explaining why these had not been concluded.

RESOLVED:

- (a) That the Internal Audit Plan and Progress Report and further update on developments in local (external) audit arrangements be noted.
- (b) That if the high importance recommendations relating to Direct Payments are still outstanding at the time of the Committee's next meeting, the Director of Adults and Communities be requested to attend and provide an update.

30. Quarterly Treasury Management Report.

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 30 June 2021. A copy of the report marked 'Agenda Item 11', is filed with these minutes.

It was queried how the investments listed in the Council's loan portfolio due to mature in July 2021 would be re-invested and whether the upward movement anticipated in respect of inflation was likely to improve the interest rates for those re-investments. It was confirmed that officers would consider the offers banks had available at the time of re-investment to determine the best options for the Council. Currently, the Bank of England was not minded to increase the base rate until it saw a sustained period of inflation well above 2% so it was thought unlikely to see much improvement on interest rates in the short term.

RESOLVED:

That the actions taken in respect of treasury management for the quarter ending 30 June 2021 be noted.

31. Date of next meeting.

RESOLVED:

That the next meeting of the Corporate Governance Committee be held on 5th November 2021 at 10.00am.

10.00 – 11.25am
23 July 2021

CHAIRMAN

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