



Audit and Governance Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester,
Dorset, DT1 1XJ on Monday, 13 March 2017

Present:

Trevor Jones (Chairman)
Kate Wheller, Matt Hall, David Harris and Peter Wharf.

Other Members Attending:

Robert Gould, as Leader of the County Council.

Officers Attending: Rupert Bamberger (Audit Manager - South West Audit Partnership), Marc Eyre (Senior Assurance Manager (Governance, Risk and Special Projects), Darren Gilbert (Director - KPMG), Jonathan Mair (Head of Organisational Development), Jim McManus (Chief Accountant), Peter Moore (Service Director - Environment), Patrick Myers (Assistant Director - Design and Development), John Oldroyd (Senior Manager - KPMG), Peter Scarlett (Estate and Assets Manager), Mark Taylor (Group Manager - Governance and Assurance), Tom Wilkinson (Children's Services and Interim Chief Pensions and Investments Manager), David Wilson (Data Protection Officer) 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, 24 July 2017.**)

Chairman's Announcements

17 The Chairman announced that this would be his final meeting of the Committee as he would not be taking part in the May 2017 elections.

The Committee paid tribute to Councillor Jones' chairmanship and support during the past 16 years and wished him an enjoyable retirement.

Councillor Robert Gould, as Leader of the County Council, highlighted the crucial role played in shaping this and the former Audit and Scrutiny Committee that had been rightly recognised and that its achievements had been undertaken in a constructive way.

Apologies for Absence

18 Apologies for Absence were received from Peter Richardson, Pauline Batstone, Mike Byatt and Lesley Dedman.

The Chairman highlighted the problem of non-attendance by members of the Committee and suggested that time was taken following the elections in making the appointments to committees or otherwise review during the Autumn and reshuffle the membership if necessary. He stated that the current state of affairs was unsatisfactory and did not assist governance of the Council.

It was suggested that the importance of commitment would be highlighted during the member induction process and that this item was also considered at the next meeting of Group Leaders.

Code of Conduct

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

Minutes

20 The minutes of the meeting held on 20 January 2017 were confirmed and signed.

Public Participation

21 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.

Progress on Matters Raised at Previous Meetings

22 The Committee considered a report outlining the actions identified at meetings held on 20 September 2016 and 20 January 2017.

The Data Protection Officer attended the meeting to provide an update on the matters raised at the previous meeting and reported on the following areas:-

- The audit by the Information Commissioner's Office (ICO) had taken place the previous week and a draft report for comment would be produced by 24 March 2017. The full report and a summary for the public would be produced by 26 May 2017 and the Council was committed to making full report also available to the public.
- The issues in relation to subject access requests that had arisen due to reduced manpower, had been addressed with auditors and there were now much tighter controls in place.
- Further information had been sent to members regarding the Data Protection (DP) Register. Although this was initially thought to be an online process, officers had been advised during the ICO audit that paper copies of the form could also be used and these were currently being requested.

The Committee requested that all members were advised of the steps required to join the DP Register. It was confirmed that this would be included as part of the member induction and that only one registration was required if members belonged to more than one local authority.

Resolved

That further clarification is provided in relation to whether the £35 payment was liable for tax and could be claimed against member allowances.

Annual Audit Letter 2015-16

23 The Committee considered the Annual Audit Letter 2015/16 from KPMG, the Council's external auditor.

Darren Gilbert, Director of KPMG, introduced himself as the new engagement lead and advised members that lead officers were rotated under ethical standards.

The Audit Letter offered an unqualified opinion and was a positive statement.

Noted

External Audit Plan 2016-17

- 24 The Committee considered the External Audit Plan 2016/17 from KPMG, the Council's external auditor. The Director confirmed that the materiality of the Pension Fund of £24m was 1.9% and not 19% as typed in the report. He also highlighted a small change in the audit fee due to CIPFA deciding not to implement the accounting changes for highways network infrastructure assets.

Members asked about property valuations in the event of a change in the way an asset was used, for example, changing the asset value attached to a piece of land following a decision to use it for affordable housing.

Officers advised that valuations would take account of use that had been driven by a legitimate local authority decision and that auditors would check that the valuation base was correct at a given point in time.

Members asked about any key issues with regard to Local Government Reorganisation (LGR) and the Director confirmed that the auditors would be interested in the transparency of decision making and governance and that there was the right information on which to base decisions.

Noted

Update on the Property Rationalisation Programme

- 25 The Committee considered a report by the Director for the Environment and the Economy that provided an update on progress in the delivery of the action plan following its previous consideration by the former Audit and Scrutiny Committee in December 2015.

The report was introduced by the Service Director - Environment who outlined areas where good progress had been made, resulting in benefits in capital, revenue and a culture of flexible working. The rise in disposals had improved during the past year.

In response to questions, it was confirmed that involvement of the Dorset Development Partnership was particularly useful for complex disposals where upfront investment or innovative thinking was required and that intervention by the local MP could be sought in instances where there was obstruction by other government departments.

Members expressed disappointment that there had been a lack of member engagement in specific issues relevant to their electoral divisions and emphasised the need for officers to work with members and to receive progress reports for some of the significant projects. The Chairman highlighted that the Local Member Protocol made provision for member engagement and expressed the view that it was not being used. He asked officers to view members as an additional resource, particularly in light of falling officer numbers.

Officers confirmed that they endeavoured to consult members on all significant issues, but that it was not possible to consult them on every issue, partly due to the high number of property disposals being progressed. Further to some discussion it was suggested that officers attend the quarterly meeting of all Weymouth & Portland Borough Councillors to inform them of projects in that area.

Members particularly commended the positive approach used in the Living and Learning project. They also asked about the level of confidence that the recent property disposals would continue and were informed that there was a good supply of properties for disposal over the next 12 months which would level off in the last two years of the programme resulting in a need to identify further assets for disposal.

The Chairman suggested that it would be helpful for the Committee have consider a further report later in 2017 outlining the consequences if the financial savings were not achieved as anticipated.

Resolved

- 1 That officers attend a quarterly meeting of Weymouth & Portland Borough Councillors to provide an update on property matters.
- 2 That a further update report is considered in September 2017.

Emerging Governance Arrangements in New Unitary Authorities

- 26 The Committee considered a report setting out the current position on the “Future Dorset” proposal.

Following introduction by the Head of Organisational Development, the Chairman asked for some reassurance that there was sufficient officer capacity to support the scrutiny programme in light of the decline in officer numbers. The Chairman agreed to discuss this with the Head of Service following the meeting.

The Committee was informed that work to date had taken place on a pan Dorset basis, however, in January 2018 a potential Legal Order by the Secretary of State could create a divergence in governance arrangements leading to separate programmes of activity in order to establish the two unitary authorities. It was anticipated that preparatory work would commence in May or June 2017 if Local Government Reorganisation was progressed. Darran Gunter had been selected as Programme Director and it was intended to make this a joint appointment with the Dorset Councils Partnership.

The Chairman asked whether the Shaping Dorset’s Future Board had been attending to service or governance arrangements.

Members were informed that the Shaping Dorset’s Future Board had been set up by the County Council and, from June 2017, a new joint arrangement would be needed with all of those authorities in the Dorset emerging unitary area who supported the Future Dorset proposal. This new arrangement would need to be owned equally by all of the authorities involved.

The Committee supported the proposed structure for an Implementation Executive set out in the report and some members considered that this should be in place prior to January 2018.

The Chairman asked whether those councils that did not support Future Dorset proposals authority could join in this work at a later stage and it was confirmed that the terms of reference that had been adopted by the Future Dorset Board allowed for this.

The Committee wished suggested that it would be beneficial to have an Implementation Executive comprised of those willing to serve on it prior to August 2017 and that the lead officer for this work would be the Programme Director.

Noted

Budget Monitoring Report - January 2017 (period 10)

- 27 The Committee considered a report by the Chief Financial Officer that provided an update against the budget for 2016/17 based on the latest information from Directorates.

The report was introduced by the Chief Accountant who provided the latest forecast overspend of £6.6m, a further improvement from the £7.6m outlined in the report.

This had been largely due to savings arising from the Dorset Waste Partnership in addition to modest reductions in other areas. He advised that the first forecast of outturn for financial year 2017/18 was not on track in certain areas and that better progress should have been made prior to commencement of the 2017/18 budget.

The Committee noted the £2m overspend arising from the number of Looked After Children, in addition to the £4m of additional funding and were not reassured that the numbers and rising costs of Looked After Children would improve in the way anticipated by officers. As a customer driven department, members did not consider it possible to forecast significant changes making the budget unrealistic. It was recognised that, whilst that the Adult and Community Services budget would be helped by changes to funding of the social care funding, there was a lack of evidence or Plan B to explain how the overspend would be reduced in the area of Children's Services.

The Chairman asked what would happen if a similar budget position occurred at the end of 2017/18 and was informed that this would require the use of earmarked reserves set aside for a specific purpose, however, this was not a sustainable position beyond one or two years.

The Head of Design and Development referred to actions being taken in three areas of overspending including SEN travel, Looked After Children and use of agency staff (outlined below) and stated that a further report on progress could be provided at the next meeting in July 2017.

- The Improvement Board for SEN travel had been effective in reducing the overspend during the current year and had reviewed some of the processes, such as the criteria relating to personal assistants and undertaking trials in order to reduce the number of sole travellers;
- A Strategy to reduce out of county placements;
- Family partnership zones to identify families that would benefit from early intervention;
- Changes to taxation rules in respect of agency staff had led to benefits in being employed directly by the local authority. A rolling advertisement had led to the employment of 3 Team Leaders and an additional 17 social workers across all social work levels with a further 15 interviews for social work being held the following week.

The Group Finance Manager described issues of high needs, huge demand and complex cases requiring expensive educational placements as having had a big impact. SEN reforms had introduced additional pressure due to the rising age range from 19 to 25 years old.

Councillor Robert Gould, Leader of the Council, stated that a further report would be helpful in providing more detail on progress. The reinvigorating social work programme funding was positive step and although this did not represent a long term solution this pressure had at least been recognised. Other positive impacts included the 100% retention of business rates, a revised Better Care Fund and calculation of the relative needs formula, particularly for rural areas.

Resolved

That a report be considered by the Committee at its meeting on 24 July 2017 that provides a further update on progress (using whatever is provided for directorate management team or CLT) to include further detail on the actions being taken to address the budget overspend.

Internal Audit Plan - 2017/18

28 The Committee considered a report by the Chief Financial Officer that included the

South West Audit Partnership Internal Audit Plan 2017/18 and supplementary information provided following consideration of the quarterly report at the previous meeting.

Members asked whether areas that would be affected by a merger of local authorities, such as setting up new ICT systems, were taken into account in the areas of internal audit in order to receive assurance that adequate controls were in place for such activities.

The Assistant Director agreed that this needed to be taken account of in every audit undertaken and that officers needed to know that this would be asked during an audit.

He also drew attention to the supplementary information that provided further context and details on the issues raised on the three audits that had been identified at the previous meetings. Although he accepted the need to provide such context in future, he emphasised that the findings of these audits had been signed off by senior managers and were genuine.

In response to a question he confirmed that there would be a follow-up of audit actions in relation to DBS checks identified as part of the Safer Recruitment Audit and that if this risk was accepted then management would be accountable.

Noted

Draft Annual Governance Statement 2016/17

29 The Committee considered a report by the Chief Executive.

The report was introduced by the Senior Assurance Manager who explained that the Annual Governance Statement was a statutory document that formed part of the annual accounts. It had been developed by an officer group and was submitted to the Corporate Leadership Team and to this Committee for comment before being considered in July alongside the Statement of Accounts.

The Local Code of Corporate Governance was based on the SOLACE framework based on 7 themes and it was confirmed that some areas were partial and no areas were deemed as being non-compliant.

Recommended

That Cabinet considers and comments on the draft Annual Governance Statement for 2016/17.

Reason for Recommendation

Approval and publication of an Annual Governance Statement by the County Council was a statutory requirement and provided evidence that the County Council maintained high standards of governance and addressed significant shortcomings and risks.

Review of Staff Code of Conduct

30 The Committee considered a report by the Chief Executive and recommendation by the Staffing Committee on 22 November 2016. This was considered by the Committee under its Terms of Reference in relation to constitutional changes.

Further to a question it was confirmed that this would be communicated to staff on Sharepoint as well as being included in Team Briefs, Directorate Briefs and as part of the staff induction programme.

RECOMMENDED

That the County Council be recommended to:-

- 1 Approve the Staff Code of Conduct as set out in Appendix 1 of the Chief Executive's report;
- 2 Publish the Staff Code of Conduct on Sharepoint and not within the Constitution;
- 3 Grant delegated authority to make significant changes to the Staff Code of Conduct 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.

Work Programme

31 The Committee noted its workplan and made the following additions:-

- Children's Services Progress Update, including actions being taken to address the budget overspend – 24 July 2017
- Update on Property Rationalisation Programme – 20 September 2017

The Chairman expressed his view that the Committee should increase its number of meetings due to the budgetary pressures and that he would make a recommendation to the Overview and Scrutiny Management Board to this effect.

Resolved

That the Committee's work programme be updated accordingly.

Questions from County Councillors

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

Meeting Duration: 10.00 am - 12.25 pm