



Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Monday, 20 May 2024.

PRESENT

Mr. T. Barkley CC	Dr. R. K. A. Feltham CC
Mr. D. C. Bill MBE CC	Mrs. H. J. Fryer CC
Mr. G. A. Boulter CC	Mr. G. Grimes (Independent Member)
Mr. B. Champion CC	Mr. T. J. Richardson CC
Dr. R. K. A. Feltham CC	

1. Election 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 2025.

Mr T. Barkley CC in the Chair

2. Election of Vice Chairman

RESOLVED:

That Mr T. J. Richardson CC be elected Vice Chairman for the period ending with the date of the Annual Meeting of the County Council in 2025.

3. Minutes of the previous meeting.

The minutes of the meeting held on 26 January 2024 were taken as read, confirmed and signed.

4. Question Time.

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

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. Urgent Items.

There were no urgent items for consideration.

7. 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 15 (annual Treasury Management Statement 2022/23) as he was in receipt of a pension from Lloyds Bank Plc.

8. Presentation of Petitions.

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

9. External Audit of the 2022/23 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts - Updated.

The Committee considered a report and a supplementary report of the Director of Corporate Resources, the purpose of which was to present the updated Audit Findings from the external audit of the 2022/23 financial statements and to seek the Committees approval of the draft letters of representation. A copy of the report and the supplementary report marked 'Agenda Item 9' are filed with these minutes.

The Chairman welcomed Mr Mark Stocks, Key Audit Partner from Grant Thornton LLP, to the meeting.

Arising from discussion, the following points were made:

- (i) The Council did not have any plans to sell off school playing fields to achieve a capital receipt. School sites were subject to legal protection and any sale would require permission from the Department for Education. Such land if sold would also be ring fenced for use for education purposes.
- (ii) If a maintained school became an academy, this would be removed from the Council's balance sheet for accounting purposes.
- (iii) The added work required to be undertaken to value school premises had been necessary to comply with accounting rules set by the Government. Members commented that this process had not been a good use of time and resources for the Council given that school premises were assets it could not sell and so in practice had no real value that would affect the Council's overall financial position.
- (iv) It was noted that this was a view shared by many Councils and discussions were taking place nationally regarding the framework for local government accounting which was not considered appropriate. The Director of Corporate Resources commented that representations on this issue had been made by the Society of County Treasurers, as the cost and time taken to conduct the valuations of school buildings was high. Such representations could also be made directly to CIPFA and the Government.

RESOLVED:

- (a) That the External Audit of the Financial Statements 2022-23 and issues raised in the auditor's Audit Financings Reports be noted;
- (b) That the draft letters of representation be approved;
- (c) That the Director of Corporate Resources be requested to make representations to CIPFA and the Government to highlight the Committees views on the framework for local government accounting.

10. External Audit Plan and Risk Assessment 2023/24

The Committee considered a report of the Director of Corporate Resources the purpose of which was to present the 2023/24 external audit plans and audit risk assessment for the Council and its Pension Fund for consideration. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

The Chairman welcomed Grant Patterson and Evah Muttama of Grant Thornton LLP, to the meeting.

Arising from discussion, the following points were made:

- (i) A Member questioned the rise in Audit Fees and asked what could be done to reduce this. It was noted that the fees reflected the current market and were set according to the level of work required to be undertaken to meet audit framework requirements. Utilising internal audit resources to undertake some of this work was not permitted under regulations. Delays gave rise to added cost and the external auditors assured the Committee that it would work closely with officers to ensure overruns were minimised.
- (ii) External auditors were required to be independent and so could not provide advice to the Council, but it had continuous dialogue with officers and the audit letter each year identified those areas where issues had been identified and which the Council could address for future years.
- (iii) The external auditors usually met with the Chief Executive once a year as part of its value for money assessment. The Director of Corporate Resources also met with them on a quarterly basis to discuss ongoing work and any issues arising. It was noted that the Committee also had the right to request a meeting with the external auditors without officers being present.
- (iv) It was questioned whether the 'valuation of land and buildings' should be regarded as a significant risk and if schools should be separated out from those assets which held real value and which the Council could chose to dispose of. The external auditor reported that current accountancy rules required all property assets to be treated the same. Also, property assets could vary over time as values fluctuated and so risk levels were assessed accordingly.
- (v) There was a growing push for local pension committees to consider the ethical position of some of its investments and a Member questioned if there was a risk that this could conflict with the Committee's fiduciary duties to pension fund members. The External Auditors explained that, for audit purposes, its focus had to be on

governance processes, not policy, and so it was not in a position to comment on whether investment decisions were good or bad.

- (vi) The use of the going concern basis of accounting was no longer a significant area of focus for audit purposes. It was assumed that as a public sector body, delivery of its services would continue, even if the authority got into financial difficulty and so a reduced risk position was presumed.

RESOLVED:

The Committee noted the 2023/24 external audit plans and audit risk assessment for the Council and its Pension Fund.

11. East Midlands Shared Service - Internal Audit Work Undertaken by Nottingham City Council

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide the Head of Internal Audit at Nottingham City Council annual report and opinion for internal audit work undertaken at East Midlands Shared Services (EMSS) for the year 2022-23. The report also provided a progress update against planned internal audit work at EMSS for the year 2023-24. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

The Chairman welcomed Mr John Slater, Group Assurance & Audit Governance Manager at Nottingham City Council to the meeting.

In response to questions raised, Mr Slater reported that:

- Internal Audit Service staffing levels at Nottingham City Council were not suitable for the long term. Concerns had been raised internally, with the Chief Finance Officer.
- Unfortunately, staffing levels had continued to fall and recruitment had been difficult as salaries offered were not locally competitive. This would be formerly reported to Nottingham City Council at some future date.

Arising from discussion, the following points were made:

- (i) Members expressed great concern that staffing issues continued to be having an impact on the completion of the EMSS 2022-23 audit. This was not considered to be satisfactory, and Members raised concerns about what the implications of this were, for EMSS and for the County Council as a joint provider of that service.
- (ii) In response to a question, Members were reassured that for Leicestershire County Council's Internal Audit Service, staffing levels had remained consistent for some time. Whilst one member of staff had left, they were in the process of being replaced.
- (iii) It was noted that Nottingham City Council (NCC) had reported to the EMSS Joint Committee concerns about resources and plans to address these for the 2024/25 audit. However, the Joint Committee had not been satisfied and so had requested that a further report be provided at its next meeting in June. The Director undertook to update the Committee on the outcome of those discussions.

- (iv) The Director of Corporate Resources assured members that discussions with senior officers at Nottingham City Council continued to take place on a regular basis and that the Council's concerns had been escalated. If the Joint Committee at its meeting in June continued not to be satisfied, it would then consider what next steps should be taken.
- (v) Members were further reassured that Nottingham City Council's internal audit service was not the only line of defence and that Grant Thornton had provided some assurance as part of its external audit.
- (vi) Whilst recognising the assurance provided and plans for the 2024/25 audit, Members raised concerns that this did not address current concerns arising from the 2022/23 audit, or the outstanding audit for 2023/24. Members suggested that urgent action was needed and that it would not be satisfactory to wait until completion of the 2024/25 audit next year. EMSS provided significant services across Leicestershire County and Nottingham City Councils, such as payroll, HR, finance and IT; all potentially high-risk areas. Assurance that these services were operating effectively was therefore essential.

RESOLVED:

- (a) That the Head of Internal Audit (Nottingham City Council) annual report and opinion for internal audit work undertaken at East Midlands Shared Service for the year 2022-23 be noted;
- (b) That the progress update against planned internal audit work at EMSS by Nottingham City Council's Internal Audit Service, for the year 2023-24 be noted;
- (c) That a letter be sent by the Chairman of the Committee to the Chairman of Nottingham City Council's Audit Committee Chair outlining the concerns now raised.
- (d) That the Director of Corporate Resources be requested to provide an update to members of the Committee following the EMSS Joint Committee meeting held in June;
- (e) That a further update be provided at the next meeting of the Committee in September.

12. Risk Management Update

The Committee considered a report of the Director of Corporate Resources which presented the Corporate Risk Register for approval and provided an update on the Counter Fraud initiatives. The Committee also received a presentation on Corporate Risk 7.7 (If the current demand for Education Health Care (EHC) Needs Assessment and updating of EHC Plans after annual review exceeds available capacity of staff within SEND Services (Particularly educational psychology and SEN Officer) then this leaves the Council vulnerable to complaints of maladministration with regards to statutory timescales. The situation is worsened by a lack of specialist placements which means that children with complex needs may not be placed in a timely way and hence may not receive the support to which they are entitled through their EHC Plan) as part of this item. A copy of the report and presentation slides marked 'Agenda Item 12' is filed with these minutes.

Presentation – Corporate Risk 77 (EHC Plans)

- (i) Three key factors gave rise to this risk: a national shortage in educational psychologists, a lack of staff capacity to meet the increasing demand for EHC Plans and to conduct the annual reviews of those Plans, and a shortage of specialist placements.
- (ii) Capital funding from the Department for Education and the County Council had been allocated to provide, over the last 4 years, approximately 550 additional placements. However, due to the continued rise in demand, 400 placements still had to be purchased from external providers which were expensive.
- (iii) Focus within the Department had been on ensuring that specialist provision was provided only to those that needed it most. Others were supported within mainstream schools with added wrap around support provided by the Council.
- (iv) Mainstream schools had a responsibility to educate children and received SEND funding directly from the Government to meet that need. This was the same for both academies and maintained schools. The Council received High Needs Block SEND funding to support those children that could not have their needs met in a mainstream setting and so had to attend specialist provision.
- (v) Ideally, an additional 50 to 60 additional educational psychologists would be needed locally to meet the level of demand for EHC Plans. However, there were no resources to support this level of capacity. Locally there were currently 8 educational psychologist vacancies and recruiting to these positions was proving difficult. Nationally this was an issue and so all Childrens Social Care authorities were experiencing similar pressures and competing for this same resource.
- (vi) To undertake EHC Plan assessments and the annual reviews as required by regulations, the Department would need a further £1.2m in growth funding to meet demand. However, given the current financial pressures faced by the Council which had a £33m funding gap, this could not be met without additional funding from the Government. Members expressed concern that there appeared to be no change in the Government's funding approach for SEND which left councils and families in a very difficult position.
- (vii) As part of the Council's Transforming SEND in Leicestershire (TSIL) programme, work was being done to find a more efficient way of carrying out EHC Plans and annual reviews, and to ensure that only those children that needed an EHC Plan were assessed in the first instance. This required significant engagement with parents and schools. Through the TSIL programme a lot of work had been undertaken with schools regarding inclusive practices and support provided for children who were struggling but did not have an EHC Plan. Members noted that some 10,000 children were supported in this way through mainstream schools. To push this work further, more capacity was needed within the Department.
- (viii) The Director confirmed that the Department provided input when new schools were built to advise on how spaces could be designed to be more inclusive.
- (ix) Members noted that the Children and Families Overview and Scrutiny Committee looked at progress in the Department's delivery of the TSIL Programme regularly

and work undertaken with schools more generally.

Corporate Risk Register

- (x) Members commented that the removal of risk 4.2 regarding Arriva and the risk of a concessionary travel appeal was to be welcomed.
- (xi) The reduction in the likelihood of the risk relating to the current cost of living crisis risk was questioned. It was noted that this had been based on the reduction in inflation which had reduced the risk generally.

RESOLVED:

- (a) That the current status of the strategic risks facing the County Council be approved;
- (b) That the presentation on corporate risk 7.7 relating to SEND and EHC Plans be noted and a copy of the presentation slides circulated to Committee Members after the meeting;
- (c) That the update regarding counter fraud be noted.

13. Resilience and Business Continuity Annual Update

The Committee considered a report of the Chief Executive, the purpose of which was to provide an update on the Council's Resilience and Business Continuity activities, work undertaken with other Leicester, Leicestershire and Rutland (LRF) local authorities, and wider multi-agency resilience activities. A copy of the report marked 'Agenda Item 13' is filed with these minutes.

A Member commented on the Ratby & Kirby Muxloe gas outage, highlighting that some residents were still without cooking facilities. It was suggested that residents had been left in limbo for some months which Members agreed was frustrating and unacceptable. It was noted that there had been a number of challenges which the Department for the Environment, Food and Rural Affairs had escalated with Seven Trent Water Plc. The LRF also continued to engage with residents and Seven Trent to address such issues.

RESOLVED:

That the update on the Council's Resilience and Business Continuity activities and work undertaken with Leicester, Leicestershire and Rutland local authorities, be noted.

14. Clinical Governance Overview

The Committee received a presentation from the Director of Public Health, the purpose of which was to provide a high-level overview of clinical governance processes within the Council, assurance of the strength of governance within these processes, including the outcome of a recent internal audit and assurance activity. A copy of the presentation slides marked 'Agenda Item 14' is filed with these minutes.

RESOLVED:

- (a) That the contents of the presentation as assurance of the clinical governance processes within the Council's Public Health Department be noted;
- (b) That the outcome of the light touch internal audit work undertaken in respect of the Council's clinical governance arrangements be noted;
- (c) That annual reporting on clinical governance processes to the Corporate Governance Committee be discontinued, noting that reporting to the Health Overview and Scrutiny Committee would continue as appropriate.

15. Annual Treasury Management Report 2023/24

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to advise of the action taken and the performance achieved in respect of the treasury management activities of the council in 2023/24. A copy of the report marked 'Agenda Item 15' is filed with these minutes.

In response to a question, the Director confirmed that all loans to Close Brothers, which had been downgraded earlier in the year, had been repaid and that no new loans would be committed until such time as its credit rating improved to appropriate levels.

RESOLVED:

That the Annual Treasury Management Report for 2023/24 be noted.

16. Revised Members' Planning Code of Good Practice

The Committee considered a report of the Director of Law and Governance, the purpose of which was to present a revised Members' Planning Code of Good Practice (the Planning Code) for consideration prior to it being submitted to the County Council for approval. A copy of the report marked 'Agenda Item 16' is filed with these minutes.

RESOLVED:

That the County Council be recommended to adopt the revised Planning Code of Good Practice as appended to the report, subject to the Chief Executive being authorised to make any changes, including those arising from its consideration by the Committee.

17. Dispensation for Elected Members

The Committee considered a report of the Director of Law and Governance, the purpose of which was to seek a dispensation for all elected members allowing them to take part in any discussion and vote on any matter relating to the office they hold at the County Council, for which they receive an allowance, or any office held outside the County Council, to which they have been appointed by the County Council and for which they also receive an allowance. The report also sought approval of a form that had been developed to enable members to submit a request for a dispensation for a matter not covered by the general dispensations now sought. A copy of the report marked 'Agenda Item 17' is filed with these minutes.

RESOLVED:

- (a) That the dispensation for a period of one year to all members of the County Council in relation to considering and voting on any matter as a result of an interest that may arise due to receiving an allowance from the County Council be granted;
- (b) That the form for future requests for dispensations as attached to the report be approved.

18. Provisional Draft Annual Governance Statement 2023-24

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 2023-24 provisional draft Annual Governance Statement (AGS) and to present this for comment, prior to this being signed off by the Chief Executive and the Leader of the Council. A copy of the report marked 'Agenda Item 18' is filed with these minutes.

RESOLVED:

- (a) That the provisional draft AGS 2023-24 be noted, and it be agreed that this was consistent with the Committee's own perspective on internal control within the Authority;
- (b) That it be noted that there were two significant governance issues reported in the provisional draft AGS 2023-24;
- (c) That it be noted that the provisional draft AGS 2023-24 would be subject to amendments and that a final draft would be circulated to members of this Committee before it was published with the draft Statement of Accounts 2023-24 at the end of June;
- (d) That it be noted that the provisional draft AGS 2023-24, which might be subject to such changes as are required by the Code of Practice on Local Authority Accounting, had been prepared in accordance with best practice.

19. Internal Audit Service Annual Report 2023-24

The Committee considered 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 2023-2024. A copy of the report marked 'Agenda Item 19' is filed with these minutes.

A Member questioned if the relevant section within the annual report relating to East Midlands Shared Service might need to be amended to take account of the update provided elsewhere on the agenda regarding the internal audit work undertaken by Nottingham City Council. The Head of Internal Audit confirmed that as he hadn't received Nottingham City Council's Head of Internal Audit's opinion regarding EMSS for 2023-24, the position would continue to be monitored, as outlined within his report which was backward looking.

RESOLVED:

- (a) That the Internal Audit Service Annual Report for 2023-24 be noted;
- (b) That a copy of the Annual Report for 2023-24 be circulated to all members of the County Council for information.

20. Internal Audit Service Progress Against 2023-24 Plan & Revised Annual Planning Methodology

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide a summary of work undertaken during the period 13 January to 19 April 2024, report on progress with implementing high importance recommendations at 19 April, introduce the revised planning methodology being developed from April 2024 and to seek the Committees agreement to authorise the Director to agree by the end of May the 2024/25 Internal Audit Plan with Chief Officers. A copy of the report marked 'Agenda Item 20' is filed with these minutes.

A Member questioned what audit work had been undertaken in respect of Zouch Bridge which was referenced in Appendix 1 to the report. It was noted that the audit had been carried out some time ago and related to the Environment and Transport Department's general approach to large scale capital infrastructure projects, of which Zouch Bridge was one example.

RESOLVED:

- (a) That the updates on progress on work undertaken and the implementation of high importance recommendations be noted;
- (b) That the revised annual planning methodology from April 2024 be noted;
- (c) That the Director of Corporate Resources be authorised to approve, by the end of May, the 2024/25 Internal Audit Plan following consultation with Chief Officers of the Council and to update Members as appropriate.

21. Independent External Quality Assessment - Review of the Council's Internal Audit Service

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to inform the Committee of the outcome of the recently conducted independent external quality assessment review of the Council's Internal Audit Service. A copy of the report marked 'Agenda Item 21' is filed with these minutes.

Members welcomed the outcome of the assessment and the positive feedback received, and thanked officers for all their hard work.

RESOLVED:

That the outcome of the independent external quality assessment review be noted.

22. Annual Report of the Corporate Governance Committee 2023-24

The Committee considered the joint report of the Director of Corporate Resources and the Director of Law and Governance, the purpose of which was to present the annual report setting out the work of the Committee during 2023-2024. A copy of the report marked 'Agenda Item 22' is filed with these minutes.

RESOLVED:

That the annual report of the Corporate Governance Committee for 2023-24 be approved and submitted to full Council for consideration at its meeting in July 2024.

23. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on Monday, 16 September 2024 at 10.00am.

10.00 am - 1.25 pm
20 May 2024

CHAIRMAN

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