



## Audit and Governance Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester,  
Dorset, DT1 1XJ on Monday, 24 July 2017

**Present:**

David Harris (Chairman)

Richard Biggs, Cherry Brooks, Ray Bryan, Andrew Parry and William Trite.

Other Members Attending: Daryl Turner attended as the Cabinet Member for the Natural and Built Environment.

Officers Attending: Sarah Baker (Group Finance Manager), Rupert Bamberger (Assistant Director - SWAP), Antony Bygrave (Assistant Complaints Manager), Laura Cornette (Corporate Policy & Performance Officer), Darren Gilbert (Director, KPMG), Richard Ironside (Senior Finance Manager), Andrew Martin (Service Director - Highways and Emergency Planning), Jim McManus (Chief Accountant), Patrick Myers (Assistant Director - Design and Development), Alex Nash (Audit Assistant, KPMG), Alan Rose (Race Director, Ironman UK), Julie Taylor (Senior Assurance Manager - Complaints), Mark Taylor (Group Manager - Governance and Assurance), 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 **Wednesday, 20 September 2017.**)

### Apologies for Absence

33 An apology for absence was received from Clare Sutton.

The Chairman wished to express his disappointment at the lack of attendance at the first meeting of the Committee following the recent elections.

### Code of Conduct

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

### Minutes

35 The minutes of the meeting held on 13 March 2017 were confirmed and signed.

Arising from the minutes the following was discussed:-

Minute 25 – Update on the Property Rationalisation Programme

It was highlighted that adherence to the Local Member Protocol was important and that a list of property disposals should be circulated to all members so that they were aware of activity within their wards.

### Public Participation

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

There were no public statement 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 the meeting.

### **Terms of Reference**

37 The Committee noted its terms of reference.

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

38 The Committee considered a report containing an outstanding action in relation to Data Protection.

The Data Protection Officer confirmed that Councillors would need to apply to join the Data Protection Register and pay £35 a year. Information was included in the Members' handbook and would be circulated again to all members. The Information Commissioner's Office had provided a paper copy of the online form and confirmation was awaited that this could be used.

It was confirmed that it would not be necessary to register more than once, although members should update their details online to specify county /district/borough council membership.

The Chairman asked the Data Protection Officer to inform those Members who were already registered as district / borough councillors and advise them of the requirement to add their county council membership online.

### **Internal Audit Annual Report - 2016/17**

39 The Committee considered the annual report by the South West Audit Partnership (SWAP) which summarised the work of the Internal Audit Service during 2016/17 and which had provided a reasonable assurance.

Referring to the summary of reviews during 2016/17 where the residual risk remained high in 4 areas, the Assistant Director confirmed that he was satisfied that the recommendations had been implemented in respect of the ethical governance and children in care audits. The actions arising from the safer recruitment and use of external advisors audits were not yet fully addressed and would therefore be subject to follow up.

Members enquired about the proposal to reduce the number of internal audit days from 2018/19 and asked how this would affect the quantity or quality of work. In response, the Assistant Director explained that although a reduction in audit days would result in reduced audit coverage, he was confident that this would not impact on the quality of the audits or SWAP's ability to meet the statutory requirement to provide an annual audit opinion.

In light of the critical commentary contained in the report concerning the risk accepted by management in relation to DBS checks, members questioned whether this was an issue relating to the policy or its implementation and asked whether the portfolio holder had accepted this risk. The Assistant Director responded that this related to the policy of using the manager self-serve system to undertake DBS checks. Management had confirmed that other mitigating controls were in place and therefore assessed the risk as acceptable, however SWAP felt it important to highlight this area. Following the recent changes to cabinet portfolio responsibilities SWAP undertook to provide an update on this issue.

The Chairman referred to the higher number of level 3 and level 4 recommendations in the finance audits and asked whether there were underlying contributory factors. It was explained that due to pressures on the 2016/17 budget the Chief Accountant had asked SWAP to undertake the audits and those areas that were given a partial assurance would be subject to follow-up reports received by the Committee in future.

Members asked about the audit in relation to the IR35 / Intermediaries Legislation and

were informed that the new legislation related to employees who made their own PAYE deductions. A review had been undertaken in advance of the new Legislation coming into force when the employees had been identified and re-employed in a different way. It was confirmed that no employee remained on the payroll who did not comply IR35 regulations since 6 April 2017.

The Chairman suggested that elements of the review of Forward Together audit might be considered in more depth by the Committee in future.

### **Resolved**

That SWAP ensures that the Cabinet Portfolio Holder is updated on the current position on the audit of DBS checks.

### **External Audit Report 2016/17**

40 The Committee considered a report by KPMG, the Council's external auditors, which summarised the key findings of the 2016-17 external audit. The report was introduced by Darren Gilbert, Director and Alex Nash, Auditor.

The Director advised that this was the first set of local authority statements to be signed off this year, in anticipation of the faster closing of the accounts required by 31 July next year and it was pleasing that the Authority had already comfortably met this deadline.

He reported that the financial statements and value for money conclusion had been issued with an unqualified opinion following a very smooth audit overall. The audit certificate had been withheld in respect of the Pension Fund due to the time difference in the availability of the Pension Fund annual report

The Chairman referred to significant value for money risks in relation to Children Services and the Director explained that the auditors were satisfied that the Council had an understanding of the challenges and were dealing with the issues involved. As an area of public interest and high spend it was important to ensure there were robust arrangements in place to address the risks.

Members asked about the significant audit risk in relation to the fair valuation of property. As a subjective area, external auditors considered the qualifications and methodology used by the professional valuers. Depending on type of property there was a sense check that the valuation was as expected in addition to an assessment of how the valuation tools were being applied locally. The audit had found that there was a reasonable rationale for the individual assessments that were made.

### **Noted**

### **Statement of Accounts and Outturn 2016/17**

41 Following a presentation on the Financial Statements by the Chief Accountant, the Committee considered the report by the Chief Financial Officer containing the Statement of Accounts for 2016/17 prior to the formal sign off process.

Members asked about a short term loan of £35m in the context of the Council's cap on borrowing and were advised that a short term loan had been secured at an interest rate of 0.6% that had been lent by other councils. It was confirmed that the Council had borrowed within the limits of the Prudential Code and that the cap related to any borrowing that would affect the revenue budget.

It was noted that a report on treasury management and the Prudential Code would be considered by the Committee on 20 September 2017 and members were encouraged to identify and develop some Key Lines of Enquiry (KLOEs) to inform this report, which would be useful.

Members asked about the increased costs of Adult Services due to off framework provision and were informed that evaluation of tenders for the Dorset Care Framework over the next 5 years was in progress and there was a need to both add and sustain people on this framework in future.

### **Resolved**

- 1 That the Statement of Accounts for the year ended 31 March 2017 be approved and that the Accounts and associated paperwork be signed by the Chairman.
2. That members identify and confirm any Key Lines of Enquiry to inform the Treasury Management report to be considered on 20 September 2017.

### **Reason for Decision**

Under the Accounts and Audit (England) Regulations 2015, the Statement of Accounts and Annual Governance Statement must be approved by the Council, or a Committee to which the Council has delegated authority by 30 September.

## **Budget Monitoring Report**

- 42 The Committee considered a report by the Chief Financial Officer which reported the latest position on the budget overspend and set out the reasons for the divergence from the balanced budget set in February 2017.

Three key areas of variance were within Children Services and concerned Looked After Children (LAC), SEN transport and agency social workers and work was in progress on a number of actions to address these areas in order to arrive at a balanced budget in 2018/19.

The Chairman asked about the difference between the predicted overspend of £7,356m in Children Services and what had happened to cause the increase.

Members heard that an assumption had been made that the number of higher cost placements would reduce which had not materialised. In addition, there were issues around the Council's ability to engage in-house foster carers and for those carers to be able to deal with complex cases. This had resulted in insufficient numbers of in-house foster carers and a much higher costs for external carers.

Members also felt there was a need to investigate the pay differential between that received by agency staff compared with what the Council paid the agency. They asked about the number of high cost packages and were informed that the 20 most expensive LAC cost the Council £5m. These cases had already been reviewed, however, any changes would require a longer term 6-12 month plan.

### **Resolved**

1. That the Directors' early estimates included in the forecast of outturn and the operational reasons causing us to diverge from the balanced budget agreed by the Council in February be noted;
2. That the latest projections for savings from the Forward Together programme be noted;
3. That the strategies, policies and tactics indicated in this report alongside potential escalation options and timing currently in development to address the in-year overspend be noted;
4. That the risks and impact of the current forecast on the County Council's general fund and on the development of the MTFP are understood.
5. That the overspend in the Children Services budget is discussed at the next meeting of the Overview and Scrutiny Management Board in order to assess the best way through which the various Committees are able support the work required to reduce the overspend and improve understanding of the issues involved.

### Reason for Decisions

It was important for Members to understand the causes underpinning the forecast overspend and consider the adequacy of the proposed responses and escalation. Delivery of Forward Together savings was critical to the financial position of the County Council, but there were pressures in the current year's forecast which meant additional measures on top of the original programme must be explored.

Dealing with the current year's forecast overspend was critical to the understanding of the base position and development of the budget strategy for 2018/19 and the MTFP for ensuing years.

### **Debt Recovery Performance for year 2016/17**

43 The Committee considered a report by the Chief Financial Officer that included a revised Debt Management Policy.

The Chief Accountant introduced the report and requested that debt management was reported more frequently to the Committee in order to support the finance team in challenging certain areas.

It was suggested that best practice could be gained from the revenues and benefits partnerships and that regular information on debt management could be included in the budget monitoring reports in future.

### Resolved

1. That the revised policy and the approach taken to its development be noted;
2. That the reduction in the total debt in 2016/17 and in the first quarter of 2017/18 be noted;
3. That the write-off made in 2016/17 and the reasons for this be noted;
4. That the changes to the bad debt provision calculations from 2017/18 be noted; and
5. That the policy on payment in advance, direct debit and electronic payment and communication (digital by default) be supported.

### Reason for Decisions

Efficient debt recovery procedures ensured the County Council collected all money rightfully due to the organisation which in turn supported the funding of all the Authority's services.

### **Single Person's Council Tax Discount**

44 The Chief Accountant provided a verbal update with regard to the validation of claims in respect of the Single Person's Council Tax Discount. The Council had engaged Capita who had completed the data matching exercise and compared this with other published government data sets. The exercise would be concluded by 30 November 2017 in order to feed the results into next year's Council Tax base and would thereafter be completed every 2 years.

The Chairman reported that the first exercise had resulted in an additional £600k in Council Tax.

### Noted

### **Update Report for Ironman Event 2017**

45 The Committee considered a report by the Service Director for Highways and Emergency Planning that reported on progress against the implementation plan for the 2017 Ironman event.

The report was introduced by the Service Director who referred to the key actions

contained in the implementation plan. He reported that the event in 2017 would be a half marathon consisting of a single rather than a double circuit, resulting in a reduced impact on the highways network.

The main issue identified in 2016 had been the poor standard of marshalling. In 2017 Ironman had engaged a different marshalling company and would also pay the cost of 44 DCC highways officers to assist marshals in key locations along the race route. These officers would also manage the traffic control centre and carry out social media updates which had been instrumental in the success of the recent Dorchester Marathon

Mr Alan Rose, Race Director, Ironman UK, updated the Committee on progress made in liaising with residents and businesses along the route. E-mails had also been sent to every parish in the County, with more detailed information to those that were directly affected by the race route. His offer to attend parish council meetings had so far been accepted by Piddle Valley Parish Council.

He confirmed that information on road closures would be sent to residents in the next 2 weeks. Mr Rose advised that it would not be possible to deal with every issue that arose and that people should be prepared to plan around the road closure times on the day.

Daryl Turner, as the Cabinet Member for Natural and Built Environment, felt reassured that everything had been covered and acknowledged the role of social media in the success of the Dorchester marathon.

The Chairman commented that in 2016 the roads were closed for much longer than needed in the Preston area of Weymouth preventing access to the highways network for many residents.

Mr Rose confirmed that this related to the road between the Bowleaze Cove and Chalbury Corner which would be subject to one lane traffic at key times, similar to the arrangement in place in 2016.

### **Resolved**

That the progress made in ensuring all necessary arrangements have been made prior to the 2017 Weymouth Ironman event be noted.

### **Reason for Decision**

To ensure a successful Ironman event was undertaken on Dorset's highway network that resulted in minimum inconvenience to the travelling public, contributed to the health of the participants and the prosperity of the local economy.

## **External Funding Monitoring Report 2017**

46 The Committee considered a report by the Chief Executive that provided an overview of external funding bidding activity in 2016-17.

The Committee asked some questions in relation to bidding activity and it was suggested that directorate table headings were replaced with the corporate plan themes.

### **Noted**

## **Children Services Budget**

47 The Committee considered a report by the Director for Children, Adults and Communities concerning the Children Services Budget that had been requested by the Committee at its previous meeting.

The Assistant Director – Design and Development introduced the report which focussed on Looked After Children (LAC) as the largest area of overspend.

He explained that the overriding issue had been demand in the type of care rather than volume. He reported that the number of LAC had reduced to 461 following a peak of 509 in July 2016. This figure included 19 asylum seekers that came with government funding. The budget had been further affected by the increased costs of external fostering needed due to a lack of in house provision. It was confirmed that out of county provision described the independent nature of provision rather than geographical area and that the costs would be circulated following the meeting.

The Committee was provided with some statistical information and heard that 5% of LAC cost 39% of the budget and that 25.4% of children cost up to £25k per year. The costs increased for children who were disabled or had a continuing healthcare need. Officers were liaising with Loughborough University who had developed a cost calculator to predict future costs of care based on historical trends.

A member asked whether high cost solutions to LAC was commonplace and members were advised that some troubled young people required 2:1 care due to the risks involved and that there were single children costing £350k per year.

The Chairman asked about the steps being taken to prevent problems escalating in families and members were informed of some of the steps outlined in the report, such as increasing capacity for early help through the Family Partnership Zones.

It was suggested that the costs and issues relating to LAC could be the subject of an inquiry day and that this should be considered by the Overview and Scrutiny Management Board in the first instance.

### **Resolved**

1. That the progress of the actions outlined in this paper monitored;
2. That the Audit and Governance Committee receives further reports on the work to address the other budget pressures as outlined in the executive summary;
3. That a report is prepared on SEN travel for consideration at the meeting on 20 September 2017; and
4. That the Assistant Director – Design and Development prepares a scoping document for an Inquiry Day to be considered by the Overview and Scrutiny Management Board at its meeting on 11 September 2017.
5. That the cost of out of county provision is circulated to members

### **Reason for Decision**

The report provided details of the cost calculator (Loughborough University) which enabled some very exact cost information to be calculated. This would add another layer of reassurance about the impact of the work being undertaken.

## **Corporate Plan Refresh 2017-18 and Outcomes Focused Monitoring Report**

48 The Committee considered a report by the Chief Executive that included a revised Corporate Plan and progress against the safe, healthy, independent and prosperous outcomes. These were areas that were looked at in detail by the Overview & Scrutiny Committees.

The way in which data was captured was questioned due to the opposing direction of travel in areas that were linked, such as the rate of children subject to a child protection plan and the number of domestic abuse crimes. Members also noted that the timescales relating to the Healthy outcomes were outdated, some of which related to 2015.

The Group Manager – Governance and Assurance advised that much of the headline

data was at population level and therefore less frequently available. However, the Committee was assured that the lead officers for each indicator had been advised to ensure that the most up to date data was referenced. The Committee was also referred to the link to the more detailed analysis, which could be accessed on the Dorset Outcomes Tracker and that this could be presented on screen at a future meeting,

It was noted that the revised Corporate Plan had been approved by County Council on 20 July 2017.

### **Noted**

#### **Corporate Compliments and Complaints Annual Report 2016-17**

49 The Committee considered the annual report and the Senior Assurance Manager explained that the focus was to learn from complaints and ensure that the learning was documented and communicated to staff so that it could be embedded into Council operations.

The decrease in the number of Adult Services complaints was questioned and it was confirmed that this was due to a separate complaints process now operated following the establishment of Tricuro. Members understood that responsibility for these rightly sat with Tricuro and they sought some reassurance that these complaints were being dealt with effectively. Officers would explore the revised arrangements in place to effectively scrutinise this area.

A member asked about potential underreporting of complaints made by children and the Senior Assurance Manager advised that she had previously worked closely with managers in the service to ensure children were supported in making complaints. She was currently reconnecting in this area of work in order to ensure young people had a voice.

The Chairman commented that the Committee would find it useful to understand the nature of complaints in order to identify areas that had impacted on the number of complaints. He suggested that information on complaints trends could be included in the regular progress report in future.

### **Resolved**

1. That the publication of the annual report 2016-17 be approved; and
2. That the Committee area is aware of the statutory obligation to consider the Adult and Children's services appendices.

### **Reason for Recommendation**

The effective management of complaints supported the County Council's aims, especially to protect and enrich the health and wellbeing of Dorset's most vulnerable children & adults.

#### **Work Programme**

50 The Committee noted its workplan and added the following additional items to be considered at the meeting on 20 September 2017:-

Developing plans and scoping work for an inquiry day – Children Services budget  
Children Services budget - SEN travel

### **Resolved**

That the Committee's work programme be updated accordingly.



**Questions from County Councillors**

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

Meeting Duration: 11.15 am - 3.50 pm