

Minutes of a meeting of the Corporate Governance Committee held via Microsoft Team video conferencing on Wednesday, 25 November 2020.

PRESENT

Mr. T. Barkley CC (in the Chair)

Mr. D. C. Bill CC  
Mr. G. A. Boulter CC  
Mr. J. T. Orson JP CC  
Mr. I. D. Ould OBE CC

Mr J. Poland CC  
Mr. T. J. Richardson CC  
Mr. S. D. Sheahan CC  
Mrs. A. Wright CC

16. Minutes.

The minutes of the meeting held on 24 July 2020 were taken as read, confirmed and signed.

17. Question Time.

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

18. 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).

19. Urgent Items.

There were no urgent items for consideration.

20. 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 26 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.

Mr Ould declared a personal interest in agenda item 9 (Local Government and Social Care Ombudsman Annual Review 2019-20 and update on complaints and Freedom of Information Requests) (minute 24 refers) as he was in the role of Leicestershire County Council’s Lead Cabinet Member for Children and Families during the time the complaints in relation to Children and Family Services would have been made.

## 21. Risk Management Update.

The Committee considered a report of the Director of Corporate Resources which was to provide an overview of key risk areas and the measures being taken to address them. The report also provided updates on counter fraud and the Council's recovery planning in response to the impact of the Covid-19 pandemic. 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 6.1 on the Corporate Risk Register (EU Transition – If a formal trade agreement between the UK and EU is not in place at the end of the transition period, the UK will be treated by the EU as a third country. Trade arrangements will differ, and goods will be subject to full third country controls and a variety of border checks). A copy of the presentation slides is filed with these minutes.

### Risk Presentation

- (i) Regarding the Government's national reasonable worst-case scenario, summarised on slide six of the presentation, it was clarified that the 'delays on EU-bound trucks of a maximum of two days that could affect traffic in the east of the County', were predicted in Kent rather than in Leicestershire.
- (ii) It was expected that the time span of any impacts to the UK arising as a result of no formal trade deal being agreed with the EU would vary. For example, the traffic delays predicted in Kent could potentially affect food and medical supplies. However, the Government predicted that this issue would abate in a relatively short period of time as businesses understood and adapted to new practices. There were also some negative economic impacts predicted nationally, which it was anticipated could affect local businesses and the Council may need to provide support to the businesses.
- (iii) A member expressed concern that the Government's national reasonable worst-case scenario did not reflect reality and the impact of the Covid-19 pandemic, which was causing the Country to face serious issues such as higher levels of unemployment and business closures, only added to an already uncertain economic outlook.
- (iv) In respect of Council staff that were EU nationals and their right to work in the UK, it was confirmed that the Council kept the relevant records and that HR support was available to these staff members as necessary.
- (v) A member suggested that specialists in banks providing services to local businesses would have real insight into how many were prepared for when the EU transition period ceased.
- (vi) It was suggested that as VAT was only charged on energy prices as an EU regulation there could be potential to lobby the Government to have this charge removed.
- (vii) The increases to food prices predicted as part of the national worst-case scenario were expected to be applicable to and as a result of shortages of certain products rather than all products.

*[Mr. J. T. Orson JP CC left the meeting at this point and did not return to the meeting]*

### Risk Management Update

- (viii) Corporate Risk 4.2 'Environment and Transport (E&T) - If Arriva is successful in its concessionary travel appeals and the method of apportioning between the City and County Councils is changed then reimbursement costs for the total scheme could increase' had been added to the Corporate Risk Register as Leicester City Council had disputed the apportionment of costs between both councils. Discussions to find a resolution were currently underway.
- (ix) Departmental Risk Registers were frequently reviewed and monitored. As part of the risk management process each manager was required to undertake a review of their service risks on a regular basis. Then, in line with the committee cycle Department Management Teams would review their registers and update the Internal Audit Service accordingly to allow the Corporate Risk Register to be reviewed and revised.
- (x) In response to a comment raised regarding Corporate Risk 9.4 'Environment and Transport (E&T) 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', and whether financial implications could be included in the risk, the Director acknowledged that, given the changing environment, inevitably there would be financial implications associated with this risk which would need managing through the risk management process and stated that consideration to the point raised would be given at the next risk review to ensure these implications were reflected in the appropriate risk registers as necessary.
- (xi) In response to comments raised by a member regarding the necessity of the Council's Recycling and Household Waste Site (RHWS) online booking system and whether opening over a longer period during the week and allowing people to visit without booking would be more cost effective, the Director stated that consideration would be given to the point raised at the next risk review. However, the benefits of having the system in place were that the queuing system and volumes of people attending the waste sites, which had also been an issue prior to the Covid-19 pandemic, as well as staff shortages, could now be managed more effectively as the majority of RHWS booking requests (made by the public to visit the sites) were now being picked up online rather than through a call centre. Having the system in place was also helping to ensure compliance with the national (Covid-19) restrictions, manage the flow of waste and mitigate the costs previously identified around traffic management as a reduced number of staff were needed to run the sites.
- (xii) Members requested that a presentation be given at the Committee's next meeting on 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).

RESOLVED:

- (a) That the current status of the strategic risks facing the County Council be approved and the Director of Corporate Resources be requested to give consideration to the comments now made;
- (b) That the contents of the presentation provided on Corporate Risk 6.1 'EU Transition – If a formal trade agreement between the UK and EU is not in place at the end of the transition period, the UK will be treated by the EU as a third country. Trade arrangements will differ, and goods will be subject to full third country controls and a variety of border checks' be noted and the Chief Executive be requested to give consideration to the comments now made;
- (c) That at the Committee's next meeting a presentation be provided on 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);
- (d) That the updates regarding Covid-19 recovery planning and counter fraud be noted.

22. External Audit of the 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 2019/20 financial statements and sought approval of the draft letters of representation to Grant Thornton UK LLP, the County Council's external auditors. The report also provided an update on the National Audit Office's (NAO) guide for Audit and Risk Committees on financial reporting and management during Covid-19. A copy of the report marked 'Agenda Item 7', is filed with these minutes.

The Chairman welcomed John Gregory and Avtar Sohal of Grant Thornton UK LLP, the County Council's external auditors, to the meeting.

In presenting Grant Thornton UK LLP's Audit Findings report, John Gregory highlighted the following points:

- (i) Work would be undertaken by Grant Thornton UK LLP (Grant Thornton) over the coming days to finalise the external audit. A substantial amount of work had already been undertaken with very few amendments made to the work carried out earlier in the year, and, subject to any outstanding queries being resolved, it was anticipated that the County Council would receive an 'unqualified' audit opinion overall.
- (ii) The Emphasis of Matter (EoM) that Grant Thornton had included in its audit opinion regarding the valuation of land and buildings was not a qualification of opinion, but simply an additional paragraph to acknowledge the material valuation uncertainty in the property markets brought about by the impact of the Covid-19 pandemic and the effects of this on the valuation of the County Council's land and buildings and its share of Pension Fund property investments as at 31 March 2020.

- (iii) The Council continued to face financial uncertainties and with the long-term effects of the Covid-19 pandemic largely unknown it was anticipated that even with the financial resilience the Council had shown over the years, there could still be significant challenges ahead. Although, in comparison to some other local authorities who were already suffering sustainability issues, the County Council was regarded as being in a relatively strong position to deal with them.

The Committee expressed disappointment with Grant Thornton's proposal to further increase its fees on the financial statements audit. The Director added that although he understood the Covid-19 pandemic had created additional costs for many, the fee proposed was higher than some social care providers had charged at the beginning of the pandemic. Members noted that although initial discussions had taken place between the County Council and Grant Thornton regarding the fee increase proposal, formal negotiations were still to take place.

Arising from discussion and questions regarding this matter, Mr Gregory advised the following:

- (iv) The increase was necessary due to the additional work on the audit that had arisen from the impact of the Covid-19 pandemic and the effects on efficiency due to remote working because of the national Covid-19 restrictions.
- (v) Whilst it was acknowledged that councils were not able to pass on their costs, local authorities had received additional funding from the Government during the pandemic whereas other organisations, such as Grant Thornton, had not. It was also important to note that the increase to the amount proposed (15%) was less than half of the extra costs Grant Thornton had itself incurred.
- (vi) It was questioned whether Grant Thornton had business interruption insurance in place to cover the additional costs. Mr Gregory confirmed that Grant Thornton had not suffered a business interruption as such and therefore no cover had been in place for such a scenario.
- (vii) As Grant Thornton's contract was held with Public Sector Audit Appointments (PSAA) and not directly with the County Council any fee increase negotiated between the Authority and Grant Thornton would require formal approval by the PSAA at the final stage. Early conversations that Grant Thornton had held with the PSAA suggested that the levels of increase proposed to date were more than reasonable.

In concluding the item, the Director thanked the external auditors for the work they had undertaken and the level of assurance the audit opinion had provided so far.

RESOLVED:

- (a) That the key findings from the external audit of the 2019/20 financial statements carried out by Grant Thornton LLP UK be noted;
- (b) That the letters of representation be approved;
- (c) That the update on the National Audit Office's (NAO) guide for Audit & Risk Committees on financial reporting and management during Covid-19 be noted.

23. Update on the application of the National Audit Office Guide to Audit Committees on financial reporting and management during Covid-19.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to inform the Committee of how the County Council had responded to the National Audit Office's (NAO) guide for Audit and Risk Committees on financial reporting and management during Covid-19. A copy of the report marked 'Agenda Item 8', is filed with these minutes.

The completion of the due diligence work around the risks associated with procurement had been planned around revisions being made to the current regulations. The regulations had now been updated and it was the intention that an update on progress with this work would be reported to the Committee at its next meeting.

RESOLVED:

- (a) That at the next meeting of the Committee an update be provided regarding the progress with the due diligence work to be undertaken in respect of procurement.
- (b) That the report on the County Council's response to the National Audit Office's Guide for Audit and Risk Committees on Financial Reporting and Management During Covid-19, and the update now provided be noted.

24. Local Government and Social Care Ombudsman Annual Review 2019-20 and update on complaints and Freedom of Information Requests.

The Committee considered a joint report of the Chief Executive and the Director of Corporate Resources regarding the outcome of the Local Government and Social Care Ombudsman Annual Review for the Authority for 2019/20 and which also provided an update on the handling of complaints, Freedom of Information (FOI) requests and Environmental Information Regulations. A copy of the report marked 'Agenda Item 9', is filed with these minutes.

Arising from discussion the following points arose:

- (i) Regarding the rise in Special Educational Needs (SEN) complaints, it was acknowledged that the number and level of this type of complaint was disappointing. However, assurance was provided that a great deal of work had been undertaken by the Council's Children and Families Service to review and improve its case management process and ensure that lessons were being learnt. As part of this work a new case management system had been introduced which was being used as a key area of focus to ensure a more targeted approach.
- (ii) A member commented that the Scrutiny Commission should have oversight of the actions being taken to deal with SEN complaints, it was confirmed that the Children and Families Overview and Scrutiny Committee had full oversight of SEN improvement plans. However, it was advised that the member could raise their view directly with the Director of Children and Family Services if they felt this was necessary.
- (iii) The Complaints and Information Manager continued to work closely with departments to encourage good practice and monitor systemic improvements and timely follow-up of complaints. Where improving common themes of complaints

such as SEN were concerned, much resource had been dedicated to improving SEN processes, so it was expected that the number of complaints would gradually ease over time.

- (iv) It was clarified that the purpose of a Judicial Review was to challenge the way in which a decision by a public body, e.g. the LGO, was made rather than to determine whether the decision made was right or wrong. The Council had a duty to act fairly and reasonably and to follow the LGO's recommendations wherever possible. However, where there was disagreement, the Council would usually approach the LGO in the first instance to try to agree a more workable solution.

RESOLVED:

- (a) That the Local Government and Social Care Ombudsman (LGO) annual review letter for the County Council for 2019-20 be noted;
- (b) That the update on improvements to the County Council's Complaints procedures and handling of the Freedom of Information Act and Environmental Information Regulations be noted.

25. Resilience and Business Continuity Update.

The Committee considered a report of the Chief Executive, the purpose of which was to provide an annual update on the Council's Resilience and Business Continuity activities, work undertaken with other Leicester, Leicestershire and Rutland local authorities and wider multi-agency resilience activities. A copy of the report marked 'Agenda Item 10', is filed with these minutes.

In response to a request made by a member, officers undertook to include in future annual reports to the Committee case studies detailing the outcomes and timelines of the most challenging incidents that had occurred during each reporting period.

RESOLVED:

- (a) That the update provided on Resilience and Business Continuity during 2020 be noted and the priorities identified for 2020/21 be supported.
- (b) That the Chief Executive be requested to include in future reports to the Committee case studies detailing the outcomes and timelines of the most challenging incidents that occur during each reporting period.

26. 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 September 2020. A copy of the report marked 'Agenda Item 11', is filed with these minutes.

Arising from discussion the following points arose:

- (i) When discussing the merits or otherwise of short term lending to other local authorities, in terms of the level of risk incurred it was noted that the courts could order council tax to be collected if a local authority was unable to repay its

outstanding loans; this was seen as a final measure for when every other option to repay the debt owed had been exhausted and it was deemed more likely that the Government would put other measures in place to support the local authority before such action was enforced.

- (ii) With regard to the private debt loan with partner groups in the Council's loan portfolio it was confirmed that this loan, which had previously been agreed by the Cabinet as part of the Corporate Asset Investment Fund, was considered to be relatively low risk and a sensible investment in terms of portfolio diversification. Returns were expected periodically, but it was too early to know exactly how the scale of return would compare with the Council's other investments.

#### RESOLVED:

That the actions taken in respect of treasury management for the quarter ending 30 September 2020 be noted.

#### 27. Update on developments in local (external) audit arrangements.

The Committee considered a joint report of the Director of Corporate Resources and the Director of Law and Governance, the purpose of which was to provide the Committee with an update on developments in local (external) audit arrangements, that were associated with the Committee's responsibilities. A copy of the report marked 'Agenda Item 12', is filed with these minutes.

Arising from discussion the following points arose:

- (i) The change proposed to the Value for Money (VfM) approach i.e. moving away from the current audit opinion approach whereby local authorities were granted a 'qualified' or 'unqualified' opinion to a more narrative approach, was expected to be fundamental and beneficial to the way future audits were carried out.
- (ii) Whilst not every recommendation of the Redmond Review was applicable to all councils, including the County Council, the implications of the relevant recommendations along with some of the other local (external) audit system review findings/developments were expected to be significant and it was expected that some issues would need addressing more urgently than others such as the simplification of local authority accounts reporting processes and the sustainability of the audit market, including the changes needed to retain current suppliers and attract others to the market. One of the wider issues which could also potentially require a system-wide response in the longer term was that more and more local authorities were becoming unsustainable.
- (iii) Regarding the potential additional responsibilities to members in respect of reviewing and monitoring the County Council's accounts, it was confirmed that previous guidance issued by the National Audit Office had highlighted the importance of the role of Audit Committees in providing sufficient challenge in this regard and that further system-wide guidance was beginning to be issued to provide local organisations with advice on good practice and how this should be promoted. Further evaluation would need to be undertaken by County Council officers and members in due course of the detail of the developments in local (external) audit arrangements to consider the impact of any changes and agree a way forward including any additional training that may be required. It was

anticipated that the Committee would receive further updates on the developments associated with its responsibilities at future meetings as required.

RESOLVED:

That the update on the outcomes of the Redmond Review, the new Code of Audit Practice and the other developments in local (external) audit arrangements be noted.

28. Internal Audit Service Progress Report.

The Committee received a report of the Director of Corporate Resources which summarised the work conducted during the period 11 July to 6 November 2020, highlighted audits where high importance recommendations had been made and provided information on how the coronavirus had affected the Internal Audit Service. A copy of the report marked 'Agenda Item 13', is filed with these minutes.

- (i) The HMRC continued to provide a national tax relief service to workers that were required to work from home, which County Council staff meeting the eligibility criteria were encouraged to make use of.
- (ii) In response to a question raised by a member, the Director undertook to provide further information to the Committee outside of the meeting on the progress with re-issuing Direct Payments guidance to care pathway staff.

RESOLVED:

- (a) That the Director of Corporate Resources be requested to provide further information to the Committee on the progress with re-issuing Direct Payments guidance to care pathway staff.
- (b) That the audit work undertaken during the period 11 July to 6 November 2020 and actions taken to implement high importance recommendations be noted.

29. Dates of Future Meetings.

RESOLVED:

That the next meeting of the Corporate Governance Committee be held on 29th January 2021 at 10.00am.

Further meeting dates proposed for 2021 are:

Friday, 4th June at 2.00pm  
Friday, 23rd July at 10.00am  
Friday, 5th November at 10.00am

2.00 – 4.51pm  
25 November 2020

CHAIRMAN