



Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Thursday, 16 March 2023.

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 CC
Mr. T. J. Richardson CC

50. Minutes of the previous meeting.

The minutes of the meeting held on 27 January 2023 were taken as read, confirmed and signed.

51. Question Time.

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

52. 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).

53. Urgent Items.

There were no urgent items for consideration.

54. 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 non-registerable interest in agenda item 7 (External Audit of the 2021/22 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts) as he was in receipt of a pension from Lloyds Bank Plc.

55. Presentation of Petitions under Standing Order 35.

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

56. External Audit of the 2021/22 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts.

The Committee considered a report of the Director of Corporate Resources which presented the key findings from the external audit of the 2021/22 financial statements and sought the Committee's approval of the draft letters of representation. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

The Chairman welcomed Mr Mark Stocks from Grant Thornton, the Council's external auditors, to the meeting.

In presenting the item, the Director reported that:

- The audit was substantially complete but some final testing of asset values were yet to be concluded. No material issues were expected to arise from this work which would impact useable reserves. It was not therefore expected that any adjustments in the letters of representation now presented would be required and an unmodified opinion would still be issued.
- In order that the accounts could be signed and the audit concluded minor amendments if required, would be notified to the Chair.
- If there were any material changes required that would impact useable reserves, a separate report would be provided to the Committee setting out the amendments made to the signed accounts in agreement with the auditors.

Arising from discussion, the following points were made:

- (i) Members welcomed what was overall a positive audit, despite the added testing required to be undertaken in line with new Regulations. Members noted the improvements recommended and were satisfied with the actions proposed to address these.
- (ii) A member questioned the logic behind recommendation 2 which suggested the Council should take action to reduce its growing SEND deficit given the Government's extension of the statutory override to 2025/26. It was suggested that the recommendation essentially went against Government policy.

Mr Stocks commented that whilst it was accepted that nationally SEND services were struggling financially, from an audit perspective, the reality remained that the Council was spending more on SEND services than it received in dedicated schools grant. As such without the statutory override, the Council's accounts would be in deficit. The risk was that at some point this might have to be repaid. Given that indications were the Government would be unlikely to address this, it would be up to the Council to make strides in reducing the deficit before the override expired.

- (iii) A Member suggested that it would be helpful if more context could be added in the external auditor's report as some areas appeared to be critical of the Council's level of spend for some services and in isolation setting an expectation that expenditure on these services would be increased. Members commented that the report provided no background regarding the Council's low funded position. It was suggested that to make comparisons with other authorities that received a lot more grant funding from

Government (and so were able to spend more on services) without this context could easily result in the public misunderstanding the Council's position. The Council had for many years been regarded nationally as high performing, getting good value for the money it received as evidenced from the IMPOWER value for money assessments.

Mr Stocks advised that in undertaking the audit, outputs were assessed, and recommendations made in terms of what this meant for the Authority. It did not assess the Government's national funding allocations to individual authorities. It was suggested that this was a matter for County Council members to consider and address from a political perspective, both locally and nationally.

- (iv) Members noted that the Pentana risk management system had been implemented within the Environment and Transport Department, but not more widely in respect of all department's risk management arrangements. Wider adoption had been considered by Directors some years ago, but there was little appetite at the time given resource constraints. Nevertheless, the External Auditor's recommendation to consider the roll out of the system across all departments was partly agreed, and consideration would be given to looking at a corporate solution based on a valid business case.
- (v) The value of academy properties within the accounts had been reduced to a nominal value of £1 (from £211m). This was to reflect that, whilst subject to a long lease of 125 years, the property as an asset of the Council was not in effect worth anything during that period. Once the lease expired, or if the school closed, it would be a matter for the DfE to advise what could be done with the property and it would then be valued accordingly.
- (vi) A Member questioned when the Council might expect to see the external auditor's plan for 2023/24. Mr Stocks reported that there were a number of issues resulting in both the late auditing of accounts and the issuing of its audit plan. Essentially the audit market was broken with staff recruitment and retention causing significant capacity issues. This had been combined with the change in Regulations which had increased the volume of work required to be undertaken as part of the annual audit. Furthermore, a rise in the number of failing authorities, or those at risk of failing, had resulted in increased work and capacity pressures. Mr Stocks provided assurance that Grant Thornton continued to work to stabilise its audit team and adjust to the increased audit work required, but said that delays might continue for some time until the market could recover.

RESOLVED:

- (a) That the external audit of the 2021/22 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts, and the additional information now provided, be noted;
- (b) That the draft letters of representation be approved and signed by the Chairman of the Committee.

57. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on 26th May 2023 at 10.00am.

58. Chairman's Announcement.

The Chairman reported that this would likely be the final meeting for Mr Chris Tambini, the Council's Director of Corporate Resources, as he would be leaving the Authority at the end of May. The Chairman, on behalf of the Committee thanked Chris for his invaluable support and advice over the years and wished him well for the future.

The Chairman also congratulated Mr Declan Keegan (one of the current Assistant Director of Corporate Resources) who had recently been appointed to the position of Director.

59. Exclusion of the press and public.

RESOLVED:

That under Section 100A of the Local Government Act 1972, the public be excluded for the remaining item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraphs 3 and 10 of Part 1 of Schedule 12A of the Act and that, in all circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

60. External Audit of the 2021/22 Statement of Accounts - Additional Information.

The Committee considered a report of the Director of Corporate Resources which provided some additional information in respect of a sensitive issue identified as part of the 2021/22 external audit of the Statement of Accounts.

RESOLVED:

That the additional information as set out in the report be noted.

2.00 - 3.08 pm
16 March 2023

CHAIRMAN