

# Agenda

## Public Document Pack

Dorset County Council



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Meeting: Audit and Governance Committee  
Time: 10.00 am  
Date: 13 March 2017  
Venue: Committee Room 2, County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ

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Trevor Jones (Chairman)  
Mike Byatt  
Matt Hall  
Peter Wharf

Kate Wheller (Vice-Chairman)  
Andrew Cattaway  
David Harris

Pauline Batstone  
Lesley Dedman  
Peter Richardson

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### Notes:

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- **Public Participation**

Guidance on public participation at County Council meetings is available on request or at <http://www.dorsetforyou.com/374629>.

### Public Speaking

Members of the public can ask questions and make statements at the meeting. The closing date for us to receive questions is 10.00am on 8 March 2017, and statements by midday the day before the meeting.

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**Debbie Ward**  
Chief Executive

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Date of Publication:  
Friday, 3 March 2017

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## 1. **Apologies for Absence**

To receive any apologies for absence.

## 2. **Code of Conduct**

Councillors are required to comply with the requirements of the Localism Act 2011 regarding disclosable pecuniary interests.

- Check if there is an item of business on this agenda in which the member or other relevant person has a disclosable pecuniary interest.
- Check that the interest has been notified to the Monitoring Officer (in writing) and entered in the Register (if not this must be done on the form available from the clerk within 28 days).
- Disclose the interest at the meeting (in accordance with the County Council's Code of Conduct) and in the absence of a dispensation to speak and/or vote, withdraw from any consideration of the item.

The Register of Interests is available on Dorsetforyou.com and the list of disclosable pecuniary interests is set out on the reverse of the form.

## 3. **Minutes**

5 - 10

To confirm and sign the minutes of the meeting held on 20 January 2017.

## 4. **Public Participation**

(a) Public Speaking

(b) Petitions

## 5. **Progress on Matters Raised at Previous Meetings**

11 - 14

To consider outstanding actions identified at the meeting held on 20 September 2016 and 20 January 2017.

## 6. **Annual Audit Letter 2015-16**

15 - 22

To consider a report by KPMG, the Council's External Auditor (attached).

## 7. **External Audit Plan 2016-17**

23 - 40

To consider a report by KPMG, the Council's External Auditor (attached).

## 8. **Update on the Property Rationalisation Programme**

41 - 54

To consider a report by the Director for Environment and the Economy (attached).

## 9. **Emerging Governance Arrangements in New Unitary Authorities**

55 - 62

To consider a report by the Head of Organisational Development (attached).

## 10. **Internal Audit Plan - 2017/18**

63 - 82

To consider a report by the Chief Financial Officer.

- |  |           |
|--|-----------|
| <b>11. Budget Monitoring Report - January 2017 (period 10)</b>   | 83 - 98   |
| To consider a report by the Chief Financial Officer (attached).  |           |
| <b>12. Draft Annual Governance Statement 2016/17</b>   | 99 - 102  |
| To consider a report by the Chief Executive (attached).  |           |
| <b>13. Review of Staff Code of Conduct</b>   | 103 - 116 |
| To consider a report by the Chief Executive that was previously considered by the Staffing Committee on 22 November 2016 (attached). |           |
| <b>14. Work Programme</b>  | 117 - 122 |
| To consider the Committee's current work programme.  |           |
| <b>15. Questions from County Councillors</b>   |           |
| To answer any questions received in writing by the Chief Executive by not later than 10.00am on 8 March 2017.                        |           |

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## Audit and Governance Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester,  
Dorset, DT1 1XJ on Friday, 20 January 2017

### Present:

Trevor Jones (Chairman)

Pauline Batstone, Matt Hall, David Harris, Peter Richardson and Peter Wharf.

### Other Members Attending:

Toni Coombs, as former Cabinet Member for Children and Young People

Deborah Croney, as Cabinet Member for Learning, Skills and Children's Safeguarding

Robert Gould, as Leader of the County Council

Jill Haynes, as Cabinet Member for Adult Health, Care and Independence

Officers Attending: Debbie Ward (Chief Executive), John Alexander (Senior Assurance Manager - Performance), Roger Allen (Senior Procurement Officer), Rupert Bamberger (Audit Manager - South West Audit Partnership), Richard Bates (Chief Financial Officer), Steve Hedges (Group Finance Manager); Sarah Johnstone (Communications Commissioning Manager), Jim McManus (Chief Accountant), Patrick Myers (Head of Design and Development), Mark Taylor (Group Manager - Governance and Assurance) and Denise Hunt (Senior Democratic Services Officer).

(Notes: These minutes have been prepared by officers as a record of the meeting and of any decisions reached. They are to be considered and confirmed at the next meeting of the Committee to be held on **Monday, 13 March 2017**).

### Apologies for Absence

1 Apologies for absence were received from Hilary Cox, Lesley Dedman and Kate Wheller.

### Code of Conduct

2 There were no declarations by members of any disclosable pecuniary interests under the Code of Conduct.

### Minutes

3 The minutes of the meeting held on 7 December 2016 were confirmed and signed.

### Public Participation

#### 4 Public Speaking

There were no public questions received at the meeting in accordance with Standing Order 21(1).

There were no public statements received at the meeting in accordance with Standing Order 21(2).

#### Petitions

There were no petitions received in accordance with the County Council's petition scheme at this meeting.

### Primary School Meals Contract - Contract Extension Consultation

5 The Committee considered a report by the Chief Financial Officer having regard to the findings of a previous Call to Account relating to the existing contractor, Chartwells.

Councillor Toni Coombs, as the former Cabinet Member for Children and Young

People described the problems that had occurred at the outset of the contract with Chartwells and the subsequent actions that had been taken to resolve them. The work achieved following the Call to Account had given her confidence that the contract with Chartwells should continue at that time and that lessons had been learned internally.

Mr O'Toole, a school meals provider based in Bournemouth, addressed the Committee and advised that his company provided 2,500 school meals a day. He felt that the report took the approach that extension of the current contract was the only option and disagreed with its assumptions which effectively created a monopoly and were not in the spirit of the Public Contract Regulations. He also expressed his opinion that it had been demonstrated during the Call to Account that a fair market process had not been established previously and that a number of smaller suppliers could provide a countywide service. This would have the added benefit of maintaining supply in the event of a failure in any area.

Councillor Deborah Croney, the Cabinet Member for Learning, Skills and Children's Safeguarding reported that she had visited Chartwells and had been satisfied that adequate quality control and manufacturing processes were in place. She wanted to ensure that the process allowed fair access to local suppliers wherever possible and the ability to have a contingency in place quickly in the event of an area of failure.

Members asked whether there should be more than one supplier across the County in order to cover any shortfall in provision and were informed that this would be dependent on the number of schools wishing to extend the existing contract as this would ultimately determine its viability.

Following some discussion, members formed the view that a third option should be specified in the consultation to schools to include other suppliers in the retender process.

#### **Resolved**

- 1 That a third option to include other suppliers is specified in the consultation;
- 2 That the wording is drafted by the Senior Procurement Officer in conjunction with the Cabinet Member for Learning, Skills and Children's Safeguarding; and,
- 3 That the consultation document is circulated to the Chairman, Vice-Chairman and Cllr Peter Wharf in the next two weeks.

#### **Reason for Decisions**

To enable to consultation with schools to be carried out efficiently and effectively and understand the preferred options for future delivery of primary school meals after the expiry of the initial contract period.

### **Budget Monitoring Report - December 2017**

- 6 The Committee considered the report which provided information on the forecast of outturn against the budget for the 2016/17 financial year based on the latest information from directorates.

Councillor Jill Haynes, the Cabinet Member for Adult Health, Care and Independence, explained that budgets had been delegated downwards to middle managers to provide greater levels of accuracy and, following a second round of performance management training, she felt confident that managers had gained the necessary insight into their budgets that had resulted in a savings plan based on reliable facts and figures.

She highlighted that although the number of people in adult social care had not increased, the packages were becoming more complex and expensive and there was

a need to challenge whether some of these should be funded by the NHS due to medical need. A new way of commissioning care with the Clinical Commissioning Group (CCG) would also be launched in November 2017 that would produce economies of scale.

Councillor Deborah Croney, as the Cabinet Member for Learning, Skills and Children's Safeguarding, stated that the work and activity to improve the financial situation had been articulated in a report to Cabinet on 18 January 2017. She described the main budgetary pressures in relation to the number of children in care and agency spend.

Members asked how the overspend in 2016/17 would be financed in order to balance the budget and were advised that money would be used from general balances and specific reserves and that there was some flexibility on the use of capital budget receipts.

The Committee considered the current situation to be extremely disturbing, and were mindful that it would not be possible to continue to fund overspending in future. They were advised that whilst the overview and scrutiny committees had considered some specific budget areas as a result of a request from the Audit and Governance Committee, at present, financial oversight predominately rested with this committee. However, more detailed budget consideration was the focus of other internal officer and member meetings, such as the Budget Strategy Task and Finish Group.

Councillor Robert Gould, Leader of the Council, stated that although the transformational work was critical, the long term solution lay in better integration between the health service and adult social care and was a general solution that could only be implemented at a national level.

Members expressed concern that the Internal Audit report had identified two areas of budget management as being of significant risk and wished to know the specific areas highlighted by this audit.

The Assistant Director (SWAP) informed the Committee that the areas highlighted in the report had not been assessed as fundamental weaknesses and that the actions picked up during the audit were being addressed and could be identified in the sample.

Members were informed that in order to address the issues identified in the audit, there had been a focus on disaggregating budgets from senior management level to a lower level in the organisation, together with the implementation of a stronger reporting and accountability framework.

The Committee asked for work to continue on detailed analysis of the budget to identify further savings and that it should also be made clear that the council would run out of money if this situation continued.

### **Noted**

#### **Report of Internal Audit Activity Plan Progress 2016/17 - Quarters 2 and 3**

7 The Committee considered a report by the Assistant Director of the South West Audit Partnership (SWAP).

Members discussed the significant audit risk in relation to the use of external advisors further to procedures previously introduced to control expenditure in this area.

The Committee was advised that there was good control in terms of maintaining the initial scope of engagement of consultants, however, the scope could develop further

in response to transformational work and attract substantial funding back into the organisation.

Whilst accepting the need to refresh guidance so that staff at lower levels of the organisation were aware of the procedures, it was felt that the auditor's statement in relation to strategic oversight of the use of external advisors at a corporate level did not reflect its consideration by the Corporate Leadership Team and Staffing Committee.

Members highlighted that the significant audit risks in relation to the Dorchester Learning Centre were very specific and that a similar level of detail in terms of the other risks would be helpful in future to provide context.

### **Resolved**

That the areas of significant audit risk are discussed further with the Chairman, Vice-Chairman and Councillor Peter Wharf to determine which areas of significant audit risk are to be considered at the meeting on 13 March 2017.

### **Progress on Matters Raised at Previous Meetings**

8 The Committee considered a report outlining the actions identified at the meetings held on 20 September and 7 December 2016. Members were advised of the following outstanding updates:-

#### **20 – External Audit Annual Report 2015/16 – follow up of prior year recommendations**

A formal update would be provided on information in relation to supporting evidence for starters and leavers to the pension fund.

#### **26 – to include councillors in any ICT security related training and awareness for staff**

The Head of ICT and Customer Services would write to all councillors signposting them to the online learning module used by staff and offering appropriate support.

### **Noted**

### **Appointing the External Auditor**

9 The Committee considered a report regarding the procurement of an external auditor.

Members noted the advantages of a single external auditor following local government reorganisation, but also that there would be benefits to retaining the existing auditor, KPMG, for a further year prior to closing the accounts on any potential new authority for the first time.

The Chief Accountant confirmed that there was scope within the procurement process with Public Sector Appointments Ltd (PSAA) to consider the continuity benefit of retaining KPMG as the external auditor in the short term.

### **Resolved**

- 1 That the content of this report and particularly the options available for the procurement of the external auditor be noted; and,
- 2 That consideration be given to retaining the existing internal auditor, KPMG, until such time as a new Authority is formed following local government reorganisation.

### **RECOMMENDED**

That the County Council be recommended to agree to:-

- 1 Opt into the sector-led auditor procurement process being led by Public Sector Audit Appointments Ltd (PSAA); and,
- 2 Delegate responsibility to the Chief Financial Officer to ensure that the County Council is active in supporting delivery of best value for money arrangements



across all Dorset Councils in light of LGR arrangements yet to be confirmed.

#### Reason for Recommendations

To enable officers of the County Council to progress arrangements for the appointment of the Authority's external auditor.

To ensure the Chief Financial Officer and his staff could work effectively with other Dorset Councils to ensure best value for money and deliver effective and efficient audit arrangements in the transition to potential new governance structures across the County.

#### **Corporate Plan: Outcomes Focused Monitoring Report**

- 10 The Committee considered the monitoring report which provided a substantial body of evidence that contributed towards the effective function of the overview and scrutiny committees, in conjunction with an online outcomes tracker.

Members welcomed the new style report and assurance over the more detailed information that was being provided to the overview and scrutiny committees to monitor their elements of the Corporate Plan. They questioned the relevance of the indicator in relation to life expectancy due to the movement of people into the area as well as the age of some of the data. They were informed that life expectancy concerned inequalities in health outcomes and that further information was contained in the commentary in the outcomes tracker. Some macro public health indicators were the most recent available, however, further work was required to encourage the release of information on a regular basis.

#### **Noted**

#### **Treasury Management Mid Year Update 2016/17**

- 11 The Committee considered the mid-year update.

In response to a question it was confirmed that the use of capital receipts to support the revenue budget would affect the council's ability to use internal balances and usable reserves to support borrowing.

#### **Noted**

#### **Information Governance - Data Protection Update**

- 12 The Committee considered a report concerning a forthcoming audit by the Information Commissioner's Officer and replacement of the Data Protection Act 1998 by EU regulation.

The Chairman drew attention to the failure with regard to subject access requests and members were advised that an additional member of staff had been employed to manage these requests. Although the situation had improved, requests in respect of Children's Services were not meeting the required standard.

Members were disappointed that the Committee had not been notified of a recent data breach and were advised that a formal process for notification of data breaches to a specific committee was not currently in place, but that annual statistics had previously been considered by the Audit and Scrutiny Committee. It was felt that information should therefore now be reported to the Audit and Governance Committee.

In response to a question, members were directed to the relevant section in the Members' Handbook explaining the process and the legal requirement for Councillors to register and make a payment of £35. It was confirmed that this would be investigated and considered for inclusion in the Member Induction Programme in May 2017.

**Resolved:**

- 1 That data in relation to subject access requests be circulated to the Committee;
- 2 That the position with regard to registration and payment of £35 for individual councillors is clarified; and,
- 3 That the process of notifying the committee of major data breaches in future is investigated.

**Statutory Officer Panel Terms of Reference (Disciplinary Investigation Process for the Chief Executive and Statutory Officers)**

- 13 The Committee considered a report regarding the Statutory Officer Panel Terms of Reference that had been considered by Staffing Committee on 22 November 2016.

A member commented that what was proposed and supported by the JNC Guidance would provide what was necessary to make system work very well.

**RECOMMENDED**

That County Council be recommended to approve the terms of reference for the Statutory Officer Panel so that the Panel comprises Independent Persons only.

**Reason for Recommendation**

The Staffing Committee dealt with issues relating to disciplinary action or capability in respect of the Chief Executive, Directors, Statutory Officers and Heads of Service. If this recommendation was accepted then Independent Persons would play an advisory role, but any decision to dismiss would still be one for the full County Council.

**Constitutional Changes**

- 14 The Committee considered a report by the Monitoring Officer which set out some suggested changes in the way in which County Council meetings were run to improve the time and quality of meetings.

Members suggested that if the minutes of committee meetings were no longer included then there should be a verbal report from the chairmen of those committees.

**RECOMMENDED**

That constitutional changes in relation to the arrangements for County Council meetings be approved as amended by the Audit and Governance Committee.

**Reason for Recommendation**

To contribute to the corporate aim to “provide innovative and value for money services”.

**Work Programme**

- 15 The Committee noted the following additions to its work programme:-

- Road map for governance arrangements in a new unitary authority – 13 March 2017
- Information Governance – policy for reporting data breaches – 13 March 2017.
- Single Person’s Council Tax Discount – 24 July 2017
- Progress report on Ironman preparations – 24 July 2017
- Post Ironman 2017 event – Autumn 2017

**Questions from County Councillors**

- 16 No questions were asked by members under Standing Order 20 (2).

# Audit and Governance Committee

**Dorset County Council**



Date of Meeting	13 March 2017
Officers	<u>Lead Cabinet Member</u> Robert Gould – Leader <u>Local Members</u> All Members <u>Lead Director</u> Debbie Ward, Chief Executive
Subject of Report	<b>Progress on Matters Raised at Previous Meetings</b>
Executive Summary	This report records:-  (a) Cabinet decisions arising from recommendations from Audit and Governance Committee meetings; and (b) Outstanding actions identified at the meetings held on 20 September 2016 and 20 January 2017.  Recommendations arising from the Call to Account - Ironman Event were approved by Cabinet on 18 January 2017.  Recommendations in respect of the following items were approved by County Council on 16 February 2017:- <ul style="list-style-type: none"> <li>• Appointing the External Auditor</li> <li>• Statutory Officer Panel Terms of Reference</li> <li>• Constitutional Changes – <i>an amendment was made to continue to include all overview and scrutiny committee minutes at meetings of the County Council.</i></li> </ul>

Progress on Matters Raised at Previous Meetings

Impact Assessment:	Equalities Impact Assessment: N/A
	Use of Evidence: Information used to compile this report is drawn together from the Committee's recommendations made to the Cabinet, and arising from matters raised at previous meetings. Evidence of other decisions made by the Cabinet which have differed from recommendations will also be included in the report.
	Budget: No VAT or other cost implications have been identified arising directly from this programme.
	Risk Assessment: Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as: Current Risk: LOW Residual Risk: LOW
	Other Implications: None
Recommendation	That Members consider the matters set out in this report.
Reason for Recommendation	To support the Council's corporate aim to provide innovative and value for money services.
Appendices	None
Background Papers	None
Report Originator and Contact	Name: Denise Hunt, Senior Democratic Services Officer Tel: (01305) 224878 Email: <a href="mailto:d.hunt@dorsetcc.gov.uk">d.hunt@dorsetcc.gov.uk</a>

Progress on Matters Raised at Previous Meetings

<b>Date of Meeting</b>	<b>Note Number and subject reference</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Completed (incl comments)</b>
20 September 16	20 – External Audit Annual Report 2015/16	Follow-up of prior year recommendations – supporting evidence for starters and leavers to the pension fund. Information to be circulated to the Committee and made available at the Pensions Board meeting.	Richard Bates	The performance of the scanning company is closely monitored and scans are now being completed in a timely way and are returned within the two week timescale, it is not expected that the year end issues experienced in March 2015 will be repeated. It is still not cost effective to bring this service in house which would mean that all documents remain on site at all times. An annual review of this service is conducted to ensure the scanning solution is appropriate.
	26 – DES Business Continuity Update	To include councillors in any ICT security related training and awareness for staff.	Richard Pascoe	The Head of ICT and Customer Services will write to all councillors signposting them to the online learning module used by staff and offering appropriate support.
20 January 17	5 – Primary School Meals Contract – Contract Extension Consultation	That a third option to include other suppliers is specified in the consultation; That the wording is drafted by the Senior Procurement Officer in conjunction with the Cabinet Member for Learning, Skills and Children’s Safeguarding; That the consultation document is circulated to the Chairman, Vice-Chairman and Cllr Peter Wharf in the next two weeks.	Roger Allen	The revised consultation document was agreed by the Chairman of the Audit and Governance Committee and Cabinet Member for Learning, Skills and Children's Safeguarding.

Progress on Matters Raised at Previous Meetings

	<p>7 - Report of Internal Audit Activity Plan Progress 2016/17 - Quarters 2 and 3</p>	<p>That the areas of significant audit risk are discussed further with the Chairman, Vice-Chairman and Peter Wharf to determine which areas of significant audit risk are to be considered at the meeting on 13 March 2017.</p>	<p>Rupert Bamberger</p>	<p>Following discussion with the Chairman, Vice-Chairman and Councillor Peter Wharf, an update on the areas of significant risk has been included as appendix 2 of the Internal Audit Plan 2017/18 report to be considered on 13 March 2017.</p>
	<p>12 - Information Governance - Data Protection Update</p>	<p>That data in relation to subject access requests be circulated to the Committee;</p> <p>That the position with regard to registration and payment of £35 is clarified;</p> <p>That officers investigate the process of notifying the committee of major data breaches in future.</p>	<p>David Wilson</p>	<p>Update not available.</p>



# Annual Audit Letter 2015/16

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**Dorset County Council**

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October 2016



Agenda Item 6

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Harry Mears, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers ([andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



This Annual Audit Letter summarises the outcome from our audit work at Dorset County Council in relation to their 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

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<b>VFM conclusion</b>	We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 28 September 2016 . This means we are satisfied that during the year that the Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties.  To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.
<b>VFM risk areas</b>	We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.  We did not identify any significant VFM risks.
<b>Audit opinion</b>	We issued an unqualified opinion on the Authority's financial statements on 28 September 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the pension fund and the Authority's Group, which consists of the Authority itself and Tricuro Group.
<b>Financial statements audit</b>	Our audit identified audit adjustments in relation to debtors of £1.6 million (net) and a pension adjustment of £18.7m in relation to the treatment of the transfer of employees to Tricuro. The debtors adjustment is a balance sheet reclassification and therefore has no impact on the overall position.
<b>Annual Governance Statement</b>	We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.

<b>Pension fund audit</b>	There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report.
<b>Whole of Government Accounts</b>	We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.
<b>High priority recommendations</b>	<p>We did not raise any high priority recommendations as a result of our 2015/16 audit work. We raised two recommendations (one medium priority and one low priority. These are detailed in Appendix 1 together with the action plan agreed by management.</p> <p>We will formally follow up these recommendations as part of our 2016/17 work.</p>
<b>Certificate</b>	We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Dorset County Council with the pension fund accounts included in the financial statements of Dorset County Council. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December following the end of the relevant financial year. As the authority has not yet prepared the Pension Fund Annual Report we have not issued our report on the financial statements included in the Pension Fund Annual Report. Until we have done so, we are unable to issue our certificate. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.
<b>Audit fee</b>	Our audit fee for 2015/16 was £74,022, excluding VAT and our pension fund audit fee was £27,373 excluding VAT. Further detail is contained in Appendix 3.

# Appendix 1: Key issues and recommendations

As part of our 2015/16 audit we raised one low priority recommendation and one medium priority recommendation.

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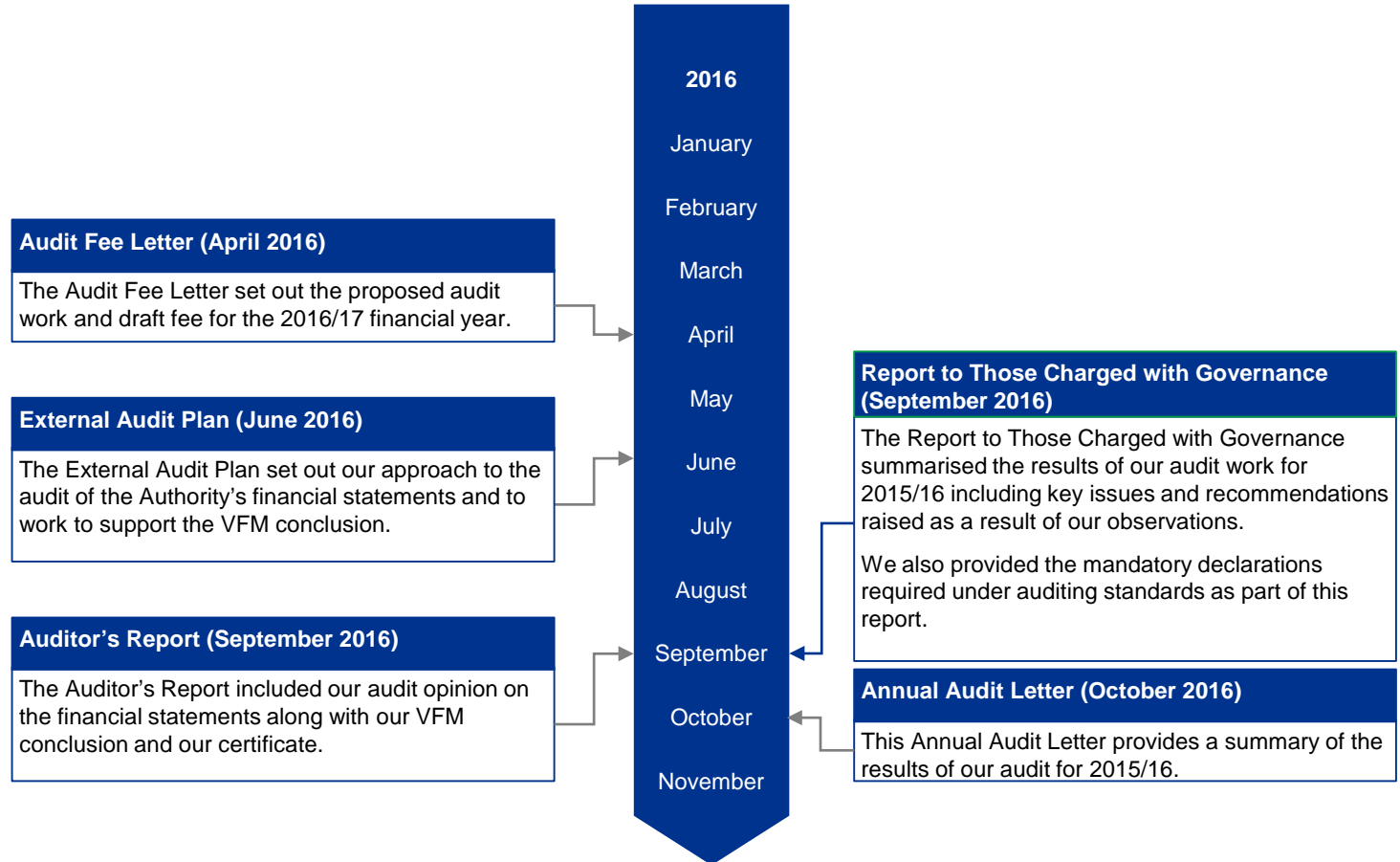
No.	Issue and recommendation	Management response / responsible officer / due date
1	<p><b>Review of bank reconciliations (Grade Low)</b></p> <p>We noted that in some cases bank reconciliations were not reviewed until the month after they had been completed. There is a risk that errors are not identified on a timely basis and that reconciling bank items are not cleared on a timely basis.</p> <p><b>Recommendation</b></p> <p>It is recommended that The Authority ensures that the review of bank reconciliations is performed promptly to avoid errors and to ensure that outstanding items are cleared on a timely basis.</p>	<p>Agreed. All bank reconciliations are up to date and authorised. There is now more resilience in the authorisation process as more staff are involved.</p> <p>Implemented during 2015/16.</p> <p><b>Sarah Baker</b> <b>Group Finance Manager, Corporate Finance</b></p>
2	<p><b>PO and GRN prior to invoice date (Grade Medium)</b></p> <p>We noted as part of work on accounts payable data analytics that there were 12,614 cases where a PO was dated after the invoice date and 441 cases where a GRN was dated prior to the PO date. This therefore indicates that goods and services are being ordered/arranged prior to going through the appropriate authorisation process.</p> <p><b>Recommendation</b></p> <p>It is recommended that training should be provided and staff should be reminded of the importance of obtaining authorisation prior to procuring goods and services.</p>	<p>The current procure-to-pay review will pick up these concerns and develop a model which best fits the need for authorisation and recording of commitments as well as reducing process burden on the business.</p> <p>Due date 2016/17.</p> <p><b>In progress, responsible officer to be confirmed.</b></p>

As part of our audit work we followed up on the Authority's progress against previous audit recommendations. The authority has taken actions to resolve three of the four previous recommendations and is in the process of taking actions to address the remaining recommendation.

# Appendix 2: Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

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# Appendix 3: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

Page 21

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

## External audit

Our final fee for the 2015/16 audit of the Authority was £74,022, which is in line with the planned fee.

Our final fee for the 2015/16 audit of the Pension Fund was £27,373 against a planned fee of £25,146. The additional fee of £2,227 relates to work undertaken on behalf of the auditors of other Local Authorities in the County in relation to their respective audits.

Our fees are still subject to final determination by Public Sector Audit Appointments.

## Other services

We charged £3,500 for the audit of the teacher's pension fund.

KPMG carried out some work on devolution for Dorset County Council on behalf of the nine councils in the area and the police. The total fees were £55,000, of which £5,500 related to this council. The work was carried out by a team separate from the audit team, and there were no identified conflicts between the audit and the non-audit work.



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# External Audit Plan 2016/17

**Dorset County Council**

**February 2017**

# The Local Government Landscape





## Financial Statement Audit



The main change to the Code of Practice on Local Authority Accounting in 2016/17 relates to the format of the Comprehensive Income & Expenditure Statement (see page 6) and introduction of a new primary statement (the Expenditure and Funding Analysis) which will result in a significant change to the presentation of the accounts. There are no significant changes to the underlying accounting framework that the Authority needs to comply with.

### Materiality

Materiality for planning purposes has been set at **£10 million** for the Authority and **£24 million** for the Pension Fund.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£0.5 million** for the Authority and **£1.2 million** for the Pension Fund.

### Significant risks

These risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Significant changes in the pension liability due to LGPS Triennial Valuation; and
- Property Valuation.

### Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Disclosure around retrospective restatement of Comprehensive Income and Expenditure (CIES), Movement in Reserves Statement (MiRS) and Expenditure and Funding Analysis (EFA) note from 1 April 2016; and
- Preparation of Group Accounting.

**See pages 3 to 6 for more details.**

## Value for Money Arrangements work



Our risk assessment is ongoing and we will report VFM significant risks during our audit.

**See pages 8 to 11 for more details.**

## Logistics



Our team is:

- Darren Gilbert – Director
- John Oldroyd – Senior Manager
- David Parson – Manager

More details are on **page 14**.

Our work will be completed in four phases from December to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 13**.

Our fee for the audit is £74,022 (2015/16: £74,022) for the Authority and £25,146 (2015/16: £25,146) for the Pension Fund, see **page 12**.

# Introduction

## Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

## Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

## Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



## Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 8 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17 year.





## Financial Statements Audit Planning

Our planning work takes place during the period from December 2016 to February 2017. This involves the following key aspects:

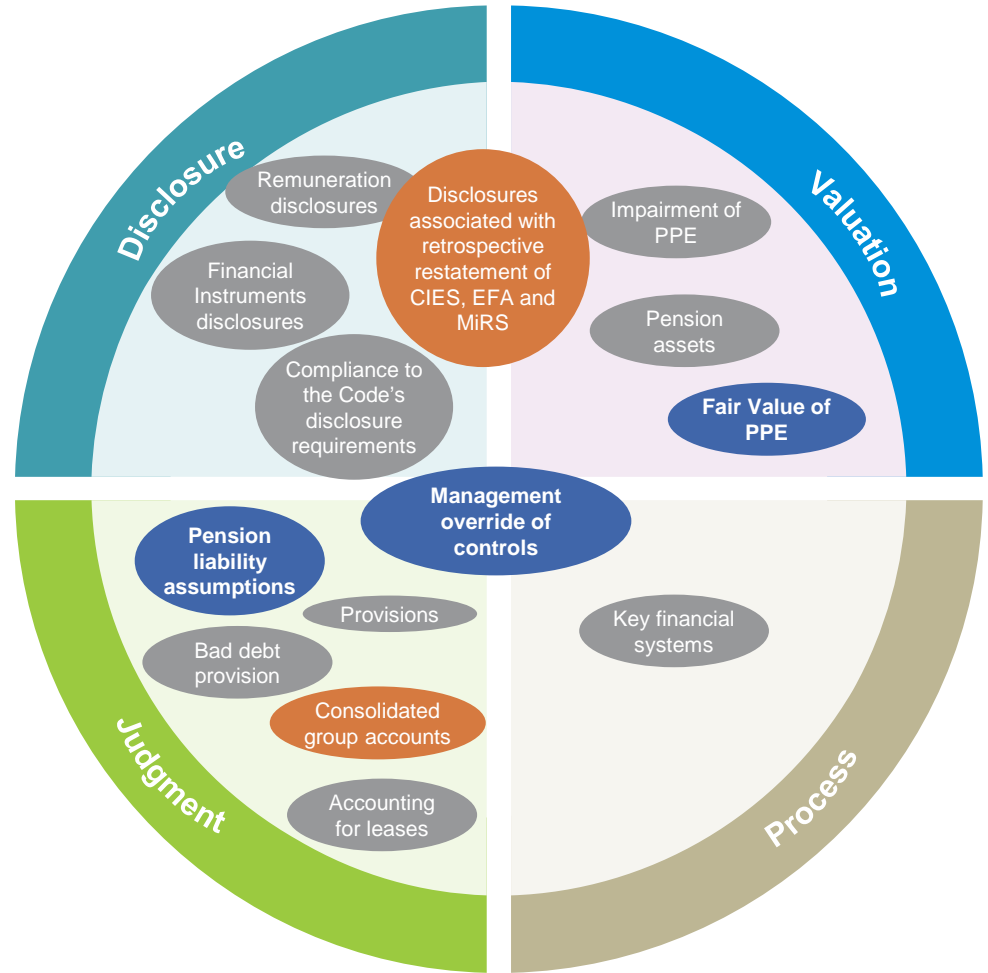
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

### Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



## Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

### Risk : Significant changes in the pension liability due to LGPS Triennial Valuation

During the year, the Dorset County Pension Fund has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The share of pensions assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation.

The pension numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts.

The Pension Fund only includes limited disclosures around pensions liabilities but we anticipate that this will be identified as a risk area by some of the admitted bodies, whose pension liabilities represent a significant element of their balance sheet. This includes the Authority itself.

**Approach :** As part of our audit of the Dorset County Pension Fund, we will undertake work on a test basis to agree the data provided to the actuary back to the systems and reports from which it was derived and to understand the controls in place to ensure the accuracy of this data. This work will be focused on the data relating to the Authority itself as largest member of the Pension Fund.

If we receive specific requests from the auditors of other admitted bodies, we are required to support their audits under the protocols put in place by the PSAA for this purpose. If the work they request is over and above that already planned, there will be additional costs arising from this. The Pension Fund can consider recharging these costs to the relevant admitted bodies.

### Risk : Fair value of property at the balance sheet date

The CIPFA Code of Practice on Local Authority Accounting requires that property is re-valued with sufficient frequency to ensure that there is not a material difference between the fair value of the assets and their carrying value, and in any case at a frequency of at least every five years.

Historically, Dorset County Council has performed annual revaluations on a representative sample of a tranche of 20% of the property assets per year. Taking these valuation movements into account, a desktop valuation was applied to the other 80% of property assets. The valuation was performed as at the start of each financial year.

There is a risk therefore that movements in property values during the year could result in a misstatement in the value of Dorset County Council's property portfolio.

**Approach :** As part of our audit work, we will ensure that we are satisfied that the process for valuations is robust and that valuations are reasonable. This will include determining whether the Authority has considered indicators of property value movements between the date of property valuation and the balance sheet date.

We will as a matter of course evaluate the expertise of the preparer of these reports to ensure that they are sufficiently skilled and appropriately qualified such that we can rely on them for the provision of audit evidence.



## Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

### Disclosures associated with retrospective restatement of CIES, EFA and MiRS

During past years, CIPFA has been working with stakeholders to develop better accountability through the financial statements as part of its 'telling the whole story' project. The key objective of this project was to make Local Government accounts more understandable and transparent to the reader in terms of how the Councils are funded and how they use the funding to serve the local population. Outcomes of this project resulted in two main changes in respect of the 2016/17 Local Government Accounting Code (Code) as follows:

- Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and
  - Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MIRS) and replaces the current segmental reporting note.
- As a result of these changes, retrospective restatement of CIES (cost of services), EFA and MiRS is required from 1 April 2016 in the Statement of Accounts.

New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable Accounting Standards.

Though less likely to give rise to a material error in the financial statements, this is an important material disclosure change in this year's accounts, worthy of audit understanding.

**Approach :** As part of our audit;

- We will assess how the Authority has actioned the revised disclosure requirements for the CIES, MiRS and the new EFA statement as required by the Code; and
- We will check the restated numbers and associated disclosures for accuracy, correct presentation and compliance with applicable Accounting Standards and Code guidance.

### Preparation of group accounts

In 2015/16, Dorset County Council, along with Bournemouth Borough Council and Borough of Poole Council, formed Tricuro as a Local Authority Trading Company (LATC) to which they transferred their supplier-side Adults' Services. The parent company, Tricuro Support Ltd (TSL), is owned by the controlling authorities, and owns 100% of Tricuro Ltd (TL). From an accounting perspective, Dorset County Council and the other shareholder councils determined this LATC to be a joint venture in the form of a jointly controlled entity. As Dorset County Council's investment in the joint venture was considered to be material the Authority was therefore required under IFRS and the CIPFA Code to prepare group accounts to account for this under the accounting standards.

In 2016/17, the Authority plans to consolidate other joint ventures and associates which had not previously been consolidated on the grounds of materiality, including SWAP (South West Audit Partnership) and TRICS. Dorset County Council's share of net assets and profits in these investments will therefore need to be accounted for in the consolidated group accounts, in line with IFRS and the CIPFA Code.

#### Approach :

As part of our audit planning procedures we have been liaising with Dorset County Council's finance team to understand the proposed classification and justification of these associates.

We will review the accounting justification working papers and the consolidation to ensure that the accounting treatment applied by the Authority is in line with that outlined in the CIPFA code and IFRS.



## Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

For the Authority, materiality for planning purposes has been set at £10 million for the group accounts, which equates to 1.5 percent of 2015/16 gross expenditure.

For the Pension Fund, materiality for planning purposes has been set at £24 million, which equates to 19 percent of 2015/16 net assets.

We design our procedures to detect errors in specific accounts at a lower level of precision.

## Reporting to the Audit and Governance Committee

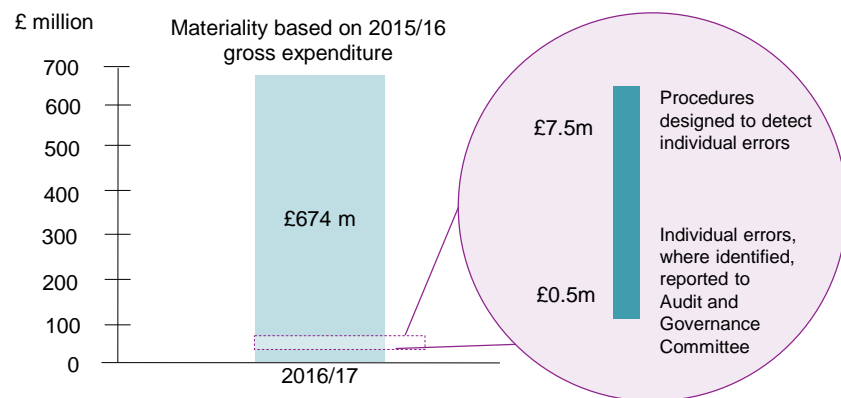
Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260 (UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.5 million.

In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.2 million.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.



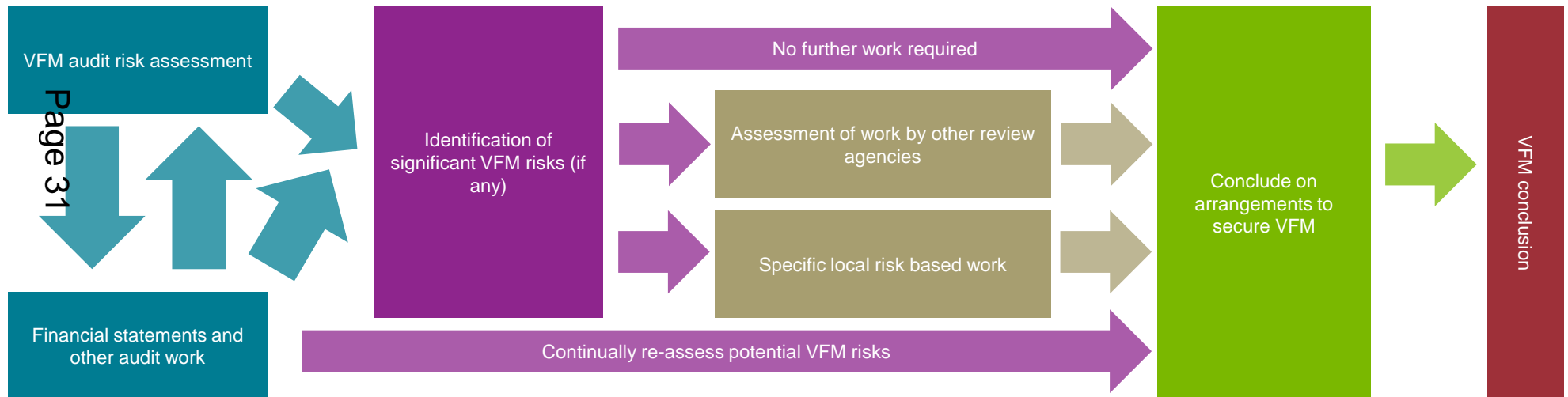


## Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2015/16 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.





## Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

### Informed decision making

#### Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

### Sustainable resource deployment

#### Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

### Working with partners and third parties

#### Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.



# Value for money arrangements work (cont.)



VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> <li>■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;</li> <li>■ Information from the Public Sector Auditor Appointments Limited VFM profile tool;</li> <li>■ Evidence gained from previous audit work, including the response to that work; and</li> <li>■ The work of other inspectorates and review agencies.</li> </ul>
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant '<i>if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.</i>'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> <li>■ Considering the results of work by the Authority, inspectorates and other review agencies; and</li> <li>■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.</li> </ul>

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# Value for money arrangements work (cont.)



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> <li>■ Meeting with senior managers across the Authority;</li> <li>■ Review of minutes and internal reports;</li> <li>■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.</li> </ul>
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

## Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

## Electoral challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

## Our audit team

Our audit team will be led by Darren Gilbert who will add a fresh perspective and managed by John Oldroyd, David Parson and Duncan Laird (Pension Fund Audit) who provide continuity on the audit. Appendix 2 provides more details on specific roles and contact details of the team.

## Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit and Governance Committee. Our communication outputs are included in Appendix 1.

## Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

## Audit fee

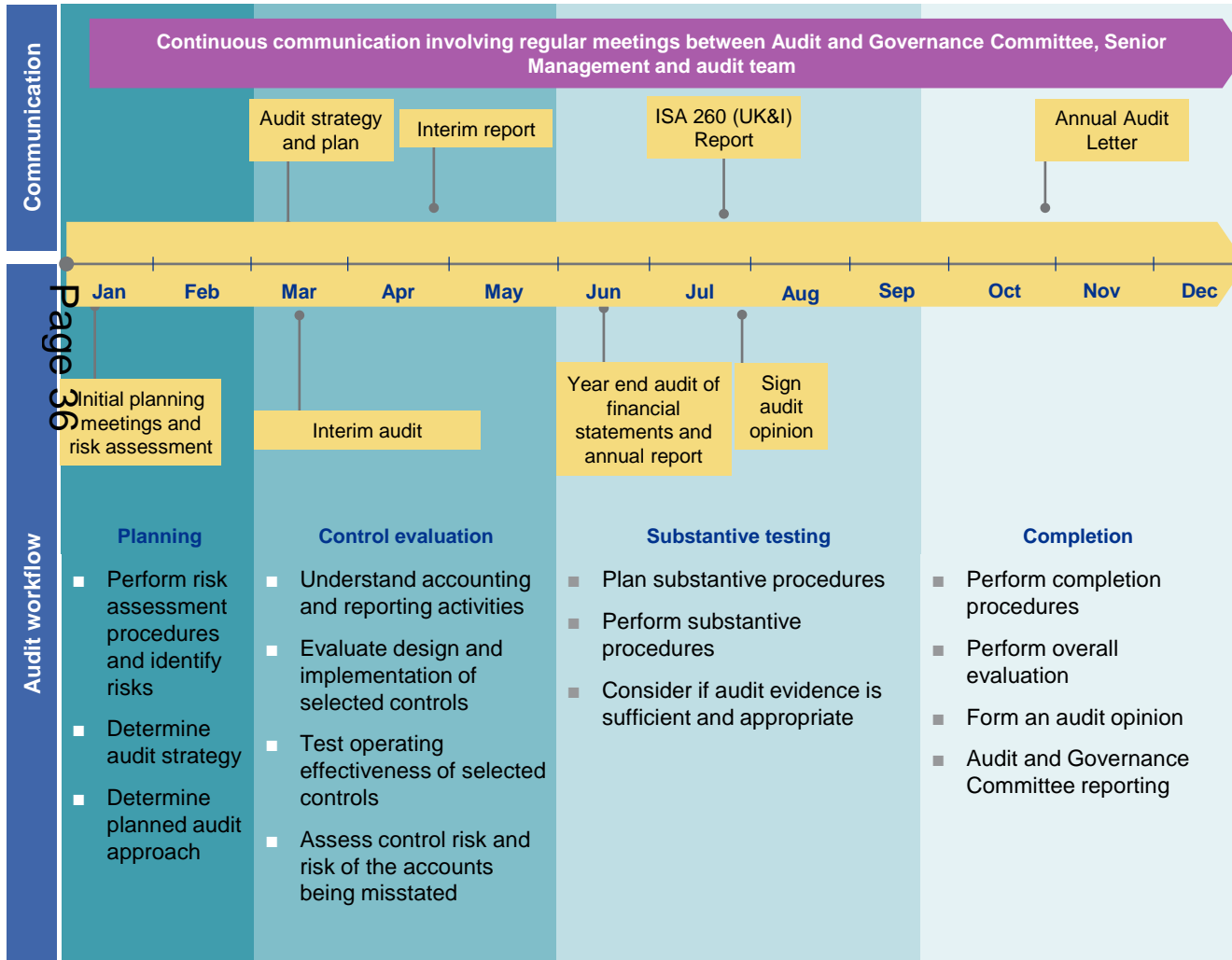
Our *Audit Fee Letter 2016/2017* presented to you in April 2016 first set out our fees for the 2016/17 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

Our audit fee may be varied later, subject to agreement with PSAA, for changes in the Code, specifically this year the changes in relation to the disclosure associated with retrospective restatement of CIES, EFA and MiRS. If such a variation is agreed with PSAA, we will report that to you in the due course.

It is noted that our *Audit Fee Letter 2016/2017* set out the PSAA's expectation for a fee variation related to anticipated changes in the 2016/17 *CIPFA Code of Practice* to the measurement requirements for highways network assets. These changes have been postponed and will no longer affect the 2016/17 year, therefore a fee variation in respect of this is no longer expected.

The planned audit fee for 2016/17 is £74,022 for the Authority. The planned audit fee for 2016/17 is £25,146 for the Pension Fund.

# Appendix 1: Key elements of our financial statements audit approach



## Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable, payroll and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.

# Appendix 2: Audit team



Your audit team has been drawn from our specialist public sector assurance department. The key change to the audit team for 2016/17 is the change in Engagement Lead from Harry Mears to Darren Gilbert, the rest of the team remains consistent with the prior year and is made up of the following team members;



<b>Name</b>	Darren Gilbert
<b>Position</b>	Director
	'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.  I will be the main point of contact for the Audit and Governance Committee and Chief Executive.'

**Darren Gilbert**

Director

029 2046 8205

darren.gilbert@kpmg.co.uk



<b>Name</b>	John Oldroyd
<b>Position</b>	Senior Manager
	'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.  I will work closely with Darren to ensure we add value.  I will liaise with the Chief Financial Officer and other Executive Directors.'

**John Oldroyd**

Senior Manager

023 8020 2055

john.oldroyd@kpmg.co.uk



<b>Name</b>	David Parson
<b>Position</b>	Manager
	'I will work closely with the Senior Manager to ensure we add value.  I will liaise with the Chief Financial Officer and the Finance team.'

**David Parson**

Manager

023 8020 2054

david.parson@kpmg.co.uk



<b>Name</b>	Duncan Laird
<b>Position</b>	Manager
	'I am responsible for the management, review and delivery of the audit of the Pension Fund.  I will liaise with the Pension Fund Accountants.'

**Duncan Laird**

Manager

011 7905 4253

duncan.laird@kpmg.co.uk



# Appendix 3: Independence and objectivity requirements

## Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit and Governance Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

## Confirmation statement

We confirm that as at the date of this plan, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment’s website ([www.psa.co.uk](http://www.psa.co.uk)).

External auditors do not act as a substitute for the audited body’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Darren Gilbert the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [Andrew.Sayers@kpmg.co.uk](mailto:Andrew.Sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk) by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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# Audit and Governance Committee

**Dorset County Council**



Date of Meeting	13 March 2017
<p><u>Lead Officer</u> Mike Harries - Director for Environment and the Economy</p>	
<b>Subject of Report</b>	<b>Update on the Property Rationalisation Programme</b>
Executive Summary	<p>In December 2015 the Audit and Scrutiny Committee reviewed the property rationalisation programme and concluded that it was an excellent example of the Council, through innovation, actively challenging the 'status quo'. The Committee made various recommendations in the form of an action plan, which was presented to Cabinet. This report provides an update on progress in the delivery of the Action Plan. It also updates on the property rationalisation programme, the key aspects of which are set out in the County Council's Asset Management Plan (AMP).</p>
Impact Assessment:	<p>Equalities Impact Assessment:</p> <p>The most recent equalities impact assessment was undertaken on the Asset Management Plan and identified the need to ensure that the interests and needs of the six equality groups are addressed at service level as part of the service asset management planning process, including consultation with users.</p> <hr/> <p>Use of Evidence:</p> <p>The Asset Management Plan makes use of the following sources of evidence:</p> <ul style="list-style-type: none"> <li>• The Corporate Plan and Community Strategy</li> <li>• Medium Term Financial Strategy</li> <li>• Outcomes from a Members Seminar on 25 September 2014</li> <li>• Periodic public consultation</li> <li>• Local and National property performance data</li> <li>• Service (property) asset management plans</li> <li>• Highways asset management planning data</li> <li>• Corporate IT strategy</li> </ul>

## Update on the Property Rationalisation Programme

	<p><b>Budget:</b></p> <p>This programme has significant budgetary implications, as it has a key role in reducing the operating costs and overheads of the property estate. Since April 2015 it has generated direct revenue savings of £526,000 per annum on running costs and indirect savings of £2.8m on R &amp; M. It has also generated capital receipts of £7.6m over the two year period.</p>
	<p><b>Risk Assessment:</b></p> <p>Specific project risk registers are in place. None of the recommendations relate to or create high or medium risks.</p> <p>Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as:          Current Risk: LOW          Residual Risk: LOW</p>
Recommendations	It is recommended that the Committee considers and comments on matters set out in this report. Specifically, it is asked to note the transfer of youth centres to community bodies, the evolution of the community offer of Living and Learning concept and the good progress that the County Council is making against the key performance indicators set down in the Asset Management Plan.
Reason for Recommendation	A well-managed Council ensures that the best use is made of its assets in terms of optimising service benefit, minimising environmental impact and maximising financial return.
Appendices	Appendix 1 Property Rationalisation Programme Action Plan Appendix 2 Progress on Asset Management Plan KPIs
Background Papers	The Property Asset Management Plan 2015-18
Officer Contact	<p>Name: Peter Moore, Service Director - Environment          Tel: (01305) 224285          Email: p.k.Moore@dorsetcc.gov.uk</p> <p>Name: Peter Scarlett, Estate &amp; Assets Service Manager          Tel: (01305) 221940          Email: p.scarlett@dorsetcc.gov.uk</p>

### 1.0 Progress on Property Rationalisation Programme – Action Plan

1.1 Appendix One details the progress that has been made over the last year in carrying out the recommendations set out in the Property Rationalisation Programme – Action Plan. This is provided in the column headed Update – February 2017. Some of the key items to highlights are:

- 1.2
- Transferral of Youth Centres to communities groups. In March 2016 the County Council invited the submission of business plans from community groups and town councils to take over the ownership and running of its various youth centre

## Update on the Property Rationalisation Programme

buildings. In all but two cases (both where the buildings are held on leasehold agreements) the County Council received proposals from communities to take over the buildings. 18 youth centre buildings are now being run by community groups and they provide a good example of the benefits that can be derived from working with local communities.

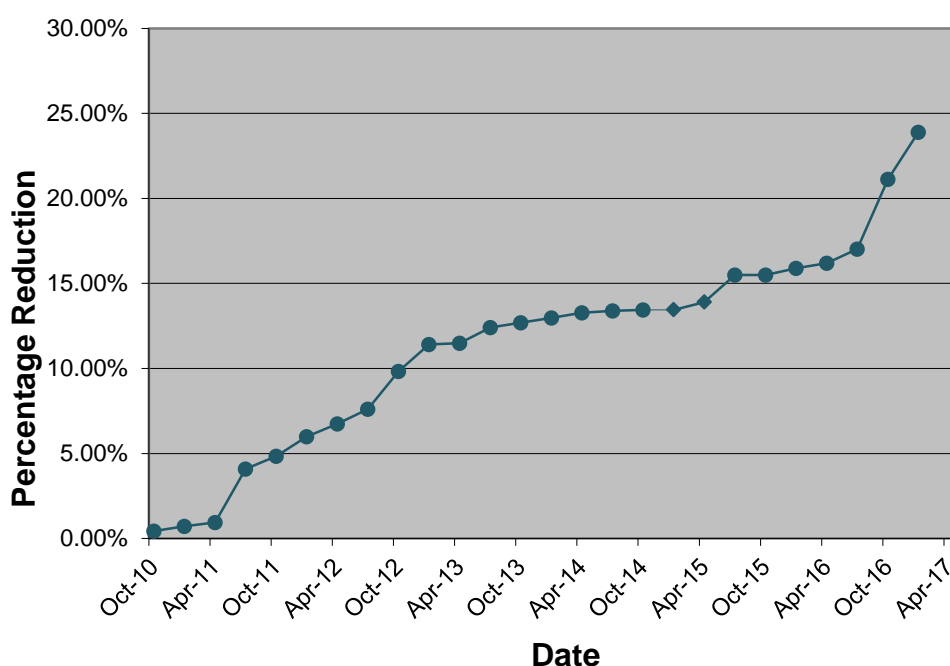
- 1.3
  - The Community Offer for Living and Learning has developed since the start of 2016 and community consultation has taken place in 6 pilot areas. In each of those areas there has been excellent engagement from local communities, led by local members who have supported this programme enthusiastically. The programme has been recognised as being innovative by the Cabinet Office which has awarded the County Council £150,000 in funding through the One Public Estate initiative, to progress its key attributes and effect transformation.
- 1.4
  - There has been good liaison with local members prior to the disposal of assets. For example the local member for Sturminster Newton has been fully engaged and very supportive of the process to dispose of plots at North Dorset Business Park. The local member for Bere Regis has likewise been leading discussions with the County Council and the Parish Council on the disposal of the former primary school site. The response from local members has not always speeded up the disposal process however and whilst generally members have offered their support and have put forward helpful suggestions as to how the County Council might proceed with a disposal, on a few occasions further exploration of community aspirations for buildings has resulted in interventions from members that have slowed the process of disposal and in once instance it has frustrated the disposal completely.
- 1.5
  - Dorset Development Partnership (DDP). Subsequent to the Audit and Scrutiny Committee meeting in December 2015 which was attended by representatives from PSP, the County Council's joint venture partners in DDP, work has been ongoing to identify innovative ways in which the County Council can use DDP. The Partnership is considering a proposal which would provide the County Council with more certainty as to when revenue saving can be harvested. DDP is also looking at ways that it can work with the County Council (and the Dorset Councils Partnership) to assist the authorities to deliver the government's accelerated construction programme, aimed at delivering an additional 15,000 new homes on local authority land by the end of the current parliament. DDP has developed its Member Reporting System (MRS) which is published on Sharepoint on a regular basis and circulated to local members when there is a need to update them.
- 1.6
  - A Disposal Milestone Tracker document has been developed to track the progress and pace of disposals. Any roadblocks can be quickly identified and remedial action taken to ensure that assets are disposed of in a timely manner. The Audit and Scrutiny Committee did recognise that although speeding up the pace of the programme would be welcomed, the reality of achieving this would be very difficult due to the associated disposal processes and market factors. Notwithstanding that, very good progress has been made with the sale of properties over the past year, assisted by a reasonably buoyant property market. The authority has completed 21 sales over the course of the current financial year (excluding Youth Centres), and is forecasting capital receipts of £6.6m during this period. Where it has not been able to take forward sales, this has been principally due to the actions of others, often Government departments. The sale of several schools has been delayed by the DfE in granting Schedule 1 content under the Academies Act. The MoD has been obstructive in the sale of Bovington Park, where it holds a restrictive covenant and Natural England is holding up the sale of Bargates through its insistence on the need for a site for a SANG over and above the size being offered.

### 3 Progress against the Asset Management Plan (AMP) KPIs

3.1 Progress against the KPIs set out in the AMP is detailed in Appendix 2. A number of the KPIs are assessed annually, at the end of March, so the performance against those indicators will be updated at the end of this month. However, some highlights are:

- 3.2
- To date 23.9% of the non-schools estate has been disposed of since April 2010. This equates to 123 buildings out of an original total of 552. Whilst progress has been slower than initially forecast in 2010, the momentum is picking up and the authority has disposed of 7.7% of its estate over the past year which represents a significant improvement. Furthermore, a further 4.2% of floor area is either vacant or on the market, so this momentum should continue. The graph below details this progress over the past 7 years.

**Percentage Reduction in Floor Area of Estate (since 2010)**



- 3.3
- The running costs of the non-schools estate have been reduced by £525,900 pa. It should be borne in mind that the target to reduce the running costs of the non-schools estate by £3.2m per annum was based on total running costs of £7.3m. Since the target was set however, day centres and residential care homes have been leased to Tricuro and so are no longer in scope. Furthermore, the technical financial management savings from depreciation have also been taken out of scope so this target will need to be re-based in due course. This does not mean that the savings are being lost to the County Council, just identified against a different budget.

- 3.4
- The County Council is predicted to generate £23m of capital receipts over a three year period, substantially in excess of its target of £12.5m. It anticipates receipts of £10.25m over a two year period from 2015 – 17. These capital receipts will enable the County Council to use up to £3m flexibly to support revenue costs of transformation falling between 2016/17 and 2018/19.

- 3.5
- The County Farms Estate has already exceeded its target to increase its operational surplus by 6.00% over three years, and to date is showing an increase of 7.6%.

## Update on the Property Rationalisation Programme

- 3.6
- The County Council is well on target to reduce the net floor area of its office estate by 15,000m<sup>2</sup> by 2020. To date it has vacated 11,278m<sup>2</sup> of office space under the office rationalisation programme which has enabled it to increase occupational density in County Hall as well as in the 7 other local offices, where work is underway to adapt those buildings to support flexible working and accommodate more staff.
- 3.7
- The capital programme continues to deliver good quality buildings on time and below budget. Last year seven projects were delivered with a £2,111,000 saving against their aggregated budget which represents a 9% saving on the total original budget. The ongoing programme has, in part, enabled a re-profiling of the repairs and maintenance budget, generating savings in its budget of £2.8 in the current financial year.

### **4.0 Summary**

- 4.1
- Whilst there is always scope to do more, the KPIs demonstrate that the property rationalisation programme has made good progress over the past year. This has been driven in part by services identifying ways in which they can deliver their services to local communities in different ways and staff adapting to a change of culture with the roll out of flexible working and occupying their accommodation more efficiently. The Community Offer for Living and Learning is evolving from concept to reality and the Dorset Development Partnership has identified some innovative ways in which the County Council can maximise value from its assets and support the Government's accelerated construction strategy.
- 4.2
- The forward programming of rationalisation and disposals provides confidence that the programme is meeting its objectives and will enable and deliver significant financial and non-financial benefits to the County Council.

### **Mike Harries**

Director for Environment and the Economy  
March 2017

**Property Rationalisation Programme – Action Plan**

**Appendix 1**

Introduction

The Audit and Scrutiny Committee reviewed the property rationalisation programme at a meeting on 15 December 2015 and concluded:

- That the programme was an excellent example of the Council, through innovation, actively challenging the “status quo”.
- That the programme sought to deliver both transformation and financial savings, in pursuit of improved outcomes for the residents and communities of Dorset.
- That the Committee recognised that the financial targets that have been agreed for the programme were necessary, challenging and ambitious.
- That a relentless focus on culture and behaviour and new ways of working across the Council was fundamental to its ultimate achievement.
- That whilst the importance and potential opportunities associated with joint and collaborative working was fully recognised, in order to deliver the challenging targets, the Council must not be distracted or diverted from its own clear principles and programme.
- That it was recognised that although speeding up the pace of the programme would be welcomed, the reality of achieving this would be very difficult due to the associated disposal processes and market factors.

The following recommendations were agreed and the management response is set out below in an action plan:-

<b>Recommendation</b>	<b>Management Response</b>	<b>Officer Responsible</b>	<b>Timescale</b>	<b>Update – February 2017</b>
That the importance of the ‘One Council’ programme required a clear understanding at all levels across the Council and, as such, its successful delivery was the responsibility of all managers and staff.	Past experience has demonstrated that the implementation of strategies ratified by the Cabinet and CLT can encounter resistance or simply inertia further down the organisation. Directors/Heads of Service therefore need to communicate the vision clearly to all staff and be willing to step in to clear any road blocks which may occur.	Service Directors	Ongoing	The response to the programme from services has been mixed. In certain cases services have understood the need to rationalise their assets and in the case of the Youth Service, for example, have successfully developed an alternative way to deliver the service. In other cases however, there is still too great a reliance on premises and a reluctance to contemplate divesting of them. In certain situations senior managers have created the greatest roadblocks

Recommendation	Management Response	Officer Responsible	Timescale	Update – February 2017
				<p>to change and have supported, rather than confronted territorial behaviours, by refusing to work in an open plan environment.</p> <p>The Community Offer for Living and Learning has been developed with a view to providing multi-functional buildings and initial engagement on this concept from services and staff has been excellent.</p>
<p>That increased member awareness and early engagement would help to ensure any local issues and opportunities are better understood and help inform decision-making.</p>	<p>It is acknowledged that local members have valuable knowledge and understanding of local needs. It is recognised that local members should be consulted at an early stage in respect of property proposals, in particular the roll out of Living and Learning Centres, and they will be involved during the community consultation exercise and kept informed in line with the principles of the member protocol.</p>	<p>Estate and Assets Service Manager/ Strategic Estate Manager</p>	<p>Ongoing</p>	<p>In the six pilot areas where Living and Learning consultations have taken place the engagement seminars have all been led by the local member, each of whom has been actively involved in the process of defining the appropriate offer for their local communities. Where assets have been transferred to local community bodies, the local member has often been involved with the body taking over the asset.</p>
<p>That members should be involved at the earliest stages of property identification for disposal.</p>	<p>The Estate and Assets Service Manager will write to all members to explain the property rationalisation programme, outline the WWW property saving target and ask members to put forward suggestions as to how this target can be achieved, including possible assets in their division that might be suitable for disposal.</p>	<p>The Estate and Assets Service Manager</p>	<p>Ongoing</p>	<p>Members were notified of the asset reduction strategy and the concept of Living and Learning Centres.</p> <p>There has been very good support from local members to the wider property rationalisation programme. Prior to any asset being declared surplus at the Cabinet engagement has taken place with the local member. Responses from local members has been mixed and whilst</p>

Update on Property Rationalisation Programme

Recommendation	Management Response	Officer Responsible	Timescale	Update – February 2017
	Where an asset is identified for disposal, the local member will be consulted prior to the matter going to the Cabinet for ratification (in accordance with current policy).			generally members have offered their support, on a few occasions intervention by members has slowed the process of disposal. Members did provide very good support in the transferral of youth centres to communities and in a number of cases they actually led the bids.
That the quarterly reporting against the property rationalisation programme targets to the Cabinet and the Audit and Scrutiny Committee should continue, supported by the enhanced reporting mechanisms proposed by the Dorset Development Partnership.	The Quarterly Asset Management Report, which goes to the Cabinet and Audit and Scrutiny Committee, will be used to update members on progress towards the property rationalisation programme, including performance against a set of 10 KPIs, as set out in the Asset Management Plan.	The Estate and Assets Service Manager	Ongoing	The key performance indicators are now published on Dorset for You on a quarterly basis, with a link from the Quarterly Asset Management Report which goes to the Cabinet.  Dorset Development Partnership has continued to develop its Member Reporting System (MRS) and this is circulated to members of the DDP Members Board on a regular basis.
That consideration should be given to the commissioning of professional support, available through the Dorset Development Partnership, to supplement the Council's resources to maintain the required momentum.	Dorset Development Partnership currently works with the County Council to enhance the value of its assets prior to disposal. Whilst this has generally led to an uplift in the value of assets being disposed of, it has not speeded up the disposal process. A meeting has therefore been arranged to consider whether DDP can assist the County Council further in its delivery of the property rationalisation programme,	The Director for Environment & Economy as chair of DDP Operations Board	Completed	PSP, the County Council's partner in Dorset Development Partnership (DDP) has significantly increased the number of staff that it employs, and it now has a Regional Director who is responsible for progressing DDP schemes. The County Council has also allocated a Valuer to the dedicated role of managing disposals, including through DDP, and this has enabled it to maintain the momentum of its disposal programme.



Recommendation	Management Response	Officer Responsible	Timescale	Update – February 2017
	<p>specifically to speed up the reduction of running costs of the property estate.</p> <p>Any professional support provided through DDP would come at a cost to DCC and so careful consideration would need to be given to ensure that it was adding value. DCC currently has an effective project team with a comprehensive knowledge of the County Council’s property estate, which is taking forward the strategic thinking on the future of the estate and engaging with the service users. This team must be permitted specify what specific resources it requires in order to accomplish its brief.</p>			
<p>That the announcement by the Chancellor of the Exchequer in the Autumn Statement suggesting proposed changes to the use of Capital receipts to support revenue spending on transformation required close examination.</p>	<p>The Autumn Statement specifies that: ‘to reform services and make them more efficient, local authorities will have new flexibilities to spend 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. The detail on how this will work will be set out by DCLG alongside the Local Government settlement in December 2015.’</p>	<p>Chief Financial Officer</p>	<p>Completed</p>	<p>The January MTFP update report to Cabinet recommended that up to £3m of capital receipts be used flexibly to support revenue costs of transformation falling between 2016/17 and 2018/19.</p>

Update on Property Rationalisation Programme

Recommendation	Management Response	Officer Responsible	Timescale	Update – February 2017
	<p>The County Council’s policy for dealing with capital receipts from the sale of its property assets is set down by the Chief Financial Officer, who will give careful scrutiny to the detail provided by the DCLG when it is clarified.</p>			
<p>That the Council should continue to actively explore any additional benefits that might be available through a wider association with the Dorset Development Partnership.</p>	<p>A meeting has been arranged with Dorset Development Partnership specifically to consider this issue.</p> <p>Further dialogue will be maintained through the DDP Operations and Member Boards.</p>	<p>The Director for Environment &amp; Economy as chair of DDP Operations Board</p>	<p>Ongoing</p>	<p>Discussions are ongoing with DDP to identify innovative ways that the partnership can add value to the County Council. For example, the Partnership is considering a proposal which would entail it taking on operating costs of County Council assets prior to their eventual disposal, thus enabling the County Council to reduce the operating costs of its estate.</p>
<p>That feedback from those members serving on the DDP Member Board would help to raise awareness and increase member engagement.</p>	<p>The Member Reporting System (MRS) has been developed by PSP in order to keep officers and members informed of project progress; provide greater transparency and an early warning of potential delays to projects and an understanding of the overall LLP’s performance, thus enabling early engagement of officers in pro-active problem solving and members in strategic decision making in order to speed up the process; and to engage with members appropriately</p>	<p>Estate and Assets Service Manager</p>	<p>Ongoing</p>	<p>The MRS is now in active use and is circulated to members who sit on the Members Board and from time to time to local members to update them on progress with schemes in their areas.</p>

Recommendation	Management Response	Officer Responsible	Timescale	Update – February 2017
	<p>where delays to outcomes occur (including formal and informal methods) ensuring that delays to outcomes are minimised and managed appropriately.</p> <p>The MRS sheets can be forwarded to any member wishing for an update on progress of all, or any, project being undertaken by DDP. The Audit and Scrutiny Committee is invited to comment on whether they wish to review the MRS sheets and if so, how frequently.</p>			
<p>That the Cabinet consider reviewing the asset management register on at least an annual basis.</p>	<p>It is proposed that, subject to the Cabinet's agreement, a register of property assets owned by the County Council is brought to the Cabinet at least once a year, as an appendix of the Quarterly Asset Management Plan.</p>	<p>Estate and Assets Service Manager</p>	<p>By end of December 2016</p>	<p>A schedule of properties that the County Council owns will be brought to the June Cabinet within the Quarterly Asset Management Report.</p>
<p>That although Local Delivery Groups which supported the Joint Asset Management Board were working well in many local authority areas, the establishment of Groups in Weymouth and West Dorset had stalled. It was</p>	<p>This matter has been discussed with Stephen Hill, Strategic Director of the Dorset Councils Partnership serving: North Dorset District Council, West Dorset District Council and Weymouth &amp; Portland Borough Council. He has agreed to look into the matter with a view to convening a LDG for the areas within his responsibility.</p>	<p>Strategic Estate Manager</p>	<p>Completed</p>	<p>There has been better engagement with the Dorset Councils Partnership in the last 12 months on property matters. This includes working closely together to promote the Community Offer for Living and Learning in Blandford, Beaminster, Portland and Weymouth. All three of its authorities have entered into agreements with PSP, so there is now the opportunity to work together on a joint scheme, through DDP.</p>

Update on Property Rationalisation Programme

Recommendation	Management Response	Officer Responsible	Timescale	Update – February 2017
suggested that this be referred to those Council' Senior Leadership Teams.				
The process of identifying properties still awaiting disposal should be reviewed to speed up the process.	A schedule of property assets that could be disposed of at pace has been drawn up and will be presented to the WWW Board on 25 <sup>th</sup> January 2016. Subject to the comments of that board, the disposal of those assets will be prioritised. Further schedules will be taken to that board on a periodic basis.	Strategic Estate Manager	Completed.	A Disposal Milestone Tracker document has now been drawn up which records the progress of disposing of all those properties that have been declared surplus. This has enabled the County Council to closely monitor and speed up its disposal programme and to take remedial action where required. The outcome has been 21 sales over the past 12 months, generating capital receipts of £6.6m.

**Progress against Asset Management  
Plan KPIs**

**Appendix 2**

Performance Indicators	Progress	Comment	RAG Status
To reduce the net floor area of the non-schools estate by 50% by March 2020	23.9% of the non-schools estate has been disposed of since April 2010.	This is up by 2.8% since October 2016 as a result of the disposal of various assets through the asset reduction strategy.	Amber
To accurately capture the gross property spend and to meet the Forward Together Property savings target to reduce the running costs of the non-schools estate by £3.2m by March 2020	To date the running costs of the non-schools estate has been reduced by £525,900 per annum.	The base figure for gross property spend on non-schools estate at the 2014/15 year end was assessed as £7,290,000. However, this is being reviewed due to the removal of Tricuro properties from the estate. A revised figure and savings target will therefore need to be agreed in due course.	Amber
To reduce the cost of required building maintenance from £103.00 m2 to £81.00 m2 by March 2018.	The cost of building maintenance wef 1 April 2016 is £95 m2.	This target is updated annually. The programme to dispose of poor quality buildings is helping to reduce the maintenance backlog.	Green
To reduce the non schools buildings energy consumption per net floor area (kwh/m <sup>2</sup> ) by 10% by March 2018.	In March 2016 the non schools building energy consumption was 162.37 kWh/m <sup>2</sup> . This represents a decrease of 3.6%	Baseline: The non schools building energy consumption wef 1 April 2015 was 168.37 kWh/m <sup>2</sup> - It is proposed that this target is updated annually.	Green
To reduce non-schools buildings CO <sup>2</sup> emissions per net floor area (tonnes CO <sup>2</sup> /m <sup>2</sup> ) by 10% by March 2018.	In March 2016 the non schools building CO <sub>2</sub> emissions per net floor area was 0.0536 tonnes CO <sub>2</sub> /m <sup>2</sup> . This represents a decrease of 6.78%	Baseline: The non-schools buildings CO <sub>2</sub> emissions per net floor area wef 1 April 2015 was 0.0575 tonnes CO <sub>2</sub> /m <sup>2</sup> - It is proposed that this target is updated annually.	Green

Update on Property Rationalisation Programme

To generate a minimum of £12.5m in capital receipts by March 2018	The County Council has generated capital receipts amounting to £7,573,000 since 1 April 2015.	It is forecast to generate £23.00m in capital receipts between 2015 and 2018.	Green
To increase the operational surplus of the County Farms Estate by 6% by March 2018	The operational surplus for 2015/16 was £558,672, an increase of 7.6% on the previous year.	The operational surplus generated by the County Farms Estate for 2014/15 was £519,193.	Green
To reduce the net floor area of the office estate by at least 15,000 m2 by March 2020	To date, the County Council has disposed of 7,651 m2 of office accommodation, which equates to 17.67% of the floor area. A further 3,627m2 of space is currently on the market or under offer.	The net area of the County Council's office estate wef 1 April 2015 is 43,285 m <sup>2</sup> .	Green
To reduce the average office floor space per office based employee to below 9m2 per employee by March 2018	Based on a recent assessment of staff numbers, the current occupancy level is 12.56 m2/fte.	The average floor space per employee is reducing (from 16.4m2 in 2015), but more work is needed to better occupy our accommodation.	Amber
To deliver 95% of major construction contracts within +/- 5% of budget, which includes a 10% allowance for optimism bias	Seven major building projects (>£500k) were completed in 2014/15. Of these, six were within +5% of the original budget, which equates to 86% against the target going forward of 95%.	Whilst one of the projects exceeded its budget by more than 5%, in overall budgetary terms the seven projects were delivered with a £2,111k saving against their aggregated budget which represents a 9% saving on the total original budget.  It is proposed that this target is updated annually.	Green

# Audit & Governance Committee

**Dorset County Council**



Date of Meeting	13 March 2017
Officer	Jonathan Mair, Head of Organisational Development
Subject of Report	<b>Emerging governance arrangements for new unitary authorities</b>
Executive Summary	<p>At the meeting of the Audit and Governance Committee on 16 January members added to their work programme:                      “Road map for governance arrangements in a new unitary authority – 13 March 2017”</p> <p>This report sets out the current position on the “Future Dorset” proposal to replace the existing principal local authorities in Dorset with two new unitary councils and describes the overall timeline and possible governance arrangements for the transition.</p>
Impact Assessment:	<p>Equalities Impact Assessment:</p> <p>None for the purposes of this paper. An Equalities Impact Assessment was completed for a paper to all nine principal local authorities in January 2017.</p>
	<p>Budget:</p> <p>The financial case associated with establishing new unitary councils was detailed in the paper considered by the County Council in January 2017.</p>
	<p>Other Implications:</p> <p>None at this time.</p>
	<p>Other Implications:</p> <p>None at this time.</p>

## Emerging governance arrangements for new unitary authorities

Recommendation	Members are invited to note and comment upon the emerging timetable and possible governance options for new unitary authorities and transition arrangements.
Reason for Recommendation	To enable the committee to comment upon the emerging governance arrangements.
Appendices	Timeline from the present to April 2019
Background Papers	<ol style="list-style-type: none"> <li>1. Reports and minutes of the County Council when it has met to consider proposals to re-organise local government in Dorset.</li> <li>2. Future Dorset proposals to the Secretary of State <a href="https://futuredorset.co.uk/">https://futuredorset.co.uk/</a></li> <li>3. Future Dorset video <a href="https://futuredorset.co.uk/">https://futuredorset.co.uk/</a></li> <li>4. Primary legislation including the Cities and Local Government Devolution Act 2016.</li> <li>5. History and documents relating to the establishment of Cornwall Council <a href="https://www.cornwall.gov.uk/council-and-democracy/council-background/unitary-bid/">https://www.cornwall.gov.uk/council-and-democracy/council-background/unitary-bid/</a></li> </ol>
Officer Contact	<p>Name: Jonathan Mair, Head of Organisational Development            Tel: 01305 224181            Email: <a href="mailto:j.e.mair@dorsetcc.gov.uk">j.e.mair@dorsetcc.gov.uk</a></p>

### 1. Background

- 1.1 At its meeting on 26 January 2017 the County Council considered a report by the Chief Executive on the future of local government in Dorset, Bournemouth and Poole. Chief Executives of all nine principal local authorities presented the same core report and recommendations to their councils.
- 1.2 The County Council, together with Bournemouth Borough Council, North Dorset District Council, The Borough of Poole, West Dorset District Council and Weymouth and Portland Borough Council resolved that a submission should be made to the Secretary of State for Communities and Local Government requesting that the existing nine county, district and unitary councils should be replaced by two new unitary councils and that the two new unitary councils should be based upon the following local authority boundaries:
 

**Unitary A:** Bournemouth, Christchurch and Poole plus the services currently provided by Dorset County Council in this area.

**Unitary B:** East Dorset, North Dorset, Purbeck, West Dorset, Weymouth and Portland plus the services currently provided by Dorset County Council in this area.
- 1.3 The Council meeting on 26 January gave the Chief Executive delegated authority, after consultation with the Leader, to agree the wording of a submission to the Secretary of State demonstrating the Council's ambition for local government transformation and drawing on the evidence that has been presented to councils, the submission to be made along with any other council that had agreed to support the same option for local government reorganisation. Delegated authority was also given to the Chief Executive, after consultation with the Leader to work with other councils that support the same



## Emerging governance arrangements for new unitary authorities

option for reorganisation to develop and implement appropriate plans and to allocate appropriate resources to progress local government change in Dorset.

- 1.4 A Future Dorset proposal was submitted to the Secretary of State for Communities and Local Government Sajid Javid by the six councils supporting the proposal for change on 9 February 2017. Details of the proposal put to the Secretary of State, including the full proposal document and a video promoting Future Dorset can be found on the Future Dorset website. <https://futuredorset.co.uk/>

### 2. Timeline

- 2.1 The appendix to this report sets out at a high level the timeline of activity leading to new unitary councils coming into existence on 1 April 2019.
- 2.2 The proposal is currently with civil servants and the intention is that they will report to the Secretary of State in time for him to make an “in principle” or “minded to” decision on or around 23 March 2017, ahead of the purdah period for the local government elections. If the Secretary of State does support the proposal then the expectation is that a firm decision will be made in May/June 2017 following the elections.
- 2.3 Through the remainder of 2017 work will be undertaken between civil servants and the Future Dorset Monitoring Officers on the content of legal orders to dissolve the existing local authorities, to set out the arrangements for establishing and transition to the new unitary authorities and to establish those new authorities with effect from 1 April 2019. The expectation is that parliamentary process will be completed in December 2017 and that formal implementation arrangements through which members will oversee the establishment of the new unitaries will be put in place in Dorset from January 2018.
- 2.4 The main options to be considered for inclusion in the legal orders for the implementation arrangements from January 2018 are either:
  - An “Implementation Executive” or
  - Shadow Authority with a Shadow Cabinet
- 2.5 It is likely that there will be an Implementation Executive for the Dorset area unitary and a Shadow Authority with a Shadow Cabinet for the Bournemouth, Christchurch and Poole unitary. The reasons behind the intention to have an Implementation Executive in one unitary and a Shadow Authority and Cabinet in the other are technical and relate to the shared geography of the Dorset unitary through the administrative boundaries of the existing County Council. The important point is that with effect from January 2018 the Secretary of State will establish new bodies for the area of each emerging unitary and those bodies will have the responsibility for doing all that is needed to ensure that the new unitary councils are in place and ready to take on their functions with effect from 1 April 2019. On this timeline the Implementation Executive and Shadow Authority/Cabinet will have some 15 months to complete the work of establishing the new unitary councils
- 2.6 Based upon Implementation Executive arrangements put in place to establish other unitary councils it seems likely that the Secretary of State will provide equal representation to the County Council and the district councils on an Implementation Executive for the Dorset area. When Cornwall Council was established the Secretary of State’s order provided for an Implementation Executive comprising 12 County Councillors and 12 District Councillors (two from each of the six Cornish districts). If this same approach was followed then we might expect an Implementation Executive to comprise 10 County Councillors and 2 District Councillors from each of the 5 district councils for the Dorset area unitary.

## Emerging governance arrangements for new unitary authorities

### 3. Governance Arrangements ahead of January 2018

- 3.1 High level governance for the pan Dorset programme leading to the report considered by all nine councils in January 2017 has been provided by the Dorset Leaders Group and by the Dorset Chief Executives Group. As Christchurch, East Dorset and Purbeck councils have not supported the proposal to the Secretary of State high level governance of the programme is now being provided by the Future Dorset Board comprising leaders of the six councils who support the proposal and the Future Dorset Chief Executives.
- 3.2 Our work leading to the January 2017 report to all nine Councils has been undertaken successfully on a pan Dorset basis. The six local authorities who support the Future Dorset proposals continue to work successfully together on that same pan Dorset basis but it is apparent that in January 2018 the Secretary of State's Order will cause a formal divergence in the governance arrangements. At that stage councillors drawn from the existing local authorities in each of the emerging unitary areas will become responsible for the separate programs of activity needed to establish the two unitary councils. There will be overlapping areas of activity where the two emerging unitaries are likely to wish to work together but the governance is provided by and officer accountabilities will be to two separate member bodies, one for each emerging unitary.
- 3.3 If we are to maximise our opportunities not only to establish a new unitary council for the Dorset area but to do so in a way that enables services to be transformed and delivered differently then we will need more time than the 15 months between January 2018 and 1 April 2019. There will be a need to undertake preparatory work ahead of January 2018 and so each of the emerging unitary areas will need to give consideration to what arrangements they wish to put in place for oversight and governance between now and January 2018.
- 3.4 Within the County Council itself the Shaping Dorset's Future Board and its workstreams have provided a governance framework within which members have been able to shape the unitary proposals as they have emerged and to give early thought to key principles, for instance the approach to devolving powers to town and parish councils. Increasingly district councillors have participated in the Shaping Dorset Workstreams but it is still the case that Shaping Dorset was established by the County Council and there is a need for whatever governance arrangements are now put in place ahead of January 2018 to be owned equally by the existing councils for the emerging Dorset area unitary.
- 3.5 The Future Dorset Monitoring Officers are working on possible approaches to pre January 2018 governance and these are to be considered by the Future Dorset Board and Chief Executives. In line with our previous joint working the expectation is that agreement should be reached so that the same report and recommendations could be put to all of those councils concerned, perhaps the May/June 2017 round of council meetings.
- 3.6 Consideration will need to be given to the positions of those councils which do not support the Future Dorset proposals. By January 2018 governance arrangements will be prescribed but until that point unless there is any change in the positions of the councils who do not currently support Future Dorset they will sit outside of whatever governance arrangements the other councils put in place.

### 4. Scrutiny

- 4.1 As part of the proposals for pre and post January 2018 governance councils will need to consider what arrangements should be put in place to scrutinise the work of the Implementation Executive and whatever governance arrangements precede it.
- 4.2 It is suggested that whatever scrutiny arrangements are put in place should be on a joint basis, so that the councils which support Future Dorset conduct any scrutiny on a joint basis.

## **Emerging governance arrangements for new unitary authorities**

- 4.3 As with other aspects of the governance arrangements it is important to note that the County Council has a part to play in the establishment of both unitaries. County Council services will be an important part of the Dorset area unitary but the inclusion of Christchurch and the disaggregation of services provided by the County Council in that area means that the County Council also has an important part to play in the establishment of the unitary council for Bournemouth, Christchurch and Poole.

**Jonathan Mair**  
**Head of Organisation Development**  
February 2017

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**DRAFT – Timeline of key dates and activity  
Feb 2017 – Jan 2018**

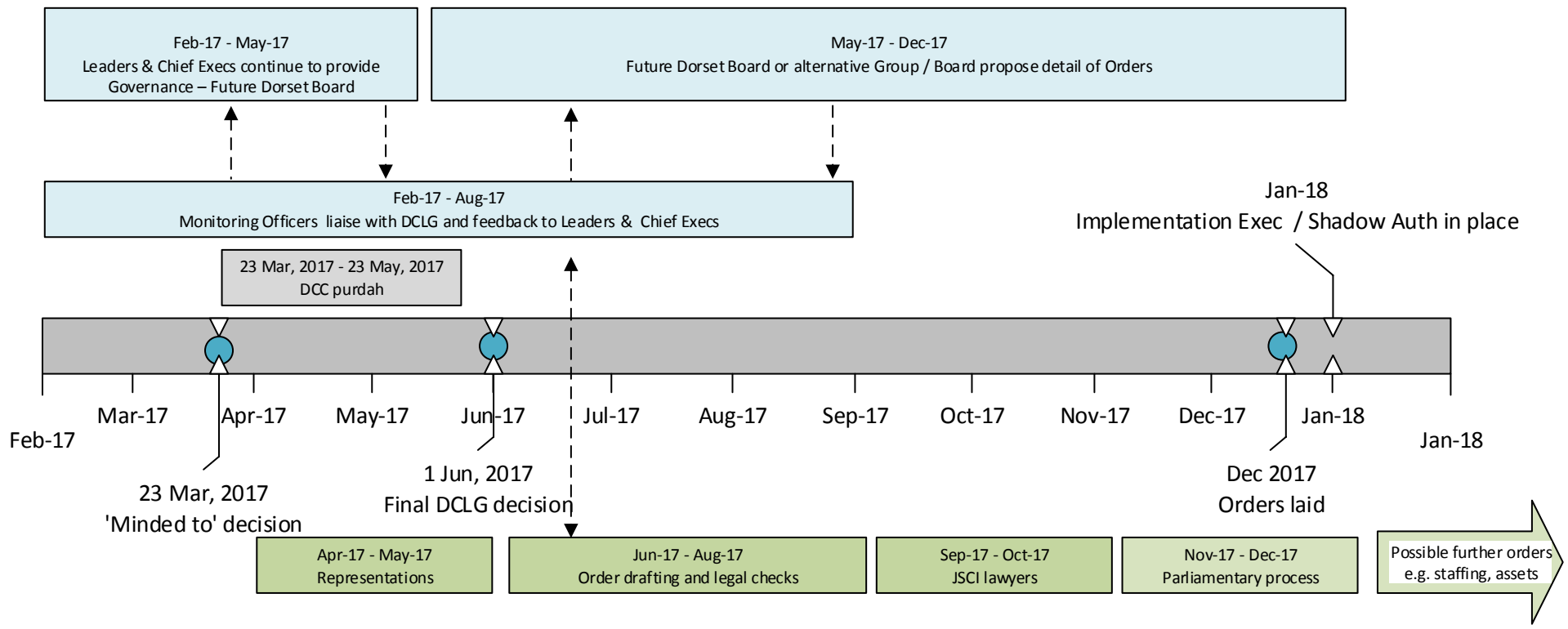
**Key**

- ▶ Exchange / resolution of queries / advice
- Milestone

Dorset Councils

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DCLG



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# Audit and Governance Committee

**Dorset County Council**



Date of Meeting	13 March 2017
Officer	Chief Financial Officer
<b>Subject of Report</b>	<b>Internal Audit Plan - 2017/18</b>
Executive Summary	<p>This report presents the Internal Audit Plan for 2017/18, together with an explanation of the various factors that have been taken into account during its compilation.</p> <p>The report also incorporates the 'Internal Audit Charter' which sets out the operational relationship between the County Council and the South West Audit Partnership (SWAP). This governs and guides the operational work of the internal audit service in delivering against the audit plan.</p> <p>In addition, at its meeting in January, the Committee requested some further information and context to support specific audit review findings. This is provided in Appendix 2.</p>
Impact Assessment:	<p><i>Equalities Impact Assessment:</i></p> <p>The Internal Audit Plan and service delivery arrangements have been assessed. These are subject to regular reviews, in accordance with the Council's Equality Impact Assessment process, to ensure appropriate arrangements are in place and that the values that underpin these continue to be promoted.</p>
	<p><i>Use of Evidence:</i></p> <p>Compilation of the internal audit plan follows a risk-based approach, which considers guidance and feedback received from a consultation exercise with directors, senior officers and the Council's external auditor.</p>

	<p><i>Budget:</i></p> <p>The Council has identified and delivered a significant annual reduction in its basic internal audit budget since April 2010. This has been achieved through service restructuring (including the transfer of service delivery to SWAP) and a reduction in audit plan days which has contributed to the Council's financial saving requirements.</p> <p><i>Risk Assessment:</i></p> <p>Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as:</p> <p>Current Risk: LOW Residual Risk LOW <i>(i.e. reflecting the recommendations in this report and mitigating actions proposed).</i></p> <p><i>Other Implications: None</i></p>
<p>Recommendation</p>	<p>That the Committee scrutinise the Internal Audit Plan for 2017/18, the Internal Audit Charter and Supplementary Information.</p>
<p>Reason for Recommendation</p>	<p>To enable an annual independent assurance opinion to be given on the Council's risk, governance and internal control environment.</p>
<p>Appendices</p>	<p><u>Appendix 1</u> Internal Audit Charter</p> <p><u>Appendix 2</u> Significant Audit Risks – Supplementary information for Audit &amp; Governance Committee</p>
<p>Background Papers</p>	<p>None</p>
<p>Report Originator and Contact</p>	<p>Name: Rupert Bamberger SWAP – Assistant Director Tel: 07720312464 Email: <a href="mailto:rupert.bamberger@southwestaudit.co.uk">rupert.bamberger@southwestaudit.co.uk</a></p> <p>Name: Mark Taylor Group Manager – Governance &amp; Assurance Tel: 01305 224982 Email: <a href="mailto:m.taylor@dorsetcc.gov.uk">m.taylor@dorsetcc.gov.uk</a></p>



# Dorset County Council

## Internal Audit Plan (Draft)

### 2017/18

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## Summary

**The Internal Audit Plan represents a summary of the planned audit reviews that the internal audit team will deliver throughout the 2017/18 financial year.**



### Background and Role of Internal Audit

Internal Audit provides an independent and objective opinion on the Authority's risk, governance and control environment by evaluating its effectiveness.

The Internal Audit service for Dorset County Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 8<sup>th</sup> June 2016. The committee is again asked to agree the Audit Charter for the forthcoming year as part of this report (see Appendix 1)

It is recommended by the Public Sector Internal Audit Standards that organisations nominate a 'Board' to oversee (monitor and scrutinise) the work of Internal Audit. As such, in addition to senior management oversight, this Council has determined that the Audit & Governance Committee will undertake this function. The plan presented below represents the planned internal audit activity for the 2017/18 financial year.

It should be noted that audit titles and plan days are only indicative for planning our resources. At the start of each audit, an initial meeting will be held to agree the terms of reference for the audit, which includes the objective and scope for the review. The plan is pulled together with a view to providing assurance to both officers and elected members that current and imminent risks faced by the Authority are adequately controlled and managed. As with previous years the plan will need to remain flexible to respond to new and emerging risks as and when they are identified. Any changes to the agreed plan will only be made through formal agreement with the Head of Internal Audit and Chief Financial Officer (Section 151).

## Summary

For 2017/18, we have aligned our audit plan with the Council's Corporate Plan Outcomes Framework, as well as the eight key themes that contribute to a 'Healthy Organisation'.



### Approach to Audit Planning 2017/18

As part of our 2017/18 planning process, we have sought to align a significant proportion of our plan with the Council's Corporate Plan Outcomes Framework; to support the Council's commitment to ensuring that people in Dorset are **Safe, Healthy and Independent** and that Dorset's economy is **Prosperous**.

Alongside audit work specifically designed to support the delivery of these outcomes, we have also developed our audit plan to provide assurance that the council operates as a 'Healthy Organisation'. The eight key themes that contribute to this overall assessment include;

- **Corporate Governance**
- **Financial Management**
- **Risk Management**
- **Performance Management**
- **Commissioning and Procurement**
- **Information Management**
- **Programme & Project Management; and**
- **People and Asset Management**

It follows that if an organisation can demonstrate that it operates in accordance with the sound principles of a 'Healthy Organisation' it is well placed to deliver sound services which contribute to the organisations stated Outcomes.

The audit reviews included within the plan relate to those areas highlighted as key corporate risks, reviews specifically requested by Senior Management, or areas that SWAP has identified as potential emerging risks for the Authority.

Ultimately the work undertaken by the Internal Audit Service is to enable it to provide an independent opinion on the governance, risk and control framework of the Council.

## SWAP Performance Measures

The Assistant Director for SWAP reports audit performance on a regular basis to the Audit & Governance Committee and the SWAP Management Board.



### SWAP Performance

SWAP performance is subject to regular monitoring review by both the Audit & Governance Committee and the SWAP Management Board. The performance standards for 2017/18, which are to be reported each quarter, are as follows;

Performance Target	Expected Performance
<b><u>Audit Plan – Percentage Progress</u></b> Audit plan completion to draft report stage at year end	95%
<b><u>Draft Reports</u></b> Issued within 5 working days Issued within 10 working days	95% 100%
<b><u>Final Reports</u></b> Issued within 10 working days of discussion of draft report	95%
<b><u>Quality of Audit Work</u></b> Customer Satisfaction Questionnaire	85%

## The Draft Internal Audit Plan 2017/18

The reviews below make up our proposed plan of work for 2017/18. The exact scope of each audit review will be agreed with the relevant senior manager, prior to commencing our work. Whilst the draft plan allocates audit assignments against a specific Outcome or Healthy Organisation theme, we recognise that some of the reviews will link to more than one.

Link to Corporate Outcome or Healthy Organisation Theme	Areas of Coverage	Total Days 2017/18
<b>Safe</b> <i>Everyone should feel safe, wherever they are.</i>	<b>Children in Care</b> <b>Follow up of Children's Ofsted action plans incl. SEND</b> <b>Out of County Placements</b> <b>Multi Agency Safeguarding Hub</b> <b>Family Partnership Zones</b> <b>New Youth Service Arrangements</b> <b>Trading Standards</b>	60
<b>Healthy</b> <i>People are healthy and make good lifestyle choices.</i>	<b>Delivery of Sustainability &amp; Transformation Plan (STP)</b> <b>Animal Health &amp; Welfare</b> <b>Dorset Waste Partnership audit allocation:</b> <ul style="list-style-type: none"> <li>- Agency Staff</li> <li>- Budget Management</li> <li>- Vehicle Maintenance</li> <li>- DWP Advice &amp; Follow Up</li> </ul>	90
<b>Independent</b> <i>To live independent lives and have a choice over how we live.</i>	<b>Pathways to Independence</b> <b>Learning Disability Services</b> <b>Education of Looked After Children</b> <b>Early Years Funding</b> <b>Commissioning of Domiciliary Care/ Residential Nursing</b> <b>Free School Meals data matching exercise</b> <b>Partnering &amp; Voluntary Organisations</b> <b>Tricuro Governance &amp; Oversight allocation</b> <b>Individual and Themed School Reviews</b>	140
<b>Prosperous</b> <i>A thriving local economy provides us all with more opportunities.</i>	<b>Implementation of Local Government Structure allocation</b> <b>Local Enterprise Partnership Governance &amp; Oversight allocation</b>	80

## The Draft Internal Audit Plan 2017/18

<p><b>Corporate Governance</b></p> <p><i>Corporate Governance refers to the strategic management practices and values and beliefs by which the Council operates.</i></p>	<p><b>New Committee Structure - Information and Output</b></p> <p><b>Application of Scheme of Delegation</b></p> <p><b>Review of Corporate Working Groups</b></p> <p><b>Ethics &amp; Culture SWAP survey</b></p>	<p><b>45</b></p>
<p><b>Financial Management</b></p> <p><i>Effective Financial Management is the bedrock of any successful organisation and is vital to the ongoing ability of local authorities to deliver services that the public wants.</i></p>	<p><b>Review of Key Financial Controls</b></p> <p><b>Budget Management - Children's</b></p> <p><b>Budget Management - Adult &amp; Community Services</b></p> <p><b>Budget Management - Environment &amp; the Economy</b></p> <p><b>Alignment of Forward Together and Budget Gap</b></p> <p><b>Planned Use of School Balances</b></p> <p><b>Dedicated School Grant</b></p> <p><b>Allocation and Control of Pooled Budgets</b></p> <p><b>Adult &amp; Community Services Income Controls</b></p> <p><b>Cost of Council Services</b></p> <p><b>Capital Budget Management</b></p> <p><b>Use and Control of Credit Notes</b></p> <p><b>Delivery of Project 45 and readiness for Project 30</b></p> <p><b>Readiness for Highways Infrastructure Asset Changes</b></p> <p><b>Grant Claims - incl. Troubled Families Grant Certification</b></p> <p><b>Reactive Fraud Work - Schools, Direct Payments, Single Person Discount, Code of Conduct etc.</b></p>	<p><b>220</b></p>
<p><b>Risk Management</b></p> <p><i>Organisations which can demonstrate and operate under a structured and active risk management approach, are far more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed and robust decisions.</i></p>	<p><b>Business Continuity</b></p>	<p><b>15</b></p>
<p><b>Performance Management</b></p> <p><i>Performance management provides a transparent platform upon which the service is accountable to its citizens and service users for the effectiveness of its service provision and delivery of its objectives.</i></p>	<p><b>Follow up of prior year Partial audits and agreed actions</b></p> <p><b>Review of Outcomes Based Accountability progress</b></p>	<p><b>90</b></p>

## The Draft Internal Audit Plan 2017/18

<p><b>Commissioning &amp; Procurement</b></p> <p><i>Assessing Procurement &amp; Commissioning activity of a Local Authority is a critical determinant in establishing its effectiveness in both being able to deliver benefit for its community, but also in showing whether it can maximise value for money for its taxpayers.</i></p>	<p><b>Contract Management - Compliance Review</b></p> <p><b>ICT Contract Management</b></p> <p><b>Commercial Contract Management</b></p> <p><b>Compliance with IR35 legislation</b></p> <p><b>Contract Management - Construction &amp; Transport Contracts</b></p> <p><b>Supplier Relationship Management</b></p> <p><b>Contract Monitoring Arrangements – External Fostering and Children’s Residential Care Provision</b></p>	<p><b>90</b></p>
<p><b>Information Management</b></p> <p><i>Effective Information Management will facilitate and support effective working, better decision-making, improved customer service and business transformation.</i></p>	<p><b>ICT Key Controls</b></p> <p><b>Resilience of ICT infrastructure (Disaster Recovery)</b></p> <p><b>Threat and Vulnerability Management</b></p> <p><b>General Data Protection Regulation</b></p> <p><b>Information Governance – Follow up of Information Commissioner report and action plan</b></p> <p><b>Use of SharePoint</b></p> <p><b>Schools ICT Controls</b></p> <p><b>Software License Review</b></p> <p><b>Transfer to Cloud Computing - Cloud First Technology Strategy</b></p>	<p><b>140</b></p>
<p><b>Programme &amp; Project Management</b></p> <p><i>Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus their efforts and successfully achieve the delivery of anticipated outcomes.</i></p>	<p><b>Forward Together Programme audit allocation</b></p> <p><b>Mosaic Implementation</b></p> <p><b>Review of SEN Transport Project</b></p>	<p><b>80</b></p>
<p><b>People &amp; Asset Management</b></p> <p><i>Organisations which can demonstrate and operate under a structured and active approach to asset management are far more likely to be able to focus any available investment against key priorities and, as a direct result, deliver improved outcomes.</i></p>	<p><b>Recruitment and Retention of Children's Safeguarding Staff</b></p> <p><b>Implementation of Our People Plan</b></p> <p><b>Management &amp; Control of Flexible Working</b></p> <p><b>Sickness Management</b></p>	<p><b>60</b></p>
<p><b>Other</b></p>	<p><b>Audit Advice, Contingency and Committee Reporting</b></p>	<p><b>60</b></p>



## The Internal Audit Charter

### Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Dorset County Council, and to outline the scope of internal audit work.

### Approval

This Charter was last approved by the Audit & Governance Committee on 8<sup>th</sup> June 2016 and is reviewed each year to confirm it remains accurate and up to date.

### Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled company. This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the Head of Internal Audit, Chief Financial Officer (as s151 Officer) in consultation with the Chief Executive of SWAP.

### Role of Internal Audit

The Accounts and Audit (England) Regulations 2015, state that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance."*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

### Responsibilities of Management and of Internal Audit

#### **Management<sup>1</sup>**

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Council's Chief Executive and the Audit & Governance Committee.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Authority. Management is also responsible for the appropriate and effective management of risk.

#### **Internal Audit**

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS); SWAP has been independently assessed and found to be in Conformance with the Standards.

<sup>1</sup> In this instance Management refers to the Corporate Leadership Team

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. Members of SWAP who have transferred in to the department from other areas Dorset County Council will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

### **Relationship with the External Auditors/Other Regulatory Bodies**

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

### **Status of Internal Audit in the Organisation**

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. The Chief Executive of SWAP and the Assistant Director also report to the Head of Internal Audit, Chief Financial Officer (as s151 Officer), and reports to the Audit & Governance Committee as set out below.

Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

### **Scope and authority of Internal Audit work**

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of Dorset County Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
  
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether Dorset County Council is in compliance;
  
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
  
- appraising the economy, efficiency and effectiveness with which resources are employed;
  
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
  
- reviewing the operations of the council in support of the Council's anti-fraud and corruption policy.
  
- at the specific request of management, internal audit may provide consultancy services provided:
  - the internal auditor's independence is not compromised
  - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
  - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
  - management understand that the work being undertaken is not internal audit work.

### **Planning and Reporting**

SWAP will submit to the Audit & Governance Committee, for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Corporate Director. SWAP will report at least four times a year to the Audit Committee. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Audit & Governance Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Head of Internal Audit, Chief Financial Officer (as s151 Officer) and to other relevant line management.

The Chief Executive of SWAP will submit an annual report to the Audit & Governance Committee providing an overall opinion of the status of risk and internal control within the council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and the Assistant Director have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit Committee, the Council's Chief Executive Officer or the External Audit Manager.

**February 2017**

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# Significant Audit Risks – Supplementary information for Audit & Governance Committee

February 2017



## 1. Background:

- 1.1 At the Audit & Governance Committee on 20 January 2017, committee members raised a number of questions in relation to the Summary of Significant Risks identified by audit in the Quarter 2 & 3 Internal Audit Progress Report. Following the meeting, it was agreed that further detail would be provided in relation to four of the risks identified, to provide more specific examples of the findings listed, and to assist the Committee in its oversight role.
- 1.2 At the meeting, SWAP also agreed to review the wording of future significant risks, to ensure that the risks captured in progress reports provided greater direction to the reader, in relation to the specific findings.
- 1.3 The three reviews that were the focus of discussions at the January Audit & Governance Committee, were; Use of External Advisors, Safer Recruitment, and Budget Management. Supplementary information in relation to these three reviews has been provided below.

## 2. Supplementary Information:

### 2.1 Use of External Advisors

- 2.1.1 One of the key findings arising from our review of the Use of External Advisors, was the absence of corporate oversight (at officer level) of the use of external advisors. The risk and finding captured as part of the Summary of Significant Risks reported to members was *'There is no strategic oversight of the use of external advisors at a corporate level.'*
- 2.1.2 As part of the detailed findings in the full audit report, we reported that *'External advisor spend across the authority is reported comprehensively within the quarterly 'Head Count and FTE figures and Non-Directly employed contract workforce report' that goes to the Staffing Committee, but not through the Corporate Leadership Team'*. Furthermore, we reported that *'There is currently no designated individual/ department at DCC with responsibility for monitoring external advisor spending at a strategic level.'* At the time of our review (July/ August 2016), we were not made aware of any overall reporting or monitoring of external advisor spend at officer level.
- 2.1.3 Therefore, whilst we acknowledged the quarterly reports to Staffing Committee, we wanted to highlight the absence of oversight and monitoring at officer level. We felt this important, especially due to the fact that, as part of our audit review, we could not provide assurance that figures reported in the quarterly staffing committee report had been collated accurately and were free from error. Given this potential weakness in data quality, we felt that that quarterly report to members was not sufficient to provide the oversight and scrutiny required for an area with spend of approximately £2.5 million per annum.
- 2.1.4 At the January committee meeting the Chief Executive made reference to a monthly report received in relation to External Advisors. At the time of our audit, we were not made aware of this process. A scheduled follow up of this area will hopefully demonstrate that reporting in this area is in place and/ or has been enhanced.

### 2.2 Safer Recruitment

- 2.2.1 A key finding from our review of Safer Recruitment – DBS Checks, was in relation to DBS checks for new employees to the Authority. The risk and finding captured as part of the Summary of Significant Risks reported to members was *'There is no effective control to ensure that a DBS check is undertaken in every appropriate instance prior to employment commencing.'*

- 2.2.2 This finding was flagged, due to the fact that under the current system of Manager self-service, individual managers are responsible for determining whether roles they are recruiting to are under a regulated activity and therefore require a DBS check. Whilst DES will provide guidance in relation to the level for existing posts, new posts will require the recruiting manager to assign the level. Furthermore, assigning the DBS level is not a mandatory field at all stages in the process, presenting the risk that this may be bypassed by a manager.
- 2.2.3 In the detailed testing and findings of our audit review, we found that for 1 out of the 15 Dorset County Council new employees tested and 1 out of the 5 Council partner new employees tested, there was no confirmation on the Appointment Checklist, which is completed by managers, that a DBS check had been undertaken prior to these employees starting work. For the new Dorset County Council employee, the manager subsequently confirmed that the DBS check had been received prior to commencement of employment. For the Council partner employee, no DBS check had been carried out prior to commencement of employment. We also identified that for a Countryside Ranger post that was tested, there was confusion as to whether this post required a DBS check. In DES it was listed as being a regulated activity, but the manager concerned stated that there was no DBS requirement.
- 2.2.4 Therefore, whilst audit recognise that there are certain controls in place to ensure DBS checks are undertaken, we have highlighted that the effectiveness of these controls cannot demonstrate that a DBS check is undertaken in every appropriate instance prior to employment commencing.

### **2.3 Budget Management**

- 2.3.1 At the Audit & Governance Committee on 20 January, committee members highlighted two areas in relation to this review where further information would assist in understanding the extent of the risks reported. This related to the findings *'Budgets are not assigned to an appropriate budget holder according to Schemes of Delegation, resulting in the possibility that there is no accountability for monitoring expenditure against the budget allocated'* and *'There is a lack of clarity around the roles and responsibilities of Committees for scrutinising budgets.'*
- 2.3.2 Our finding highlighting that *'Budgets are not assigned to an appropriate budget holder according to Schemes of Delegation'* related primarily to the Adults & Community Services directorate, where we found examples of officers agreeing lower level packages of care without responsibility for that particular budget. Our detailed findings highlighted that *'Whilst these individual packages of care may be small in monetary terms, there is still a risk of a lack of accountability for the budget. It is important that the schemes of delegation within each Directorate are aligned with the responsibility for budgets.'*
- 2.3.3 In relation to the finding *'There is a lack of clarity around the roles and responsibilities of Committees for scrutinising budgets'*, this finding was reported at the time of the audit fieldwork (July 2016), but has subsequently been fully addressed. Audit & Governance Committee minutes from 8 June 2016 highlighted that *'In response to a question the Chief Financial Officer advised that the Audit and Governance Committee was the primary body to monitor the overall budget position. The Budget Strategy Task and Finish Group helped to drive the future savings programme but had no responsibility to manage the in-year budget and was not a formal committee. If there were particular concerns then the Committee had the ability to call a particular senior manager to account. It could also refer matters to the Overview and Scrutiny Committees if an in depth investigation of the issues was required.'* Audit reported this finding at the time of our report due to the fact that the new arrangements had not yet become embedded, but are now satisfied that clarity has been fully established.



### **3. Future Reporting:**

- 3.1 SWAP will continue to report a summary of significant risks in the quarterly internal audit progress reports. As above however, we will strive to provide sufficient detail to members to assist with understanding the context of the issue, to enable effective scrutiny.
- 3.2 Scheduled follow ups of the three reviews above are also due to take place in early 2017/18. These should provide assurance to members that the areas of significant risk have been sufficiently addressed and mitigated.

#### **South West Audit Partnership**

13 February 2017

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# Audit & Governance Committee

**Dorset County Council**



Date of Meeting	13 March 2017
<u>Lead Officer</u> Richard Bates – Chief Financial Officer	
Subject of Report	<b>Budget monitoring report – January 2017 (period 10)</b>
Executive Summary	This report provides an update on the forecast of outturn against the budget for 2016/17 based on the latest available information from the Directorates.
Impact Assessment:	Equalities Impact Assessment: This report does not involve a change in strategy, it is an update on what has happened under current policy.
	Use of Evidence: This report draws on information from the Authority’s accounting systems and other financial records and relies on reports and allocations from Government for future funding plans.
	Budget: The report provides information about the Authority’s performance against its agreed budget for 2016/17.
	Risk Assessment: Having considered the risks associated with this decision using the County Council’s approved risk management methodology, the level of risk has been identified as: Current Risk: High Residual Risk: High

	Other Implications:
Recommendation	Members are asked to consider and comment on the forecast position for 2016/17 and actions being taken through the Forward Together programme and the Budget Strategy Task & Finish Group.
Reason for Recommendation	To understand the pressures on the budget for 2016/17 and beyond and to assess whether the strategies in place will successfully address the projected performance during the year. Members are also asked to consider, at this early stage, what impact the forecast 2016/17 position might have on the recently approved budget for 2017/18.
Appendices	<ol style="list-style-type: none"> <li>1. CPMI summary January 2017</li> <li>2. FT dashboard summary as at 24<sup>th</sup> February 2017</li> </ol>
Background Papers	Previous quarterly forecast reports and MTFP updates to Cabinet (most recently 18 <sup>th</sup> January 2017).
Officer Contact	<p>Name: Jim McManus, Chief Accountant          Tel: 01305 221235          Email: <a href="mailto:j.mcmanus@dorsetcc.gov.uk">j.mcmanus@dorsetcc.gov.uk</a></p>

## 1. Background

- 1.1 Current Governance arrangements and committee structures mean that the Audit and Governance Committee now receives a consolidated report of the County Council's predicted financial performance for the year.

## 2. Forecast of outturn – period 10

- 2.1 The table below sets out the forecast of outturn predicted by the County Council's Directors and Heads of Service at the end of January, an overspend of £7.6m. This forecast is £2m better than previously predicted to the committee. Each Directorate has delivered a modest reduction in their previously predicted positions, and a further £750k has been released from the contingency budget as we draw near to the end of the financial year and have been able to firm up on its commitments. Pressure still continues in the Adult and Community Services and Children's areas. More detail is provided in the summary CPMI table at Appendix 1 and there is accompanying narrative on each Directorate's forecast performance, below. Appendix 2 also sets out the position on Forward Together programme savings anticipated for the current year.

Directorate	Net Budget	Forecast Outturn	Forecast Variance
	£m	£m	£m
Adult & Community Services	124,533	128,885	(4,352)
Children's Services	64,744	71,642	(6,898)
Environment & Economy	36,079	36,385	(306)
Partnerships	20,715	18,288	2,427
Chief Executive's Dept.	9,675	9,660	15
Total Service Budgets	<b>255,746</b>	<b>264,860</b>	<b>(9,114)</b>
Central/Corporate Budgets	(255,746)	(257,207)	1,461
Whole Authority	<b>0</b>	<b>7,653</b>	<b>(7,653)</b>

### Adult & Community Services

- 2.2 The Adult & Community Services Directorate budget is forecast to be overspent by £4.3m. Within this total, the Adult Social Care (ASC) budget is predicting an overspend of £5.1m. The Service User related element continues to rise and currently stands at an overspend of £6.1m. Due to the application of one-off monies this is suppressing a base budget issue in the region of £7.8m. The overspend is offset in part by underspends in pay and other budgets of £951k.

- 2.3 Key factors in the overspend are:

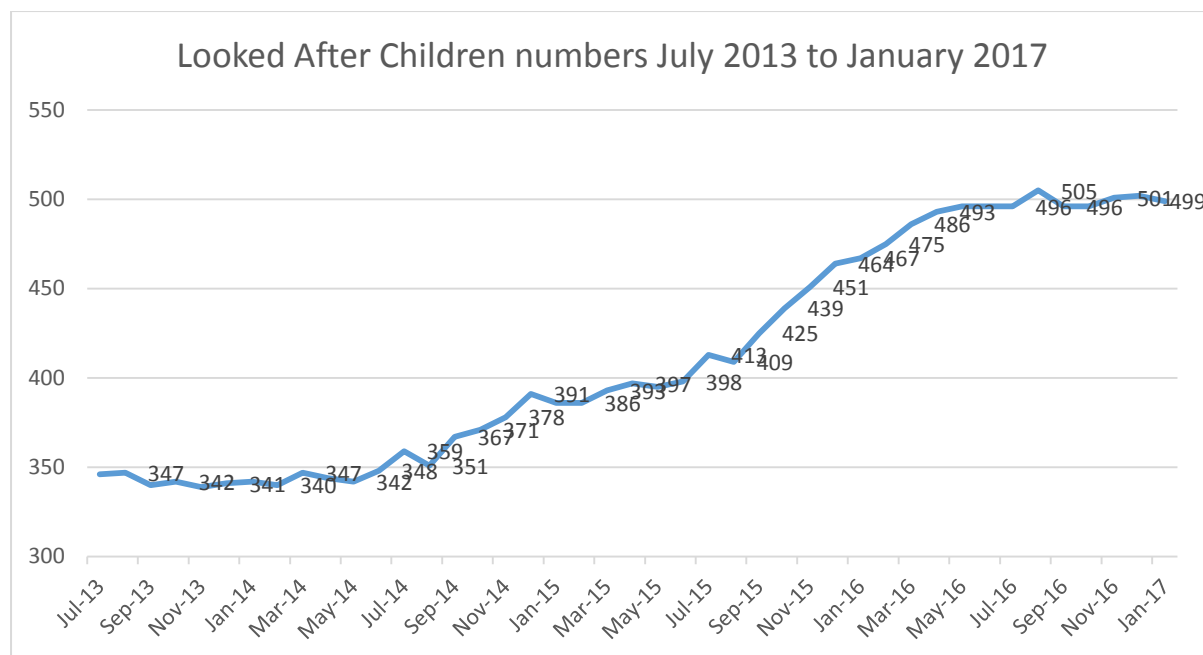
- increase costs of care through increasing off framework purchasing and lack of market management
- CHC pick-up totalling around £1.7m
- service users' capital falling below the threshold and the County Council paying
- inability to "review-down" the cost of care for those currently in receipt of a service to offset the increases

## Budget monitoring report

- increased acuity of packages.
- 2.4 The Commissioning & Performance Budget is forecast to be underspent by £420k. The underspend is due primarily to long-term vacancies across the Safeguarding and Business Development Teams.
- 2.5 The Early Help & Communities budget is forecast to be underspent by £52k due to a number of small variances and the Director's Office budget is currently forecast to be underspent by £325k. This largely reflects budgets being actively held back in light of the overall overspend.

### Children's Services

- 2.6 The number and cost of children who are looked after by the County Council continues to be a significant cost pressure. The 2016-17 budget process identified additional budget of £3m a year to address the growth in the numbers and costs of looked after children from around 340 to 400 - broadly what would be expected of an authority of Dorset's size - and reflects the growth in numbers seen nationally as a result of various social work practice changes. The actual number of looked after children when the budget was set was 467 and it was recognised that this figure would probably peak at around 500 during mid to late 2016 before reducing to the anticipated, longer-term level of 400 by autumn 2017. To recognise this, the County Council set aside additional one-off funding of £4m for 2016/17 and £1m for 2017/18.
- 2.7 A significant amount of work has been undertaken by Children's Services to make an assessment of the best, middle and worst-case scenarios of looked after children. The budget was set based on reducing the number of children in care (net of unaccompanied asylum seeker children (UASC) who are funded by central government grant) to 400 by October 2017. Based on these assumptions the numbers in care at the end of January was 493, the actual number was 499, 6 behind the plan. This is within an acceptable tolerance as predicting numbers in care is very difficult but it is also overly simplistic to consider only the total number as the mix of placements is a crucial factor in determining total cost.
- 2.8 A detailed action plan is in place, as part of the Forward Together for Children programme, to reduce LAC numbers and increase in-house fostering capacity. The total number and mix of placements is reviewed in detail, formally by the Children's Services Leadership Team and by the Care and Support Panel.



2.9 The forecast for 2016/17, based on the current cohort remaining in their present care setting is that the budget will be overspent by £5.4m. This will be offset by the £4m of one-off budget that has been set aside, resulting a net overspend of £1.4m. This is partly because the cost of placements has been higher than budgeted, predominately because of a shortage of in-house foster care placements. This has meant that children have been placed in more expensive, independent foster care and other residential placements. If the number of LAC reduces in line with the budget assumptions then the overspend will reduce, although the later in the year this reduction happens the lower the impact on the 2016/17 position will be.

2.10 The legal costs associated with this level of LAC and the court orders required to make children safe has also resulted in a pressure in this area of around £500k.

2.11 There is a national shortage of social workers and local authorities are struggling to recruit and retain experienced staff. This means that agency staff have to be brought in to ensure that caseloads are kept at safe levels. Whilst the Directorate has been optimistic that there would be a reduction in the need for agency workers, with a lot of energy spent developing recruitment and retention strategies, pressure continues on this budget. At the time of writing, there are 51 agency staff covering vacancies, sickness and maternity leave. It is anticipated that this will remain the case for the remainder of the financial year, although 17 new starters have been appointed and should all be in post by the start of the 2017/18 financial year. The recruitment and retention drive continues with the view to reduce agency in line with the report to Cabinet on 10 October 2016. However, costs are still likely to be significant and agency numbers remain high meaning that there will be an overspend in this area of £2.4m.

2.12 Within the Prevention and Partnership service there are several pressures, specifically in relation to:

- Special Educational Needs and Disabilities (SEND) - the need to accommodate several children in independent, residential placements, which has added pressure of £600k to the Prevention and Partnerships special educational needs budgets. These placement costs are typically shared with Health and Education and these agencies are working together to reduce these costs.

- Family Partnership Zones – a new structure to support and coordinate early help and prevention commenced on the 5<sup>th</sup> of September. The new targeted Youth Workers are part of these new arrangements along with the Children’s Centres and the former locality teams in 7 geographical areas. The budget area related to the youth service review will not fully realise the total savings hoped in this financial year. The review will save £1m a year in total but the Family Partnership Zones budget will be £100k overspent due to this slippage as more time has been required to allow community groups to be facilitated to take on former DCC buildings.
  - SEND transport – an optimistic savings target of £1.25m was identified in this area as part of the budget process. However, it is unlikely that all of this will be achieved in 2016/17, partially due to an increase in the volume of children who have become eligible for SEND home to school transport and some complications during the retendering of some of the route contracts. Based on the data from Dorset Travel, following the retender and rearrangement of routes for the start of the academic year, it is likely that there will be an overspend against the new budget of £2,043k. Work is taking place to fully understand the position and it is still felt that large savings will be made once the main contracts are renewed in 2017/18.
- 2.13 Overall therefore, the Children’s Services overspend position for 2016/17 is anticipated to be £6.9m (a reduction of £0.3m since December). At this stage in the year, measures to reduce the overspend will have a low impact. A concerted effort is being made to return children home where it is safe to do so and the looked after children overspend could be reduced by around £750k if the numbers of LAC begin to reduce and the position around agency social workers can be resolved.
- 2.14 The Dedicated Schools Grant budgets are ringfenced to schools, but there have been a number of emerging pressures, specifically in relation to the High Needs element of the funding which is retained and managed by the County Council on behalf of the schools. The Government recently extended the scope of the High Needs Funding, meaning that it had to cover educational costs of children and young people up to the age of 25. This expansion of the age range, coupled with an increase in the number of children who are applying for Education, Health and Care plans is placing unprecedented pressure on both the locally retained budget and schools’ own budgets. The pressure in this area is £5.3m for the financial year. Efforts are continuing to balance the budget for 2017/18 but the current year’s deficit will have to be recovered in future years.

#### Environment & Economy

- 2.15 The total Directorate forecast overspend is £306k on a net budget of £36.1m, with detail relating to individual services as set out in the following paragraphs.
- 2.16 Economy, Planning & Transport – Most budgets are generally on track to balance. Unmet Forward Together saving targets and lower than anticipated planning application income have been met by achieving savings elsewhere.
- 2.17 Dorset Travel – The savings target of £600k from mainstream transport continues to be a risk. Routes with a current value of £1 million have now been re-tendered, however, cost increases for these routes have negated efficiency savings elsewhere in mainstream. Savings in public transport have been exceeded with a likely underspend of £118k which is currently offsetting overspends in Fleet Operations.



## Budget monitoring report

Income from new public routes is forecast to increase the underspend in the public transport budget to £150k.

- 2.18 Business Support Unit – An underspend of £12k is forecast despite uncertainty over realising Forward Together savings from implementing automated timesheets for highways staff. This has been achieved by holding vacancies where possible, pending the outcome of the Business Support Unit review.
- 2.19 Coast & Countryside – is now forecasting an underspend of £5k, which is a significant decrease from the forecast in December of an overspend of £52k. Having achieved this slight underspend in advance of the end of the financial year, and with tight spending restrictions in place, there is now optimism that the underspend will grow. The actual outturn from Arboriculture, in particular, is dependent on the winter weather and there are still two months to cope with any unforeseen expenditure across the service, so the forecast should still be treated with caution.
- 2.20 Estates & Assets – is forecasting an underspend of 13k, a slight decrease on the previous month (22k), due to some backdated pay adjustments. The Way We Work property savings target is falling short by £324k. A separate paper has been presented to the County Leadership Team recently, setting out the background and council-wide reasons for the position. Overall, therefore, the budget is projecting an overspend of £311k.
- 2.21 Buildings & Construction - is currently forecasting a £403k underspend. The underspend results from managed vacancies, exacerbated by staff turnover. We have stepped-up our recruitment effort as several new, significant capital projects are on the horizon and have had success in making architectural appointments; however recruitment of engineers remains problematic. The Repairs and Maintenance team is forecasting a reduction in income on account of the current emphasis on “repair” rather than “replace”, the uncertainties around the future of the estate and investment in resourcing the re-procurement of the repairs, maintenance, minor and smaller capital works framework.
- 2.22 Schools Pooled Repairs & Maintenance – It is forecast that this service will spend within budget.
- 2.23 Network Management – whilst the forecast underspend is now £22k there is still concern in relation to the Parking Service who currently have projected income relating to the rollout of Pay and Display across Dorset Towns (£100k) along with the £50k relating to visitors and residents parking on the County Hall campus.
- 2.24 Network Development – is now forecasting an underspend of £241k, principally due to a reassessment of amounts to be charged to historical development schemes.
- 2.25 Network Operations - are forecast to be underspent by £24k. Although the works element of the budget remains under ‘winter pressure’, most of the other cost centres within the Operations division are predicting positive performance. The network damage budget is likely to overspend but this is countered by expected underspends in other areas. Winter Service activities have increased in the last month, but the service is on course to finish the year with an underspend.
- 2.26 Fleet Services – are forecasting an underspend of £27k, mainly due to continued controls on expenditure, more accurate forecasting in January and improvements in income and works in progress.

## Budget monitoring report

- 2.27 Emergency Planning – A small overspend of £4k is currently predicted, but the service budget is expected to balance by year end.
- 2.28 Director's Office – The forecast overspend of £253k relates mainly to the second year effects of the Directorate restructure, after allowing for limited expected and actual vacancy management savings, that are relatively secure.
- 2.29 Street Lighting PFI – This is a 25 year contract with a ring-fenced budget and is managed through a sinking fund.
- 2.30 ICT and Customer Service Unit - continue to project a £170k overspend with a prudent view being taken of cost recovery from capital projects. The Wide Area Network costs have benefited from a 'one off' credit which aids the overall service position. Vacancy management has continued to decrease the forecast spend on staffing and related costs. The service may also need to convert a proportion of its budget to capital to allow for the cost of the various projects it has to fund at the present.

### Partnerships

#### Dorset Waste Partnership

- 2.31 The budget was set at £34.205m, of which the DCC share is £22m (64%). The forecast of budget variance for 2016/17 at January is a favourable variance of £1.64m. The DCC share of this variance would be £1.05m.

The favourable variances arise primarily from reduced prices in relation to a major contract that has been renewed in 2016 (£302k), Joint Committee decisions on reduced Household Recycling Centre opening hours (£158k) and a reassessment of the life of the stock of wheeled containers (£250k). Income from the Garden Waste and Commercial Waste services is more favourable than the budget (a combined total of £415k). Savings on the year to date (£358k) are being made on recycle costs, where the price per tonne continues to be more favourable than the budget assumption.

Earlier financial reports highlighted adverse costs being incurred on the disposal budget, especially in light of the closure of the Trigon landfill site. Ongoing budget monitoring is favourable, and indicates that those additional costs can be absorbed with the current budget. Favourable prices have been incurred under a pilot scheme for disposal from HRCs under the new contract, however it is unclear, at the time of writing as to how sustainable this is. The forecast now reflects the disposal budget as 'on target' but subject to the costs that will be incurred in the final four months of the year. Some slippage on capital financing costs relating to infrastructure projects (£40k) and vehicle purchases (£112k) also continues to be acknowledged.

### Public Health

- 2.32 The MTFP assumes a £700k contribution from Public health in 2017-18. This position has changed slightly and this contribution will effectively be received in 2016/17. The Joint Public Health Board (JPHB) agreed to release £2.3m of accumulated reserve plus a further £200k of in-year savings back to the three constituent local authorities. Dorset County Council will receive 55% - nearly £1.4m. Further savings in 2016/17 and 2017/18 could also be released subject to JPHB approval.

Chief Executive's Dept

- 2.33 The Chief Executive's Department is forecasting an underspend of £15k; an improvement on the previous forecast of a £91k overspend. The main factors influencing the underspend are set out in the following paragraphs.
- 2.34 The Chief Executive's Office is forecasting an underspend due to staff vacancies arising from the restructure of the Directorate's management team.
- 2.35 The Policy and Research department is projecting a £84k overspend largely attributable to increased staff costs in respect of increments, an unachievable vacancy factor of £29.4k and reduced income levels. The service had been hoping to achieve some one-off income in respect of a new system that has been developed (SWIM project) but this will not accrue this financial year therefore increasing the overspend.
- 2.36 The Commercial Services budget has now been disaggregated, the Procurement office budget is now part of Financial Services leaving behind the Programme Office. This budget is projecting a £7k underspend, however this is dependent on receiving funding from the Environment Directorate for some project work.
- 2.37 The Legal and Democratic budget continues to forecast an overspend of £108k. The main cause of this is in the salaries budget where pressures include JE awards and the inability to meet the high vacancy factor. There has also been a delay in the planned Democratic Services restructure.
- 2.38 The Financial Services budget is projecting a £12k underspend, this now includes the Procurement office budget. As reported previously the service has undergone a restructure which was implemented in October. The service has also absorbed a £90k share of the Directorate's base budget problem as well as £140k share of the Forward Together for Support Services transformation savings target bought forward into this financial year.
- 2.39 The HR budget is forecasting a £121k underspend, an improvement from the last report. This has been achieved through vacancy management and tight control of spend on supplies and services.

Central/Corporate Budgets

- 2.40 The Central Finance area is now forecasting a £1,461k underspend. It has been possible to release £1,265k from the contingency budget due to a firmer idea of the calls required from it in this financial year, and there is a net underspend from interest paid/receivable of £307k due to a reduction in the cost of borrowing. The amount of income expected from the Education Services grant during the year has reduced by £111k due to the conversion of schools to academies.

**3 Forward Together**

- 3.1 Work continues on the Authority's transformation programme. Each of the Directors has given formal updates of the transformation programme in their areas to the Budget Strategy Task & Finish Group and there was an all-Member briefing by Directors at the session following Cabinet on 1<sup>st</sup> February.
- 3.2 Overall, progress against target savings of £10m for 2016/17 shows that nearly £4m has already been achieved, with a further £2.6m on course. £1.1m needs more work

to deliver and around £2.3m has been deemed unachievable – mainly SEN transport savings and slippage from Youth Service reconfiguration in Children’s Services and mainstream transport savings in the Environment & Economy Directorate.

**4 Budget Strategy Task & Finish Group**

- 4.1 It is suggested that the Group continues to meet monthly and aligns its work with that of the FT Board and CLT to ensure we are clear, as early as possible, as to any significant risks to the transformation savings targets for 2017/18 and that work on the detail of the programme for 2018/19 and beyond is progressed.
- 4.2 The Cabinet is due to receive an update on the MTFP in June so it is anticipated that by that time, we will understand the outturn for 2016/17 (and the impact on reserves and balances) the early forecast for 2017/18 and the detail of the FT programme across all remaining years of the MTFP.

**Richard Bates**  
**Chief Financial Officer**  
**February 2017**

# Budget monitoring report

## Appendix 1

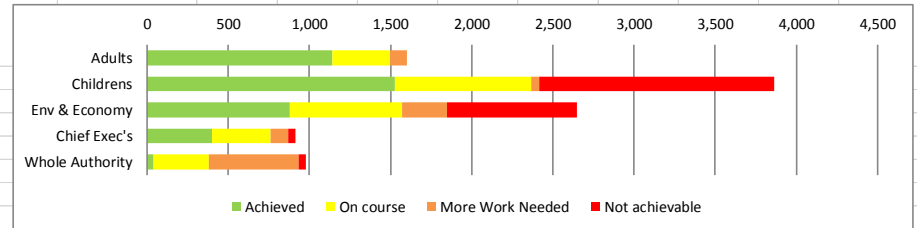
Cost Centre Management Budget Monitoring Summary	Year	Responsible Officer	2016-17				
			'Above Line' Net Budget Only £000's	Forecast £000's	November Projected Under/(Over) Spend £000's	December Projected Under/(Over) Spend £000's	January Projected Under/(Over) Spend £000's
<b>Children's Services Directorate</b>							
Pre September 16 structure		Sara Tough	6,387	7,305	(1,032)	(872)	(918)
Care & Protection		Vanessa Glenn	21,368	29,358	(7,933)	(8,070)	(7,990)
Design & Development		Patrick Myers	6,251	5,485	437	616	766
Partnerships and Performance		Jay Mercer	21,449	29,307	(7,720)	(7,768)	(7,858)
Directors Office		Sara Tough	1,881	1,832	(67)	50	49
Application of Contingency		Richard Bates	0	(4,000)	4,000	4,000	4,000
DSG Services		Jay Mercer	7,408	7,614	(70)	(198)	(206)
Children's Services Total including DSG			64,744	76,902	(12,385)	(12,240)	(12,158)
DSG Funding (overspend to be carried forward)		Sara Tough	0	(5,260)	5,065	5,072	5,260
<b>Children's Services (Non DSG) Total</b>			64,744	71,642	(7,320)	(7,169)	(6,898)
<b>Adult &amp; Community Services Directorate</b>							
Adult Care Service User Related		Harry Capron	59,206	65,306	(5,602)	(5,941)	(6,100)
Adult Care		Harry Capron	19,405	18,453	906	518	951
Commissioning and Performance		Helen Coombes	36,345	35,925	187	362	420
Early Help & Communities		Paul Leivers	8,485	8,433	21	51	52
Director's Office		Helen Coombes	1,091	767	379	369	325
<b>Adult &amp; Community Services total</b>			124,533	128,885	(4,109)	(4,642)	(4,352)
<b>Environment and the Economy Directorate</b>							
Economy, Planning & Transport		Maxine Bodell	2,019	1,955	32	32	64
Dorset Travel		Andy Shaw	15,741	16,108	(449)	(374)	(367)
Business support Unit		Jan Hill	574	562	16	15	12
Coast & Countryside		Phil Sterling	2,656	2,651	(72)	(52)	5
Estates & Assets		Peter Scarlett	(1,582)	(1,271)	(198)	(302)	(311)
Buildings & Construction		David Roe	95	(308)	455	417	403
Pooled R&M		David Roe	78	78	0	0	
Network Management		Simon Gledhill	1,284	1,262	2	37	22
Network Development		Tim Norman	715	474	5	(0)	241
Network Operations		Martin Hill	4,159	4,135	13	14	24
Fleet Services		Sean Adams	(32)	(59)	22	21	27
Emergency Planning		Simon Parker	212	216	(3)	0	(4)
Director's Office		Mike Harries	414	667	(247)	(246)	(253)
Streetlighting PFI		Tim Norman	3,824	3,824	0	0	0
ICT		Richard Pascoe	5,923	6,093	0	(170)	(170)
<b>Environment and the Economy Directorate Total</b>			36,079	36,385	(423)	(610)	(306)
<b>Chief Executives</b>							
Chief Executives Office		Debbie Ward	366	314	59	59	52
Partnerships		Karen Andrews	245	242	(14)	(14)	3
Communications		Karen Andrews	235	232	7	7	3
Policy and Research		Karen Andrews	422	507	(44)	(66)	(84)
Commercial Services		Karen Andrews	405	398	(26)	(26)	7
Governance and Assurance		Mark Taylor	642	638	5	4	4
Assistant Chief Executive			241	206	35	35	35
Legal & Democratic Services		Jonathan Mair	2,004	2,112	(107)	(108)	(108)
Financial Services		Richard Bates	109	96	(6)	(6)	12
Human Resources		Sheralyn Huntingford	1,537	1,416	49	49	121
Directorate Wide		Richard Bates	0	0	0	0	0
Cabinet		Richard Bates	3,470	3,500	(30)	(25)	(30)
<b>Chief Executives Total</b>			9,675	9,660	(72)	(91)	15
<b>Partnerships</b>							
Dorset Waste Partnership		Karyn Punched	20,717	19,665	823	823	1,052
Public Health		David Phillips	(2)	(1,377)	1,375	1,375	1,375
Partnerships Total			20,715	18,288	2,198	2,198	2,427
<b>Central Finance</b>							
General Funding		Richard Bates	(10,011)	(9,900)	0	(111)	(111)
Capital Financing		Richard Bates	25,571	25,265	307	321	307
R&M		Richard Bates	1,244	1,244	0	0	0
Contingency		Richard Bates	(8,368)	(9,633)	500	500	1,265
Precepts/Levy		Richard Bates	677	677	0	0	0
Central Finance		Richard Bates	(264,860)	(264,860)	0	0	0
<b>Central Finance Total</b>			(255,746)	(257,207)	807	711	1,461
<b>Total Above Line Budgets</b>			<b>0</b>	<b>12,913</b>	<b>(13,983)</b>	<b>(14,674)</b>	<b>(12,913)</b>
<b>Excluding DSG Budgets</b>			<b>0</b>	<b>7,653</b>	<b>(8,918)</b>	<b>(9,602)</b>	<b>(7,653)</b>

# Budget monitoring report

## Appendix 2

### Summary - All FT Savings

2016/17		Assessment of Savings achievement				at >>>	24-Feb-17
Savings measure	£000's	Achieved	On course	More Work Needed	Not achievable		
Adults	1602	1,140	359	103	0		
Childrens	3865	1,525	840	50	1,450		
Env & Economy	2646.5	878	694	275	800		
Chief Exec's	913.8	399	360	110	45		
Whole Authority	976	37	342	552	45		
<b>Summary - All Savings 2016/17</b>	<b>10,003</b>	<b>3,978</b>	<b>2,595</b>	<b>1,090</b>	<b>2,340</b>		



Appendix 1		Year	2016-17	November	December	January
Cost Centre Management Budget Monitoring Summary	Responsible Officer	'Above Line' Net Budget Only £000's	Forecast £000's	Projected Under/(Over) Spend £000's	Projected Under/(Over) Spend £000's	Projected Under/(Over) Spend £000's
<b>Children's Services Directorate</b>						
<b>Childrens Service Budget</b>						
Pre September 16 structure	Sara Tough	6,387	7,305	(1,032)	(872)	(918)
Care & Protection	Vanessa Glenn	21,368	29,358	(7,933)	(8,070)	(7,990)
Design & Development	Patrick Myers	6,251	5,485	437	616	766
Partnerships and Performance	Jay Mercer	21,449	29,307	(7,720)	(7,768)	(7,858)
Directors Office	Sara Tough	1,881	1,832	(67)	50	49
Application of Contingency	Richard Bates	0	(4,000)	4,000	4,000	4,000
DSG Services	Jay Mercer	7,408	7,614	(70)	(198)	(206)
Children's Services Total including DSG		64,744	76,902	(12,385)	(12,240)	(12,158)
DSG Funding (overspend to be carried forward)	Sara Tough	0	(5,260)	5,065	5,072	5,260
<b>Children's Services (Non DSG) Total</b>		64,744	71,642	(7,320)	(7,169)	(6,898)
<b>Adult &amp; Community Services Directorate</b>						
Adult Care Service User Related	Harry Capron	59,206	65,306	(5,602)	(5,941)	(6,100)
Adult Care	Harry Capron	19,405	18,453	906	518	951
Commissioning and Performance	Helen Coombes	36,345	35,925	187	362	420
Early Help & Communities	Paul Leivers	8,485	8,433	21	51	52
Director's Office	Helen Coombes	1,091	767	379	369	325
<b>Adult &amp; Community Services total</b>		124,533	128,885	(4,109)	(4,642)	(4,352)
<b>Environment and the Economy Directorate</b>						
Economy, Planning & Transport	Maxine Bodell	2,019	1,955	32	32	64
Dorset Travel	Andy Shaw	15,741	16,108	(449)	(374)	(367)
Business support Unit	Jan Hill	574	562	16	15	12
Coast & Countryside	Phil Sterling	2,656	2,651	(72)	(52)	5
Estates & Assets	Peter Scarlett	(1,582)	(1,271)	(198)	(302)	(311)
Buildings & Construction	David Roe	95	(308)	455	417	403
Pooled R&M	David Roe	78	78	0	0	
Network Management	Simon Gledhill	1,284	1,262	2	37	22
Network Development	Tim Norman	715	474	5	(0)	241
Network Operations	Martin Hill	4,159	4,135	13	14	24
Fleet Services	Sean Adams	(32)	(59)	22	21	27
Emergency Planning	Simon Parker	212	216	(3)	0	(4)
Director's Office	Mike Harries	414	667	(247)	(246)	(253)
Streetlighting PFI	Tim Norman	3,824	3,824	0	0	0
ICT	Richard Pascoe	5,923	6,093	0	(170)	(170)
<b>Environment and the Economy Directorate Total</b>		36,079	36,385	(423)	(610)	(306)
<b>Chief Executives</b>						
Chief Executives Office	Debbie Ward	366	314	59	59	52
Partnerships	Karen Andrews	245	242	(14)	(14)	3
Communications	Karen Andrews	235	232	7	7	3
Policy and Research	Karen Andrews	422	507	(44)	(66)	(84)
Commercial Services	Karen Andrews	405	398	(26)	(26)	7
Governance and Assurance	Mark Taylor	642	638	5	4	4
Assistant Chief Executive		241	206	35	35	35
Legal & Democratic Services	Jonathan Mair	2,004	2,112	(107)	(108)	(108)
Financial Services	Richard Bates	109	96	(6)	(6)	12
Human Resources	Sheralyn Huntingford	1,537	1,416	49	49	121
Directorate Wide	Richard Bates	0	0	0	0	0
Cabinet	Richard Bates	3,470	3,500	(30)	(25)	(30)
<b>Chief Executives Total</b>		9,675	9,660	(72)	(91)	15
<b>Partnerships</b>						
Dorset Waste Partnership	Karyn Punched	20,717	19,665	823	823	1,052
RIEP		0	0			
Public Health	David Phillips	(2)	(1,377)	1,375	1,375	1,375
<b>Partnerships Total</b>		20,715	18,288	2,198	2,198	2,427
<b>Central Finance</b>						
General Funding	Richard Bates	(10,011)	(9,900)	0	(111)	(111)
Capital Financing	Richard Bates	25,571	25,265	307	321	307
R&M	Richard Bates	1,244	1,244	0	0	0
Contingency	Richard Bates	(8,368)	(9,633)	500	500	1,265
Precepts/Levy	Richard Bates	677	677	0	0	0
Central Finance	Richard Bates	(264,860)	(264,860)	0	0	0
<b>Central Finance Total</b>		(255,746)	(257,207)	807	711	1,461
<b>Total Above Line Budgets</b>		0	12,913	(13,983)	(14,674)	(12,913)
<b>Excluding DSG Budgets</b>		0	7,653	(8,918)	(9,602)	(7,653)

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Appendix 2

Summary - All FT Savings

2016/17

Savings measure

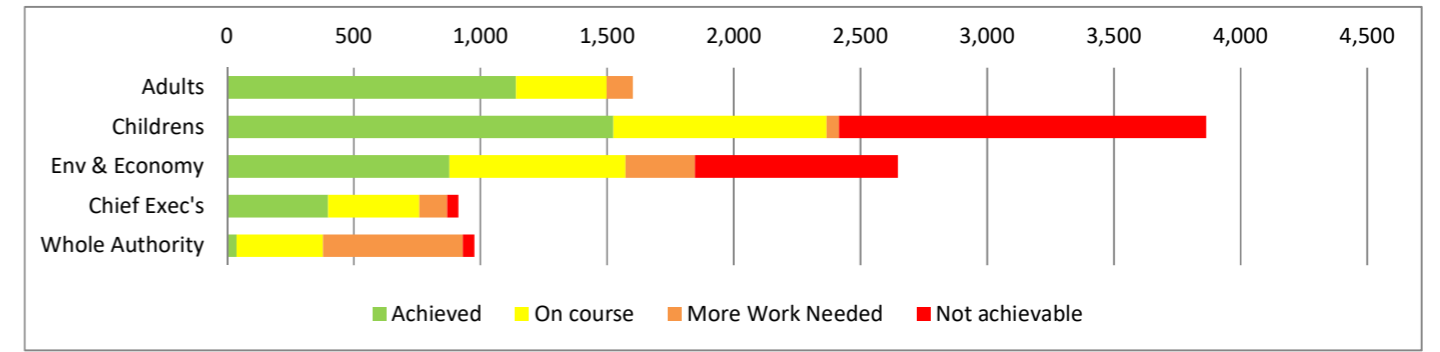
Savings measure	£000's
Adults	1602
Childrens	3865
Env & Economy	2646.5
Chief Exec's	913.8
Whole Authority	976
<b>Summary - All Savings 2016/17</b>	<b>10,003</b>

Assessment of Savings achievement

at >>>

27-Feb-17

	Achieved	On course	More Work Needed	Not achievable
Adults	1,140	359	103	0
Childrens	1,525	840	50	1,450
Env & Economy	878	694	275	800
Chief Exec's	399	360	110	45
Whole Authority	37	342	552	45
<b>Total</b>	<b>3,978</b>	<b>2,595</b>	<b>1,090</b>	<b>2,340</b>



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# Audit and Governance Committee

**Dorset County Council**



Date of Meeting	13 March 2017
Officer	Chief Executive
<b>Subject of Report</b>	<b>Draft Annual Governance Statement 2016/17</b>
Executive Summary	<p>The Accounts and Audit (England) Regulations 2015 require a body such as the County Council to “approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.”</p> <p>The attached draft Annual Governance Statement for 2016/17 sets out key features of the governance framework in place in the Authority and provides a review of its effectiveness. It has been prepared in line with the recommendations published by CIPFA and SOLACE.</p> <p>Section 5 of the statement reports on the Council’s Local Code of Corporate Governance Compliance Assessment 2015/16, and in particular the three elements on which the Council is considered to be only partially compliant.</p> <p>The statement also discusses those risks that are contained in the Councils Corporate Risk Register which are classified as ‘high’ and, as such, represent significant governance issues the Council is currently facing.</p> <p>Members of the Committee can view both the full Compliance Assessment and Corporate Risk Register from the Intranet links noted in the Evidence section of this report.</p> <p>Under the 2015 regulations, the accounts are not approved by the</p>

	<p>Council (or the Committee to which the responsibility is delegated) until after the external audit has been carried out. However, Members are still asked to consider the draft Annual Governance Statement, so that the auditors can review a document that has been subject to member scrutiny.</p> <p>Final adoption of the Annual Governance Statement will take place, alongside the accounts, at the Audit and Governance Committee in July 2017. As the statement has to reflect any significant issues that arise until its final approval, if necessary, subsequent amendments will be made and reported to this Committee.</p>
<p>Impact Assessment:</p>	<p>Equalities Impact Assessment:</p> <p>Giving appropriate consideration to equalities issues is a key aspect of good governance, but there are no equalities issues arising directly from this report.</p>
	<p>Use of Evidence:</p> <p>Evidence to inform the governance compliance assessment and then to complete the Annual Governance Statement has been provided by senior officers across the organisation. It includes policies and procedures of the County Council, the Constitution, and reports and minutes of Committees.</p> <p>Members can view both the <a href="#">Local Code of Corporate Governance Compliance Assessment 2016/17</a> and the <a href="#">Corporate Risk Register</a> from the Council's internal Intranet.</p>
	<p>Budget:</p> <p>There are no budget requirements arising directly from this report. The overall financial position of the County Council is one of the significant issues covered in the Annual Governance Statement. Addressing other issues identified in the compliance assessment or the Annual Governance Statement may have budgetary implications, which will be considered in the relevant action plans.</p>
	<p>Risk Assessment:</p> <p>Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as:          Current Risk: HIGH          Residual Risk: HIGH</p> <p>The Annual Governance Statement refers to risks on the Council's corporate risk register which have been assessed as being 'High'.</p>

	<p>Other Implications:</p> <p>Section 5 of the draft Annual Governance Statement explains the significant governance issues facing the Council.</p>
Recommendation	<p>The Cabinet / Committee is asked to:</p> <p>i) Consider and comment on the draft Annual Governance Statement for 2016/17 at appendix A</p>
Reason for Recommendation	<p>Approval and publication of an Annual Governance Statement by the County Council is a statutory requirement and provides evidence that the County Council maintains high standards of governance and addresses significant shortcomings and risks.</p>
Appendices	<p>Appendix A: Draft Annual Governance Statement 2016/17</p>
Background Papers	<p>CIPFA / SOLACE publication: Delivering good governance in local government – framework</p>
Report Originator and Contact	<p>Name: Mark Taylor, Group Manager (Governance and Assurance)          Tel: 01305 224982          Email: <a href="mailto:m.taylor@dorsetcc.gov.uk">m.taylor@dorsetcc.gov.uk</a></p> <p>Name: Marc Eyre, Senior Assurance Manager (Governance, Risk and Special Projects)          Tel: 01305 224358          Email: <a href="mailto:m.eyre@dorsetcc.gov.uk">m.eyre@dorsetcc.gov.uk</a></p>

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## Annual Governance Statement 2016/17

### 1. Scope of responsibility

1.1 Dorset County Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded and properly accounted for and that funding is used economically, efficiently and effectively. Dorset County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility Dorset County Council is responsible for putting in place suitable arrangements for the governance of its affairs, which facilitate the effective exercise of its functions and include arrangements for the management of risk.

1.3 Dorset County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government* framework. These include the additional requirements as recommended by CIPFA in March 2010. A report on the code and the latest assessment of compliance with it was published with the Audit and Governance Committee papers for 13<sup>th</sup> March 2017 or can be obtained from the County Council Offices, County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ. This statement explains how Dorset County Council has complied with the code. It also meets the requirements of the Accounts and Audit Regulations (England) 2015 in relation to consideration of the findings of a review of the system of internal control and approval and publication of an annual governance statement.

### 2. The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled, together with the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Dorset County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at Dorset County Council for the year ended 31 March 2017 and up to the date of approval of the annual statement of accounts.

### 3. The governance framework

3.1 Some of the key features of the governance framework are set out in the following paragraphs.

3.2 The corporate plan sets out the contribution we will make to enabling communities in working together for a successful Dorset.

3.3 Delivery of the County Council's corporate plan is supported by service plans, team plans and individual performance development reviews. These all include targets and, where appropriate, service standards against which service quality and improvement can be judged.

3.4 The Constitution of Dorset County Council establishes the roles and responsibilities for members of the executive (the Cabinet), Overview and Scrutiny, Audit and Governance and Regulatory Committees, together with officer functions. It includes details of delegation arrangements, codes of conduct and protocols for member/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose. Proposed changes to the Constitution are overseen by the Audit and Governance Committee. Its views on the suitability of any changes are reported when they are presented to the full County Council for approval.

3.5 The Constitution also contains procedure rules, standing orders and financial regulations that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by the post-holders' membership of and attendance at the Corporate Leadership Team.

3.6 The primary counterbalance to the Cabinet is through the Overview and Scrutiny Committees and the Audit and Governance Committee. These Committees are in place to provide support and a robust challenge to the Executive. The Audit and Governance Committee exercised its 'call to account' powers during 2016/17, in respect of the Ironman Weymouth 2016 event. It resulted in some specific recommendations to the Cabinet which were agreed in full.

3.7 The County Council's Overview and Scrutiny committee structure is based on the outcomes defined in the Corporate Plan with Committees for Economic Growth, People and Communities and Safeguarding. Each of them having responsibility for monitoring a number of specified objectives within it. The Dorset Health Scrutiny Committee also continues in its previous role, delivering scrutiny of external health partners and agencies.

3.8 A complaints procedure and a whistle-blowing policy and procedure are maintained and kept under review, providing the opportunity for members of the public and staff to raise issues when they believe that appropriate standards have not been met. An annual report analysing complaints received and their resolution is presented to the Audit and Governance Committee. This Committee also has responsibility for overseeing the investigation of complaints against members.

3.9 The County Council has a strong risk management function. The risk management policy and strategy are reviewed annually. Risk management is within the remit of the Council's Resilience Group which draws together lead officers from across the authority to ensure that issues and concerns are shared and that a consistent approach is adopted throughout the organisation. The Resilience Group also has a focus on emergency planning, business continuity, information governance and governance more generally. Those risks contained in the councils Corporate Risk Register which have been assessed as high have informed the list of significant governance issues later in this statement.

3.10 Appraisal and review processes are the general means of identifying the training needs of members and officers. Appropriate training is made available to staff to ensure that individuals are able to undertake their present role effectively and that they have the opportunity to develop to meet their and the County Council's needs. An extensive member induction programme is put in place after the County Council elections to ensure that newly elected members can quickly make an effective contribution to the work of the authority. This is supported by regular member briefing sessions to ensure that members are kept up to date on key issues.

3.11 The County Council is committed to partnership working. The Dorset Compact sets out a framework for voluntary and public sector relationships in Dorset. Guidance on best practice in partnership governance, together with the development of an alternative service delivery model governance and due diligence checklist that has been adopted to ensure that partnership arrangements are as productive and secure as possible.



### 4. Review of effectiveness

4.1 Dorset County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by the findings and reports issued by the external auditors and other review agencies and inspectorates.

4.2 The Chief Executive has responsibility for:

- overseeing the implementation and monitoring the operation of the Code of Corporate Governance;
- maintaining and updating the Code in the light of latest guidance on best practice;
- reporting annually to the Corporate Leadership Team and to Members on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

4.3 The Chief Financial Officer has responsibility for the proper administration of the County Council's financial affairs. This includes responsibility for maintaining and reviewing Financial Regulations to ensure they remain fit for purpose, and submitting any additions or changes necessary to the full Council for approval. The Chief Financial Officer is also responsible for reporting, where appropriate, breaches of the Regulations to the Cabinet and/or the County Council.

4.4 The statutory role of Monitoring Officer is held by the Head of Organisational Development. The Monitoring Officer is responsible for ensuring that the Council acts within and through the law. Parallel to the responsibilities of the Chief Financial Officer the Monitoring Officer has a duty to report to the Cabinet where it appears to him that any action or intended action by the Council is unlawful or amounts to maladministration. The Monitoring Officer also has responsibilities in relation to the Council's constitution and in relation to councillor conduct.

4.5 Dorset County Council's Internal Audit Service, via a specific responsibility assigned to the Head of Internal Audit (the Group Manager, Governance and Assurance), is required to provide an annual independent and objective opinion to the Authority on its risk management, governance and control environment. Since April 2010, internal audit work has been carried out under contract by the South West Audit Partnership (SWAP).

4.6 The review of compliance with the governance framework has involved:

- review of the latest position on the core principles by lead officers, including cross-challenge by other leads;
- an assessment of the draft compliance assessment and significant governance issues by Corporate Leadership Team;
- review of the draft compliance assessment and Annual Governance Statement by the Audit and Governance Committee and the Cabinet;

4.7 Plans to address weaknesses and ensure continuous improvement of the system are recorded in the annual compliance assessment.

### 5. Significant governance issues

5.1 Governance issues can be put into two groups:

- (i) elements of the governance framework for which the compliance assessment has identified that some improvement is necessary to provide full assurance;

- (ii) issues that the governance framework has identified and which require action to mitigate the exposure of the County Council.

5.2 In the first group, there were no elements of the framework for which the judgement is that the County Council is non-compliant. There are however three areas where a judgement of partial compliance has been identified and where improvement is considered necessary (down from six last year).

5.3 Actions needed to achieve full compliance are largely covered by existing improvement plans. The issues and actions can be summarised as follows:

*(NB: - Further detail is provided against the respective core principles in the compliance assessment. References have been provided at the start of each area for ease of reference):*

<p><b>1g.</b> Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively.</p> <p><u>Agreed Action:-</u> A new performance management framework using Outcomes Based Accountability is operated to underpin and monitor the Corporate Plan. The Council will further develop mechanisms to better understand how its own performance contributes towards achievement of outcomes, within the resources available.</p>
<p><b>2j.</b> Ensure that effective mechanisms exist to monitor service delivery.</p> <p><u>Agreed Action:-</u> A new performance management framework using Outcomes Based Accountability is operated to underpin and monitor the Corporate Plan. The Council will further develop mechanisms to better understand how its own performance contributes towards achievement of outcomes, within the resources available.</p>
<p><b>7b.</b> Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary</p> <p><u>Agreed Action:-</u> Rollout of outcomes based accountability will improve accountability of budget managers. However this will need to be supported by executive functions exercising "call to account" to challenge any areas of overspend.</p>

5.4 The second group are issues that represent a significant risk to the County Council and, as such, are assessed as high risks on the Corporate Risk Register in accordance with the councils approved risk criteria.

5.5 A prime purpose of the governance framework is to minimise the occurrence of such risks and ensure that any which do arise are highlighted so that appropriate mitigating action can be taken. These issues are largely substantial challenges to be managed over the long term. A summary of these 'significant' issues are outlined below, together with the council's response and actions to deal with these issues:



Corporate Risk	Causes	Council Response
<p><b>01) Inadequate finance to meet legislative, political and public expectations</b></p>	<p>Overspend to the Adult &amp; Community Services Directorate Budget and meet the structural deficit</p>	<p>Pathways to Independence Programme includes a transformation of the whole Directorate which will increase independence and reduce the need for long term Adult Social Care; this includes review of the whole system, and a focus on early help and prevention while meeting the requirements of the Care Act</p>
	<p>Failure to achieve Better Care targets across the Dorset public / community sector</p>	<p>There is a significant risk that the agreed plans do not achieve the savings in line with local government funding reductions. Performance on admissions and delayed transfer of care continues to be challenging, which will impact on performance related funding. Performance indicators are largely based on health performance and therefore whilst the local authority can influence this risk, it cannot control it</p>
	<p>Failure to ensure that learning disability services are sustainable and cost-effective</p>	<p>Ongoing management focus on this area of overspend including looking at transition planning between children and adults. Further work is also under way on developing new models of care for supported living for people with disability.</p>
	<p>General balances are depleted to a level below operating range</p>	<p>The current year's anticipated overspend will reduce the general balances to a level just above the lower end of the operating range. Should we fall below the lower end (£10m) it would be raised as a matter for concern by our auditors, KPMG.</p>
	<p>Additional savings cannot be identified to bridge the unfunded gap</p>	<p>The largest risk to the Forward Together programme currently is that even with the identified major transformation programmes there remains a need to deliver a substantial savings target. Work is underway to align the programme more closely to the budget.</p>
	<p>Failure to have in place an equal and legally compliant pay &amp; grading structure</p>	<p>A paper was taken to the Staffing Committee in July 2015 to determine the options associated with undertaking an equal pay audit and the associated resource implications. It was agreed by the committee that the review would be postponed until April 2017 at the earliest.</p>
	<p>Failure to meet Directorate savings targets - Environment &amp; Economy Directorate</p>	<p>Work underway to identify further savings opportunities, via the Environment &amp; Economy Forward Together programme.</p>

Corporate Risk	Causes	Council Response
<p><b>02) Failure to protect the vulnerable children and young people from abuse or neglect in situations that could have been predicted and prevented</b></p>	<p>Failure to manage the demands led budget for children in care</p>	<p>The Children's Services Leadership Team continue to monitor performance and impact of budget reductions. South West Audit Partnership undertook a review of high cost areas of provision, including monitoring the pathways of individual cases. A task and finish "Prevention &amp; Partnership Strategy Group" has been established to respond to the action plan from this review. Consultation on restructuring commenced early 2016, including a renewed focus on prevention within the Care and Support Team.</p>
	<p>Failure to deliver Education, Health and Care Plans (EHCP) within Statutory Timelines</p>	<p>Process changes are being implemented, such as improved paperwork to shorten the length of Transfer Review meetings, and increased access to data on line for Planning Review Officers undertaking the Transfer Reviews. Further investigations are underway into the causation of increase.</p>
<p><b>04) Failure to ensure the health and wellbeing of staff, service users and the public</b></p>	<p>Health and safety risks associated with occupation of premises</p>	<p>The majority of sites now have a nominated Premises Responsible Person. However, restructuring of services and adoption of Corporate Landlord model has reduced local understanding of the Directorate Duty Holder Strategy. The strategy will be ratified.</p>
<p><b>05) Inability of the Council or a key partner to effectively respond to an incident or event</b></p>	<p>Loss of ICT service or data through a cyber attack</p>	<p>Other national incidents identify local authorities as a target. The Council has a ICT Continuity Management Group that maintains and manages a specific risk register.</p>
	<p>Resilience of the property portfolio to enable business continuity</p>	<p>Respond to the healthcheck on business continuity initiated by the Council's Resilience Group</p>
<p><b>07) Failure to sustain effective relationships across key partnerships</b></p>	<p>Failure to develop Sustainability &amp; Transformation Plans to achieve place based commissioning as part of the integration with health</p>	<p>There is a sign up of principles with health and testing areas have been identified. There is agreement to put a proposal in the Better Care Fund.</p>

Corporate Risk	Causes	Council Response
<p><b>09) Inadequate infrastructure to meet Council priorities</b></p>	<p>Inability to maintain the highways infrastructure to an acceptable standard in the face of changing circumstances (eg budget reductions; climate change)</p>	<p>The highway maintenance block allocation increased by 15 % from 2015/16. Further annual business cases will be produced for additional capital investment in highway maintenance.</p>
	<p>Unable to provide sufficient school places (Basic Need)</p>	<p>Programme of delivery of Basic Need Schools in accordance with agreed timescales/costs is being monitored through relevant groups.</p> <p>Whilst the framework has been agreed, we are developing a clear strategy around sufficient school places, which will need to be signed up to by members and partners.</p>
<p><b>10) Failure to deliver service transformation and necessary savings through the Forward Together programme</b></p>	<p>Project slippage within an individual workstream impacts negatively on other projects in the programme</p>	<p>Corporate Leadership Team are reviewing the current programme and support arrangements.</p>
	<p>Capacity of staff to deliver transformation programme as well as maintain focus on day to day business (including across support services)</p>	
	<p>Failure to address cultural issues that may impact on the success of the transformation programme</p>	
<p><b>12) Failure to develop services based on evidence and need</b></p>	<p>Inadequate assessment of the long term impacts/risks (threats/opportunities) of proposals</p>	<p>A portfolio of impact assessments (Risk; EQIA; evidence) are currently in development.</p>

Corporate Risk	Causes	Council Response
<b>13) Inadequate ICT infrastructure to meet corporate service priorities</b>	Current technology within DCC is insufficient and / or inflexible to meet the anticipated needs of the transformation programme (on a technical or contractual basis)	We are changing the way we deliver core services (WAN, telephony, email, calendar, document sharing and collaboration) which will introduce greater flexibility to collaborate, share and access information with colleagues and partners and improving our service continuity capabilities.
<b>14) Failure to develop, recruit or retain suitably competent/ qualified staff compromises service Delivery</b>	Inability to attract and retain suitably qualified specialist safeguarding staff within Childrens Services	Work is underway with Bournemouth University to deliver a programme for social work/children’s services
<b>17) Failure to implement a local government structure to deliver the best possible outcomes for Dorset residents</b>	Lack of support for proposed structure (locally or nationally)	PanDorset programme developed, operating its own risk register

5.6 We are satisfied that this statement provides a substantial level of assurance that good governance is in place in Dorset County Council and that appropriate arrangements are in place to address improvements identified in our review of compliance. Progress on these improvements and on addressing and mitigating the risks set out in section 5.5 will be monitored through the year by senior officers and the Audit and Governance Committee.

	
<b>Debbie Ward Chief Executive</b>	<b>Robert Gould Leader</b>
<b>June 2017</b>	<b>June 2017</b>

## **Recommendation from the Staffing Committee – 22 November 2016**

Members considered a report by the Chief Executive which aimed to ensure that the Staff Code of Conduct was up to date, included current key messages and was useful for managers and staff.

The Monitoring Officer explained that this had been a joint piece of work between HR and Democratic Services. In order to strengthen the Staff Code of Conduct and make it easier for staff to find and understand, the recommendation was for it to belong to the Staffing Committee and to then seek approval for it from the County Council.

### **RECOMMENDED**

1. That the County Council, via the Audit and Governance Committee, be asked to approve the Staff Code of Conduct as set out in Appendix 1 of the Chief Executive's report.
2. That the County Council, via the Audit and Governance Committee, be asked to agree to the publishing of the Staff Code of Conduct on Sharepoint and not within the Constitution.
3. That future delegation of significant changes to the Staff Code of Conduct be given to the Staffing Committee within its Terms of Reference.

### **Reason for recommendations**

The Staffing Committee monitored matters relating to staff terms and conditions and people management policies.

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# Staffing Committee

**Dorset County Council**



Date of Meeting	22 November 2016
Officer	Chief Executive
<b>Subject of Report</b>	<b>Review of the Staff Code of Conduct</b>
Executive Summary	<p>A review of the Staff Code of Conduct has been undertaken by Democratic Services in conjunction with Human Resources &amp; Organisational Development (HR&amp;OD). The review follows findings from the ethical governance audit undertaken by the South West Audit Partnership and takes account of the council as a modern organisation, various Information Governance reviews, and feedback from managers at all levels.</p> <p>The aim is to ensure that the code is up to date, includes current key messages and that it is practical and useful for managers and staff.</p> <p>This report also recommends that the Staff Code of Conduct is published on Sharepoint and not within the Constitution (its current location) and that any future significant change to the Code is formally delegated to the Staffing Committee under their existing terms of reference.</p> <p>The Staff Code of Conduct is currently part of the council's Constitution. Any change to the Staff Code of Conduct will require approval of the County Council. The recommendations of the Staffing Committee will be put forward to the County Council via the Audit and Governance Committee, with changes effective immediately following County Council approval.</p>
Impact Assessment:	<p>Equalities Impact Assessment:</p> <p>The Staff Code of Conduct is an overarching document referring to a number of other policies which are subject to individual EqlAs and/or legislative requirements. An EqlA screening has been undertaken specifically in relation to the Personal Appearance</p>

## Review of the Staff Code of Conduct

	<p>section and this has highlighted the need for associated guidance for managers in this area. The screening record is being considered by the Chief Executive's Diversity Working Group.</p>
	<p><b>Use of Evidence:</b></p> <p>The report is based on evidence including feedback from the ethical governance audit, those involved in the information governance reviews and a SNAP survey of all people managers. The Corporate Leadership Team and trade unions have been consulted.</p>
	<p><b>Budget:</b></p> <p>There are no financial implications arising from the proposal.</p>
	<p><b>Risk Assessment:</b></p> <p>Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as:          Current Risk: LOW          Residual Risk LOW</p>
	<p><b>Other Implications:</b></p> <p>None.</p>
Recommendation	<p>It is recommend that the Staffing Committee recommend to the County Council, via the Audit and Governance Committee:</p> <ol style="list-style-type: none"> <li>1 The proposed revised Staff Code of Conduct (Appendix 1).</li> <li>2 The publishing of the Staff Code of Conduct on Sharepoint and not within the Constitution.</li> <li>3 Future delegation of significant changes to the Staff Code of Conduct to the Staffing Committee within its Terms of Reference.</li> </ol>
Reason for Recommendation	<p>The Staffing Committee oversee matters relating to staff terms and conditions and people management policies.</p>
Appendices	<p>Appendix 1 – Proposed Staff Code of Conduct</p>
Background Papers	<p>The existing Staff Code of Conduct can be found within the council's Constitution:  <a href="https://www.dorsetforyou.com/constitution/county">https://www.dorsetforyou.com/constitution/county</a></p>
Officer Contact	<p>Name: Sarah Butcher, Principal HR &amp; OD Adviser          Tel: 01305 228505          Email: <a href="mailto:s.e.butcher@dorsetcc.gov.uk">s.e.butcher@dorsetcc.gov.uk</a></p>

Review of the Staff Code of Conduct

	<p>Name: Lee Gallagher, Democratic Services Manager Tel: 01305 224191 Email: <a href="mailto:l.d.gallagher@dorsetcc.gov.uk">l.d.gallagher@dorsetcc.gov.uk</a></p>
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## **1. Introduction**

- 1.1. The Staff Code of Conduct sets out the standards expected of all employees. The Code highlights ethical standards where there may be a potential conflict of interest - for example if an employee discloses information, takes on other paid employment, or accepts gifts or hospitality. It sits within the council's Constitution, alongside the Member Code of Conduct.
- 1.2. The current Staff Code of Conduct is based on a non-statutory model code of conduct for local government employers. The proposed revised code continues to contain all the key elements of the model code and also reflects a modern organisation, taking account of the use of social media, for example.
- 1.3. The review of the Staff Code of Conduct is prompted by findings from the ethical governance audit, feedback from managers and colleagues with a particular interest in aspects of the Code, for example the council's Data Protection Officer, colleagues in ICT and those involved in various information governance reviews.

## **2. The Ethical Governance Audit**

- 2.1. The ethical governance audit undertaken by the South West Audit Partnership (SWAP) in 2015, focussed on the extent to which ethical governance has been embedded within the council's culture for both members and staff.
- 2.2. The audit found that:
  - staff don't fully understand their responsibilities and the council's responsibilities to its staff regarding ethical governance and associated policies
  - whilst staff are generally aware of the Code of Conduct, they are less aware of how other key policies, (e.g. the Whistleblowing policy and the Contract Procedure rules) relate
  - there is a lack of clarity and consistency regarding who should be informed of any interests declared and where this information should be held
  - there is a lack of clarity and consistency regarding who should authorise any hospitality offered and where any requests authorised or declined should be held

## **3. Information Governance Reviews**

- 3.1. The NHS Information Governance programme is a framework which is used to set a high standard for the handling of information and provides a set of tools to help organisations achieve that standard. Annual completion of the NHS Information Governance Toolkit is a mandatory requirement for the council given our secure computer link to the NHS and the routine use of the NHS Personal Demographic Service and NHS Summary Care Record. Our submissions include Public Health following their transfer into the Local Authority from the NHS, and allow for data flows between NHS Digital and Public Health.
- 3.2. More generally, the Resilience Group commissioned a 'health check' of the council's information governance arrangements, which identified a number of recommendations for improvement.
- 3.3. Officers leading on these reviews have identified the Staff Code of Conduct as one of the key controls to ensuring that staff are aware of the importance of information governance and security.

#### **4. Feedback from Managers**

- 4.1. People managers were invited to complete a brief survey in October of this year about the type of information they expect to see in the Staff Code of Conduct. Whilst the survey received only 43 responses, there were a number of trends.
- 4.2. Managers would expect the Staff Code of Conduct to:
  - refer to social media
  - provide clarity about information security and data protection, particularly in relation to safeguarding
  - link to other relevant HR&OD policies
  - clarify standards of behaviour
  - provide clarity about declarations of interests, gifts and hospitality
  - include a dress code

#### **5. Proposed Staff Code of Conduct**

- 5.1. The proposed Staff Code of Conduct is designed to be read in conjunction with the key related policies and procedures that underpin it. It is intended that the Staff Code of Conduct is presented as a Sharepoint page, enabling direct links to all related information.
- 5.2. Changes to the Staff Code of Conduct will provide a clear and consistent message to staff in relation to the expected standards by:
  - (a) Enabling all staff to easily find it;
  - (b) Strengthening links to related policies to provide a consistent message - including those which reflect a modern workplace, such as the social networking policy;
  - (c) Modernising the format and making it more accessible and more readily understood;
  - (d) Enabling managers to use it as a practical tool when managing conduct;
  - (e) Providing clarification about what staff are expected to do in certain circumstances, for example how to declare an interest and where to record this declaration; and,
  - (f) Bringing the code in line with the scheme of delegations for people management matters.
- 5.3. The proposed Code of Conduct supports the recommendations of the Ethical Governance Audit and also supports the Information Governance Reviews.

#### **6. Future Changes to the Staff Code of Conduct**

- 6.1. The Staffing Committee is asked to consider a recommendation that the County Council delegate authority for agreeing any future significant changes to the Staff Code of Conduct to the Staffing Committee.
- 6.2. This approach would:
  - recognise that the Staffing Committee is expected to have responsibility for matters relating to terms and conditions and people management policies
  - enable the Staffing Committee to respond effectively to any future requirement to consider significant changes

**7. Next Steps**

- 7.1. The recommendations of the Staffing Committee will be put forward to the County Council via the Audit and Governance Committee. Changes will be effective immediately following County Council approval.
- 7.2. There will be communications to all staff, including via the all staff e-newsletter, the manager e-newsletter and a front page news item on Sharepoint. Managers will be expected to ensure that all staff are aware of the revised Code of Conduct and where to find it.
- 7.3. The possibility of using the modern.gov system for staff to declare interests will be explored. This is the system recently put in place for county councillors to declare interests. This would ensure that all declarations are recorded and accessible.

**Sheralyn Huntingford**  
**Head of Human Resources and Organisational Development**

**Jonathan Mair**  
**Head of Legal and Democratic Services**

November 2016

## **Staff Code of Conduct**

### **1. Introduction**

- 1.1. This Code sets out the standards of conduct expected of all council employees and prevents employees from being in a situation where they may be vulnerable to an accusation of favouritism or bias or other improper motives, whether this is real or perceived.
- 1.2. Employees should be aware that a failure to comply with this Code could result in disciplinary action up to and including dismissal, in accordance with the council's [disciplinary policy and procedure](#) and the [disciplinary rules](#).

### **2. Core Principles**

- 2.1. All employees have a general obligation to maintain the council's reputation and should not do anything to adversely affect this – whether in work or outside of work.
- 2.2. Employees are expected to
  - Give the highest possible standard of service to the people of Dorset and to provide appropriate impartial advice. This applies whether the service is provided in person, over the phone, via email or any other method.
  - Raise any concerns about service provision or practice which affect the integrity of the council, including any fraud, bribery, corruption or other malpractice, as outlined in the council's [Anti Fraud, Bribery & Corruption Strategy](#). Employees can feel confident that in raising those concerns they will be protected from any detrimental treatment, such as victimisation or harassment. Employees must report concerns to their line manager in the first instance. Where appropriate, and where raising the concern is in the public interest, the council's [Whistle-Blowing Policy and Procedure](#) should be followed.
  - Be responsible for their own actions and [behaviour](#) and should seek to avoid any conduct that would lead any reasonable person to question their motivation or intentions
  - Declare any relevant interest, outside employment or receipt of gifts or hospitality as outlined in this Code
  - Use public funds in a responsible and lawful manner.
- 2.3. Managers should ensure that employees are also aware of other policies and procedures relating to conduct, as referred to in this Code and as required. Policies and procedures relating to people management are available on [Sharepoint](#).

### **3. Information Security**

- 3.1. It is generally accepted that open government is best. The law requires that certain types of information must be available to county councillors, auditors, government departments, service users and the public. The council will be open and transparent in accordance with the [Access to Information Procedure Rules](#) and the [Freedom of Information Act 2000](#).
- 3.2. Employees must not use any information obtained in the course of their employment for personal gain or benefit. Nor should they pass it on to others who might use it in such a way. Employees must ensure they are sharing information with an appropriate

level of security in accordance with the [Protective Marking Policy](#) and must respect the confidentiality of information that is protectively marked.

- 3.3. In the course of their work, employees may use or have access to sensitive, confidential or restricted information about colleagues, county councillors, customers, clients, partners or others connected with the council. Employees are required to properly protect such data, whether or not it has a protective marking upon it. All data and information not in the public domain, must remain confidential at all times, in accordance with the council's [Information Exchange Policy](#), [Health and Social Care policies](#), [Information Sharing Protocols](#) and [data protection principles](#). This includes council data and information that the employee accesses away from the office, either on their own device or a council owned device in accordance with the [Mobile Device Acceptable Use Policy](#).
- 3.4. These principles also apply to the use of social media as outlined in the council's [social networking policy](#) and the ICT Services [Acceptable Use Policy](#). The reputation and/or business of the council, customers, partners or others connected with the council must not be brought into disrepute through use of social networking.
- 3.5. Care should be taken that confidential information is not inadvertently shared, for instance by discussing confidential matters in public places, working whilst travelling by train or other public transport, or by leaving paper records or portable ICT equipment containing confidential information where it might easily be stolen, such as on full view in a parked car.
- 3.6. Any personal information received by an employee in the course of their employment should not be disclosed by the employee without the prior approval of that individual, except where such disclosure is required by the law or by council policy. This includes the sharing of any information with the media. External communications with the media are handled by the council's Communications team.
- 3.7. Where personal information is lost, stolen or inappropriately disclosed, the council may receive a fine. If a member of staff knowingly accesses or discloses such information without due cause, this is unlawful and they may be liable to prosecution.
- 3.8. Where staff are required to wear [ID badges](#), these must be worn and visible at all times.

#### **4. Political Neutrality**

- 4.1. Employees, who as part of their duties are required to provide advice to county councillors, must do so impartially and must not allow their own personal or political opinions to interfere with their work.
- 4.2. Some employees are in politically restricted posts and are prevented by law from taking part in certain political activities outside their work. This will be stated in their individual employment contract.

#### **5. Personal Relationships and the Working Relationship**

- 5.1. Any close personal relationship between an employee and a county councillor should not be seen to compromise impartiality of employees and must be openly declared in accordance with the [Protocol for Member Officer Relations](#).



- 5.2. All groups and individuals within the community are entitled to courteous, efficient and impartial services. Provision of service to Dorset residents should not be influenced by any personal relationship. All employees who, during the course of their employment have direct or indirect contact with children or vulnerable adults, or who have access to information about them, have a responsibility to safeguard them and to promote their welfare. Employees should not put themselves in situations in which [allegations of abuse](#) or inappropriate behaviour could be made. Frontline staff must also have a good understanding of 'Prevent' to be able to recognise signs of radicalisation and be confident in referring individuals who can then receive support.
- 5.3. Employees who have a close personal relationship with work colleagues, including any contractors, should disclose the relationship to their line manager in accordance with the council's [close personal relationships at work protocol](#). Employees should not be involved in the recruitment and selection of, or any decision relating to discipline, promotion or [pay adjustments](#) for any individual who is a relative or with whom they are in a close personal relationship.
- 5.4. In all situations, employees should apply the same professional standards regardless of gender, gender identity, age, marital or civil partnership status, colour, race, nationality or other ethnic or national origin, religion or belief, disability, sexual orientation, pregnancy or maternity, criminal background, trade union activity or political belief, in accordance with the council's [diversity policy](#).

## **6. Other Employment**

- 6.1. Full time employees who wish to undertake other paid employment must first have approval of the appropriate manager in accordance with the council's [scheme of delegation on people management matters](#). This is usually the line manager. Whilst part time employees do not require prior approval of other paid employment, they must declare the details of their other employment. In both instances, the line manager will consider whether the other employment could bring the council into disrepute or have a detrimental effect on or conflict with the council's business. If they consider that it could, they will discuss this with the employee. A copy of the written approval/declaration must be sent to HR&OD Support Services for the personal file.
- 6.2. Where employees do undertake other work, this must not be undertaken on any council premises and employees are not permitted to make use of any facilities including telephones or photocopying for this purpose.
- 6.3. Any copyright, patentable invention or a design capable of registration created by an employee during their employment with the council becomes the property of the council.

## **7. Conflict of Interests**

- 7.1. Employees should not put themselves in a position where their duty to the council and their private interests conflict. Where there is a potential conflict of interest employees must:
- Declare in writing, to their line manager, any potential conflict of interest between a private interest and that of the council. This may be a financial or non-financial interest for example acting as a school governor within a school maintained by the council, involvement with an organisation receiving grant aid from the council,

membership of an NHS Trust Board or involvement with an organisation or pressure group which may seek to influence the authority's policies.

- Declare in writing, to their line manager, any potential direct or non-direct interest in any decision about an existing or proposed contract with the council.
- Declare in writing to the appropriate manager, relationships of a business or private nature with external contractors, or potential contractors. Contracts must be awarded on merit and in accordance with the council's [contract procedure rules](#).
- If they are involved in procurement, declare any conflicts of interest relating to the procurement activity where they, or their spouse or civil partner, or person with whom they are living as husband and wife or civil partner, have a vested interest that could conflict with the best interests of the council. Employees involved in the tendering process and dealing with contractors should be clear on the separation of client and contractor roles within the authority.
- Declare in writing, to their line manager, membership of any organisation not open to the public without formal membership and commitment of allegiance and which has secrecy about rules or membership or conduct. For example, employees should declare membership of freemasonry.

7.2. A copy of the written declaration of interest must be sent to HR&OD Support Services for the personal file.

7.3. Where there is a potential conflict of interest, the manager will decide, after consultation with the employee, on the most appropriate way for the matter to be progressed and record it in writing, to be filed with the copy of the declaration of interest. Advice of the Monitoring Officer will be sought whether there is a need for advice or where there is any disagreement regarding how the matter will progress.

## **8. Gifts and Hospitality**

8.1. Employees must be aware that it is a serious criminal offence for them corruptly to receive or give any gift, loan, fee, reward or advantage for doing, or not doing, anything or showing favour, or disfavour, to any person in their official capacity. If an allegation is made it is for the employee to demonstrate that any such rewards have not been corruptly obtained. Employees must declare any gift they accept in writing to their line manager.

8.2. In addition, employees should:

- Declare in writing to their line manager any corrupt offer that is made to them.
- If invited to attend any social hospitality event, only accept if there is a genuine need to represent the council. Attendance at such events must first be approved in writing by the employee's line manager. Consideration must be given to the timing of the event in relation to decisions which the council may be taking affecting those providing the hospitality, including any purchasing decisions.
- Not accept significant personal gifts from contractors or outside suppliers unless it is an insignificant item of token value such as a pen, calendar or diary.

8.3. It is the responsibility of the Head of Service to maintain a record of gifts and hospitality (both offers accepted and refused) for reasons of openness and transparency.

## **9. Sponsorship – Giving and Receiving**

- 9.1. Where an outside organisation wishes to sponsor or is seeking to sponsor a local government activity, whether by invitation, tender, negotiation or voluntarily, the basic conventions concerning acceptance of gifts or hospitality apply. Particular care must be taken when dealing with contractors or potential contractors.
- 9.2. Where the council wishes to sponsor an event or service, neither an employee nor any spouse, relative or close associate must benefit from such sponsorship in a direct way without there being full written disclosure to the appropriate manager. Similarly, where the council through sponsorship, grant aid, financial or other means, gives support in the community, employees should ensure that impartial advice is given and that there is no conflict of interest involved.

## **10. Personal Appearance**

- 10.1. Employees should dress appropriately to the nature of the work undertaken, in a way which portrays a professional approach and which follows any operational requirements.
- 10.2. Exceptions to the usual standards may be agreed for 'dress down' days and a more casual approach may be acceptable in the summer, for example tailored shorts. However, employees should first consider whether they will be attending any meetings which require a more professional approach and should first check with their line manager if there is any doubt.
- 10.3. Employees are expected to observe a high standard of cleanliness and personal hygiene.

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# Audit and Governance Committee Work Programme

## **Forward Plan**

Chairman: Cllr Trevor Jones  
Vice Chairman: Cllr Kate Wheller

**Agreed Items** (yet to be scoped and/or scheduled)

All items that have been agreed for coverage by the Committee have been scheduled in the Forward Plan accordingly.

<b>Date of Meeting</b>		<b>Item</b>	<b>Purpose / Key Lines of Enquiry (KLOE)</b>	<b>Lead Member/Officer</b>
<b>24 July 2017</b> (10.00am)	1	<b><u>Annual Internal Audit Report</u></b>	To receive the annual report of internal audit activity and to provide an independent opinion on the Council's governance, risk and control framework for 2016/17.	<b>Rupert Bamberger</b> Assistant Director South West Audit Partnership (SWAP)
	2	<b><u>Statement of Accounts</u></b> (including Annual Governance Statement)	To consider the Statement of Accounts for 2016/17 that has been reviewed by the Authority's external auditor, KPMG	<b>Jim McManus</b> Chief Accountant
	3	<b><u>Debt Recovery Performance</u></b>	To review the debt recovery performance of the County Council during 2016/17, and review the status of the Authority's debt collection systems and procedures.	<b>Sarah Baker</b> Group Finance Manager
	4	<b><u>Corporate Plan: Outcomes Focussed Monitoring Report</u></b>	To consider and comment upon the monitoring report for the quarter and agree any future actions with regard to the issues raised.	<b>John Alexander</b> Policy and Performance Manager
	5	<b><u>External Funding Monitoring Report</u></b>	To consider measures of bidding performance and areas of interest in relation to external funding.	<b>Laura Cornette</b> Corporate Policy and Performance Officer
	6	<b><u>Single Person's Council Tax Discount</u></b>	To consider an update on work in relation to the Single Person's Council Tax Discount.	<b>Jim McManus</b> Chief Accountant
	7	<b><u>Call to Account - Ironman Event 2017</u></b>	To receive an update on progress with regard to preparations for the 2017 Ironman Event following the Call To Account on 7 December 2016.	<b>Cabinet Member – Environment, Infrastructure and Highways</b>  <b>Andrew Martin</b> Service Director – Highways & Emergency Planning

Date of Meeting		Item	Purpose / Key Lines of Enquiry (KLOE)	Lead Member/Officer
	8	<b><u>Constitutional Changes</u></b>	To consider any changes to the Constitution which have arisen that will need to be considered by the County Council.	<b>Lee Gallagher</b> Democratic Services Manager
<b>20 September 2017</b> (10.00am)	1	<b><u>Budget Monitoring Report</u></b>	To consider and comment upon the budget monitoring information including actions taken to address any overspend.	<b>Jim McManus</b> Chief Accountant
	2	<b><u>Treasury Management and Prudential Code Review</u></b>	To consider an update on the economic background and performance against the annual investment strategy and compliance with the Prudential Code.	<b>David Wilkes</b> Finance Manager (Treasury and Investments)
	3	<b><u>External Audit Report 2016/17</u></b> (ISA 260 Report)	To consider the External Auditor's report to "Those charged with Governance".	<b>John Oldroyd</b> Senior Manager, KPMG
	4	<b><u>Corporate Compliments and Complaints Annual Report</u></b>	To consider the Corporate Compliments and Complaints Annual Report 1 April 2016 to 31 March 2017.	<b>Julie Taylor</b> Senior Assurance Manager (Complaints)
	5	<b><u>Internal Audit Quarterly Report</u></b>	To receive a report on SWAP's independent work and assess the Council's risk, governance and control framework.	<b>Rupert Bamberger</b> Assistant Director South West Audit Partnership (SWAP)
	6	<b><u>Constitutional Changes</u></b> (if required)	To consider any changes to the Constitution which have arisen that will need to be considered by the County Council.	<b>Lee Gallagher</b> Democratic Services Manager
<b>January 2018</b> (date to be advised)	1	<b><u>Budget Monitoring Report</u></b>	To consider and comment upon the budget monitoring information including actions taken to address any overspend.	<b>Jim McManus</b> Chief Accountant
	2	<b><u>Internal Audit Quarterly Report</u></b>	To receive a report on SWAP's independent work and assess the Council's risk, governance and control framework.	<b>Rupert Bamberger</b> Assistant Director South West Audit Partnership (SWAP)

Date of Meeting		Item	Purpose / Key Lines of Enquiry (KLOE)	Lead Member/Officer
	3	<b><u>Treasury Management Year to Date Update</u></b>	To consider the update on treasury management 2017-18.	<b>Tom Wilkinson</b> Group Finance Manager
	4	<b><u>Corporate Plan: Outcomes Focussed Monitoring Report</u></b>	To consider and comment upon the monitoring report for the quarter and agree any future actions with regard to the issues raised.	<b>John Alexander</b> Policy and Performance Manager
	5	<b><u>Constitutional Changes</u></b> (if required)	To consider any changes to the Constitution which have arisen that will need to be considered by the County Council.	<b>Lee Gallagher</b> Democratic Services Manager
<b>March 2018</b> <i>(date to be advised)</i>	1	<b><u>Budget Monitoring Report</u></b>	To consider and comment upon the budget monitoring information including actions taken to address any overspend.	<b>Jim McManus</b> Chief Accountant
	2	<b><u>Internal Audit Plan</u></b>	To consider the Internal Audit Plan for the forthcoming year.	<b>Rupert Bamberger</b> Assistant Director South West Audit Partnership (SWAP)
	3	<b><u>Corporate Plan: Outcomes Focussed Monitoring Report</u></b>	To consider and comment upon the monitoring report for the quarter and agree any future actions with regard to the issues raised.	<b>John Alexander</b> Policy and Performance Manager
	4	<b><u>Annual Audit Letter</u></b>	This report summarises the key findings from the audit of Dorset County Council.	<b>John Oldroyd</b> Senior Manager, KPMG
	5	<b><u>External Audit Plan</u></b>	To consider the External Audit Plan for 2017/18.	<b>John Oldroyd</b> Senior Manager, KPMG
	6	<b><u>Draft Annual Governance Statement and Local Code of Corporate Governance</u></b>	To consider the Annual Governance Statement which sets out key features of the governance framework in place in the Authority and provides a review of its effectiveness.	<b>Mark Taylor</b> Group Manager (Governance and Assurance)



Date of Meeting		Item	Purpose / Key Lines of Enquiry (KLOE)	Lead Member/Officer
	7	<b><u>Constitutional Changes</u></b> (if required)	To consider any changes to the Constitution which have arisen that will need to be considered by the County Council.	<b>Lee Gallagher</b> Democratic Services Manager
<p><b>Other draft items / issues identified for potential review</b></p> <ul style="list-style-type: none"> <li>• Post Ironman Event 2017 – consideration of report following event in September 2017 (<i>to be scheduled</i>)</li> </ul>				

**Debbie Ward**  
Chief Executive  
March 2017

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