



Audit and Governance Committee

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

Present:

David Harris (Chairman)

Clare Sutton, 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 Build Environment.

Officers Attending: Rupert Bamberger (Audit Manager - South West Audit Partnership), Richard Bates (Chief Financial Officer), Patrick Myers (Assistant Director - Design and Development), Matthew Piles (Service Director - Economy), Peter Scarlett (Estate and Assets Manager), Mark Taylor (Group Manager - Governance and Assurance), David Wilkes (Finance Manager - Treasury and Investments) 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 **Friday, 19 January 2018.**)

Apologies for Absence

52 Apologies for absence were received from Steven Lugg and Colin Jamieson.

Code of Conduct

53 Councillor Richard Biggs declared a disclosable pecuniary interest in minute 60 - Quarterly Asset Management Report, as the report identified assets owned by the MOD where he was employed as a Civil Servant. He withdrew from the meeting during consideration of this item.

Minutes

54 The minutes of the meeting held on 24 July were confirmed and signed.

Public Participation

55 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

56 The Committee considered a report containing the actions identified at the meeting held on 24 July 2017.

Councillor Richard Biggs drew attention to the need for greater focus with regard to the scoping document for a scrutiny review of Looked After Children (LAC), saying that this should concentrate on the budget overspend from an Audit and Governance Committee perspective. The methodology should also be clear and include people

and partners who were independent of the DCC internal management structure and consider the inclusion of a staff survey as a means of gathering impartial evidence.

The Chairman stated that the recent Overview & Scrutiny training had looked at the way in which the role of the member, scoping and methodology played a vital part in scrutiny, however, the reviews also needed to be carefully co-ordinated to avoid duplication of work across the committees. In order to facilitate this, the Overview & Scrutiny Management Board (OSMB) would meet on a monthly basis in future to look at areas of scrutiny with a view to a lead member and officer taking responsibility to help set up the reviews. Any member could participate in a review and this should not be restricted to members of a particular committee. It was anticipated that this would result in more member engagement with reviews that were shaped more thoroughly.

Resolved

1. That Councillor Richard Biggs and the Assistant Director - Design and Development make further refinements to the scoping document; and,
2. That, once the refined scoping document is available, the review is discussed at a meeting of the OSMB in order to take this forward.

Report of Internal Audit Activity - Plan Progress 2017/18

57 The Committee considered the Internal Audit Plan Progress report from the South West Audit Partnership (SWAP).

Members questioned the use of position statements and were informed that these related to pieces of audit work where issues were fast moving, advice and guidance had been sought or where an independent view had been requested at various stages of the development process. Although it was noted that this represented 11% of audit work, further details could be provided if necessary and assurance was provided by SWAP that any significant concerns arising from this work would be included in the progress reports.

The Chairman clarified that officers had been advised to only report on key areas of concern in order to reduce the amount of paperwork required at committee meetings.

Members asked about budget management given that there would be an imminent change in Director for Children's Services, Adult & Community Services.

The Committee was informed that SWAP met with new senior managers to inform them of key issues and action plans to ensure that these were taken forward.

Noted

Budget Monitoring Report

58 The Committee considered a report on the anticipated outturn for 2017/18 of a £6.2M overspend based on the August 2017 projections.

The Chief Financial Officer reported that a lot of work was taking place across the Directorates to drive forward savings including compensating savings to be used in areas where a corporate approach was required to bring the budget into balance. One such area was Children's Services where it was known that the overspend would not be resolved during the current financial year.

There were significant budget variances in Children's Services due to the number of high cost placements remaining higher than expected and insufficient in-house provision for fostering. Additional investment was proposed to improve the package for in-house carers that would be closely monitored in terms of the results.

The Dedicated Schools Grant (DSG) was a high risk area that was overspent in

2016/17 and again in 2017/18 which reflected the national picture. A government announcement the previous week regarding the new funding formula for schools was likely to result in an additional £0.5M in the high needs block, although this would be insufficient in addressing the projected overspend of £3.4M in 2017/18.

It was anticipated that the Adult and Community Services budget would be balanced at the end of the current financial year and a half way stage had already been reached in delivering the necessary savings to achieve this.

The Chairman asked about the increase in the budget overspend in Children's Services from £4M to £7M between April and May 2017. The Chief Financial Officer responded that an assumption had been made about the way in which the number of Looked after Children (LAC) would reduce during the year that did not reflect the reality of more children leaving the lower rather than higher cost placements. The projections were therefore revised to ensure that the data was robust going forward.

Members expressed concern about the budgets beyond 2017/18 and the one off costs of Local Government Reform (LGR). It was reported that the direct cost of LGR was fairly small since the use of Price Waterhouse Coopers had been at zero cost to the Council. A sum of £0.5M had been set aside to pay for additional LGR costs including the salary of the Programme Director and other associated costs, which had hardly been used. The figures in relation to staff time were not fully known, but were likely to be significant.

Last year the Directors were given a 2 year budget target covering 2018/19 and ways of dealing with the areas of significant overspend alongside the Forward Together programme in 2018/19 would be set out in a report to Cabinet in October 2017. Neither the 100% business rate retention, nor the new needs based formula would be in place in 2018/19.

The 2019/20 financial year would become more difficult as the Revenue Support Grant would be a negative sum and transitional support funding would disappear, leaving a gap of over £16M. Informal discussions were taking place with the Corporate Leadership Team and Cabinet as an area of highest priority.

A member drew attention to the glossy "Future Dorset" brochure that had been produced which gave the public the incorrect impression that there was surplus money available and it was confirmed that the costs of the brochure would be circulated.

The Chairman drew attention to the savings achieved with regard to transport which had resulted in difficult publicity due to its impact. The Cabinet Member for Built and Natural Environment stated that it was unusual to change so many contracts in a single year, the vast majority of which had gone well with some outstanding issues to be resolved.

A member drew attention to the underspend in respect of the repairs and maintenance budget as an area of concern due to the impact of deteriorating assets which could result in a false saving as it was likely to result in greater cost in the longer term.

Members were informed that both the repairs and maintenance programme and tendering process had been challenged leading to the reprioritisation of maintenance, however, this did not mean that areas of high priority would be ignored.

The need to build increases in public sector pay into future budgets was highlighted and the point was made that it was difficult to explain the recent pay increase to Heads of Service when services used by vulnerable people were being cut and that

such increases might have been viewed as a saving within a private sector organisation.

The Chief Financial Officer responded that the overall cost of the increase in salaries relating to Heads of Service was £85k and had been in conjunction with additional responsibilities as a result of a reduction in the number of senior staff. He reported that reasonable provision had been made for public sector pay increases and that the impact of the national minimum wage could result in the loss of some of the pay bands.

Noted

Treasury Management and Prudential Code Review 2016-17

59 The Committee considered a report by the Chief Financial Officer that included responses to some Key Lines of Enquiry (KLOEs) from the Chairman of the Committee.

Members were informed that since the report had been published the Monetary Policy Committee had met and determined a higher chance of an imminent rise in interest rates depending on next set of inflation figures.

The Chairman asked how much the Council paid Capita for its advice which had been incorrect in the report. He was informed that the cost of advice by Capita was £25k per year and that it would cost more to provide this level of expertise in-house. It was confirmed that Capita's advice was in line with the thinking at the time the report was written.

The Vice-Chairman questioned the level of detail in the report and commented that the benchmarking information had been valuable.

It was confirmed that the report was set out in line with the terms of the adopted Prudential Code, however, it would be possible to include the key messages at the front of the report in future to ensure greater focus and clarity of key messages of assurance.

The Chairman asked about a training session on the Treasury Management Strategy that could be open to all members to attend and was informed that arrangements were in progress for a session following a Full Council meeting that would hopefully take place in November 2017.

Noted

Quarterly Asset Management Report

60 The Committee received the quarterly report that had been considered by Cabinet on 6 September 2017.

In addition to his previous declaration under minute 53 – Code of Conduct, Councillor Richard Biggs declared a general interest as a trustee of Dorchester Youth Centre and did not take part in the debate. He withdrew from the meeting and did not take part in the debate.

The Estates & Assets Service Manager introduced the report and drew attention to progress against the KPIs set out in the report. He stated that although 24.6% of the non-schools estate had been delivered since 2010, 2 ½ years later than expected, he was now confident about achieving the revised target of 50% by March 2020 due to the strategies that had been put in place. He reported that all other targets were generally on track. The 3 year plan would clearly allow the disposal of properties, however, identifying alternative uses for the assets that were released could be

considered in future and would be a smarter way of working.

The Chairman asked the Estates and Assets Manager to bring a further report in January 2018 to provide a further update on progress against the KPIs and also the approaches which would lead to improvements in the utilisation of assets. The report should explain some of the work in reviewing the policy of asset management to provide the Committee with some insight and concepts into the decision making processes which could provide an assurance that buildings would not be sold that could have suitable alternative uses for the council, including commercial opportunities.

In response to a question, the Committee was informed that there were no costs to the Council when buildings were transferred to a community body, however, there were costs in terms of empty property rates and security if buildings were mothballed on a short term basis.

A member suggested that some properties could be converted to low cost housing in order to help solve the problem of affordable housing for care workers. He further commented that although there was huge potential for the Dorset Innovation Park, this was not reflected in its appearance and there was an urgent need for investment to improve its image. This view was endorsed by the Estates and Assets Manager who advised that funding would be released in order to improve the access to the site.

Members asked about specific sites in Dorset and as a result of a question concerning Bovington School, the Head of Design & Development said that he would make further enquiries regarding due diligence work in relation to the Delta Academy.

Resolved

That a further report is considered on 19 January 2018 that provides an update on:-

- progress against the KPIs
- the approach to the smarter utilisation of assets
- use of assets to provide low cost housing
- improvements to the image of the Dorset Innovation Park

Note: The Chairman left the meeting at this juncture and the Vice-Chairman chaired the rest of the meeting.

SEN Transport

61 The Committee considered a report concerning the work being undertaken to address the costs associated with getting children with Special Educational Needs & Disabilities (SEND) to school and care.

The report was introduced by the Head of Design & Development who drew attention to an overspend of £2.3M in relation to SEN transport. This pressure was reflected nationally as SEN transport now included a wider cohort of children and young people and an increased age range up to 25 years when in education. He reported that the number of transport requests would plateau in next few months due to reduced eligibility. The emphasis was now on personal travel budgets as a financial imperative, the average cost per traveller being £3,337 when compared with a single traveller cost of £26,339. An important consideration was that the majority of SEN children were awarded transport on distance rather than SEN need.

The Service Manager – Economy provided an overview of ideas being considered as part of a holistic review of transport that would deliver financial savings and ensure the sustainability of transport in future. Out of County provision was a key issue with some pupils travelling to Exeter, Bath and the London area, therefore establishment of specialist provision within County borders would be hugely beneficial. Officers were also liaising with the Department for Work and Pensions regarding the mobility

allowance as a majority of parents owned mobility vehicles for their child's use that could also be used for school journeys.

The Vice-Chairman thanked officers for the overview and focussed attention on the SEN transport projected financial overspend element which was the fundamental purpose of the Committee in considering the report.

The Head of Design & Development indicated that the report was premature as the SEN transport cost analysis would be available in the next 2 weeks. This would show whether the costs had reduced as a result of the retendered routes and provide an in-year saving and forecast.

In response to a question about the time management of contracts, it was confirmed that putting additional resources into contract management and a "One Council" approach would be beneficial. There was also a need to improve communication with SEN parents and carers and to ask them about their experiences 2 weeks after the start of the new contracts.

Resolved

That progress on the SEN travel budget is reported as part of the regular Progress on "Matters Raised at Previous Meetings" report in January 2018.

Work Programme

62 The Committee noted its workplan and the following additional items to be considered on 19 January 2018:-

- Progress update on SEN travel budget – to be included within the "Progress on Matters Raised at Previous Meetings" report; and
- Asset Management Report - 19 January 2018.

It was confirmed that the reserve meeting scheduled on 25 July 2017 would be required due to the volume of business.

Resolved

That the Committee's work programme be updated accordingly.

Questions from County Councillors

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

Meeting Duration: 10.00 am - 12.30 pm