

Audit and Scrutiny Committee

Minutes of a meeting held at County Hall
Colliton Park, Dorchester on 20 January 2014.

Present:-

Trevor Jones (Chairman)
Mike Byatt (Vice-Chairman)
Ian Gardner, David Harris and Peter Wharf.

Robert Gould, Deputy Leader and Cabinet Member for Corporate Resources, and Rebecca Knox, Cabinet Member for Children's Safeguarding and Families, attended under Standing Order 54(1).

Officers:

Sam Fox-Adams (Senior Policy and Performance Manager), Mark Taylor (Head of Internal Audit, Insurance and Risk Management) and Helen Whitby (Principal Democratic Services Officer).

The Following officers attended for certain items, as appropriate:

Paul Kent (Director for Corporate Resources), John Alexander (Policy and Performance Manager), Dave Hill (Group Manager, South West Audit Partnership), Peter Illsley (Head of Corporate Finance), Cyril Loveridge (Capital Programme Manager), Peter Scarlett (Estate and Assets Manager), Lisa Trickey (ICT Business Partner) and Sally White (Audit Manager, South West Audit Partnership).

(Note: 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 Audit and Scrutiny Committee to be held on **18 February 2014**.)

Apologies for Absence

1. Apologies for absence were received from Andrew Cattaway and Deborah Croney.

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 26 November 2013 were confirmed and signed.

Matters Arising

Minute 213 -Public Health

4.1 With regard to the scrutiny of Public Health, it was explained that the Directorate would be subject to scrutiny by the Audit and Scrutiny Committee as any other Directorate would. The Committee also had the ability to scrutinise the Joint Public Health Board, which was established by Bournemouth Borough Council, Dorset County Council and the Borough of Poole to oversee Public Health for Dorset. In view of the joint arrangements, the Joint Scrutiny Review Sub-Committee was asked to look at current scrutiny arrangements.

Minute 214 - LGA Peer Challenge

4.2 The Committee noted that the LGA would be making three further visits to the Authority. These related to a review of the communications team, a workshop to consider the Authority's current scrutiny arrangements and a review of the action plan arising from the Peer Review undertaken last year. The workshop would explore the Authority's current scrutiny arrangements in relation to best practice in other authorities. Members of the Audit and Scrutiny Committee, Overview Committee Chairman and Vice-Chairman and the Chairman and Vice-Chairman of the Standards and Governance Committee would be invited to attend. The workshop was expected to be held in March 2014.

4.3 With regard to when the action plan arising from the Peer Review would be scrutinised by the Committee, a report was scheduled for the 18 February 2014 meeting. It was noted that the Forward Together Programme would form a regular item on future agendas.

Progress on Matters raised at Previous Meetings

5. The Committee considered a report by the Director for Corporate Resources which updated members of progress made following discussions at previous meetings.

Noted

Public Participation

Public Speaking

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

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

Petitions

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

Work Programme and Cabinet Forward Plan

8.1 The Committee considered its updated work programme and received the County Council's Forward Plan for the meeting to be held on 28 February 2014 which had been published on 28 January 2014. The Committee also received the work programmes of the Adult and Community Services, Children's Services, Environment and Public Health Overview Committees.

8.2 Members asked that the work programmes for the Environment and Public Health Overview Committees include items for the rest of the calendar year in future and asked for assurance that the Environment Overview Committee had economic growth on their work programme.

Noted

Medium Term Financial Plan and Asset Management Capital Priorities

Medium Term Financial Plan

9.1 The Committee considered a report by the Cabinet Member for Corporate Resources on the major national and local issues facing the County Council and how they affected the Authority's financial planning for the next three years. The report had been considered by the Cabinet on 18 December 2013 and the relevant minute was provided for information.

9.2 With regard to whether any announcement had been made about Council Tax and the level at which a referendum would be necessary, the Director for Corporate Resources explained that the situation remained unclear. A Parliamentary debate was expected on 12 February 2014 but any decision reached then would be too late as many Councils would have decided levels of Council Tax by then. This point had been included in the Authority's response to the Governments' recent consultation on the Provisional Local Government Financial Settlement for 2014/15 and the Leader had written to local MPs about the lateness of this decision. The lateness of the financial settlement also made budgeting and financial planning more difficult and the Authority's concerns about this had also been reported.

9.3 The Cabinet Member for Corporate Resources explained that details of the provisional financial settlement had been announced and some changes to the Plan had resulted. The Committee noted changes to business rates, the New Homes Bonus, the Pension Fund valuation and the continuing need for financial constraints. Savings for directorates had been developed by the Budget Working Group and would be considered by the Overview Committees later that week.

9.4 In December 2013 the budget shortfall had been £2.4m but additional information meant that the gap had now closed and the Cabinet were expected to recommend a balanced budget to the County Council on 13 February 2014. However, the position on future years' savings had worsened and additional savings would need to be found.

9.5 The Chairman referred to a suggestion he had made some time ago that the Authority should consider potential income generated by the pursuit of unjustified claims for single person council tax discount as this had led to many councils being able to recover significant sums. In view of the continuing need to make savings, he asked why this exercise had still not started and hoped that the Authority had not missed an opportunity for additional income. The Director for Corporate Resources explained that other work had taken precedence last year and, although Council Tax had been delegated to local authorities, there were still some issues to be addressed and the Dorset Finance Officers Group were considering this. The Cabinet Member for Corporate Resources agreed that the Dorset Finance Officers Group should look at this as a matter of urgency and that benchmarking with other authorities should be undertaken. The Committee asked for update reports to be provided at the February and March meetings

9.6 The Committee noted that the Single Persons Council Tax Discount was on the Joint Scrutiny Review Sub-Committee's work programme. With regard to whether the Sub-Committee could receive notes of Dorset Finance Officers Group meetings to ensure that issues were followed up, the Director for Corporate Resources explained that meetings were informal discussions between financial officers and covered a large range of activity for the County, Borough and District Councils. The Director was asked to report back to the Chairman and Vice-Chairman of the Sub-Committee.

9.7 The Chairman drew attention to the increasing number of Government bidding rounds and expressed concern that the Authority might be bidding for funding without the capacity, resources or expertise to use it properly. The Director for Corporate Resources explained that the number of bidding rounds was reducing in favour of allocations. He agreed that the number of bidding mechanisms needed to be reduced and one of the reasons the Authority submitted bids was to increase funding received through general allocations. The Cabinet Member for Corporate Resources added that bids should not distort corporate priorities, nor be pursued if they were not key priorities, particularly as funding obtained in this way usually had to be matched and reduce the Authority's limited resources.

9.8 Members sought clarification as to whether there was a clear decision-making process to be followed before any bids were made. They wanted to ensure that the Authority was not automatically making bids, tying up scarce resources and adversely affecting its work. The Director for Corporate Resources explained that key decisions (those of £500,000 or more or affecting two or more electoral divisions) were taken by the Cabinet. If bidding was incidental to services, a bid could be made and reported to Cabinet if it was successful. The Chairman asked that a report on the Authority's bidding experience be provided for consideration at a future meeting.

9.9 One member referred to the Forward Together Programme and suggested that the £2m Transformation Fund was not enough and that any worthwhile spend-to-save project should be undertaken. The Cabinet Member for Corporate Resources explained that the Cabinet had not been content with report and had asked for more detail to be provided at their meeting on 15 January 2014. The savings total was now £27.7m. The Director for Corporate Resources added that the Transformation Fund was at an early stage and would be reviewed when it was better developed. There was no intention to limit savings ideas and the £2m could be increased and ideas providing the biggest savings would be prioritised.

9.10 With regard to the development of a Local Authority Trading Company (LATC), one member asked how this would be monitored. The Director for Corporate Resources explained that discussions were taking place with Bournemouth Borough Council and the Borough of Poole to find better ways of working together. These might result in the establishment of a LATC but this decision would be taken based on the submission of a business case.

Resolved

10.1 That the report be noted.

10.2 That update reports on the Single Persons Council Tax Discount be provided for the Committee's meetings on 18 February and 20 March 2014.

10.3 That a report on the Authority's bidding processes be provided for consideration at a future meeting.

Asset Management Capital Priorities

11.1 The Committee considered a report by the Cabinet Member for Corporate Resources on the priorities for capital spending over the next three years. The report had been considered by the Cabinet on 18 December 2013. Members were provided with the relevant Cabinet minute and the list of amended priorities.

11.2 The Chairman referred to increasing school rolls and the need to build to meet these requirements and asked how this would be funded. The Director for Corporate Resources explained that the Authority currently received £6m per year from Central Government for basic need. The Modernising Schools Project Board had committed the Authority to spending £15m in 2017/18 but funding was a major issue for the Authority which had to be addressed. The Authority was not borrowing additional sums currently but were funding new projects from the debt paid from previous projects so that the budget remained balanced. The Authority had not borrowed money over the last two years, but any future borrowing would be at the lowest interest rates possible.

11.3 The Cabinet Member for Corporate Resources explained that the Cabinet had amended the list of priorities and prioritised those which related to the Forward Together programme and had deferred the extension to the Dorset History Centre due to lack of detail. Priorities would be revised later in the year with members having an opportunity to influence this. The Authority would have to address the Basic Needs Programme and

ensure that sufficient school spaces would be available but the cost of this was £6m above the current programme. The Director for Corporate Resources added that the Department for Education was providing funding nationally but local authorities did not receive an equal share of this. The Authority had a policy to support the Basic Needs Programme but the pressure on the budget remained.

11.4 There was some discussion about schools which turned academy, whether and how they could help address increased school numbers, and implications for the Authority. Members asked that a report on accounting consequences of schools turning academy be provided for consideration at a future meeting.

11.5 Attention was drawn to £3m for the development of an East Dorset Civic Centre and asked whether this was justified. The Director for Corporate Resources explained that the Centre would mean that seven properties in Wimborne and Ferndown could be disposed of. The Cabinet Member for Corporate Resource added that the partnership project was part of the Baseline Property Review and would provide better facilities for the public as a whole.

11.6 One member referred to the Purbeck Schools' Review and considered it unacceptable that the Authority had not fully committed to building the much needed replacement for Bere Regis Primary School. The only way this project would proceed would be if other projects within the Review had come in on budget or if the Cabinet agreed additional funding for the build. He also referred to the Bovington Middle School site which could have been used for the East Dorset hub and suggested that the potential of current properties be considered before future developments were proposed. The Cabinet Member for Corporate Resources said that there had been some discussion about the Bere Regis Primary School and, although the Cabinet would try to help, the funding pressures remained. A significant sum was available for the replacement of the school but additional costs had arisen and the Cabinet would have to agree to the additional spend. With regard to the Middle School site, the Baseline Property Review had identified locations for the East Dorset hub and the best place for services to be provided.

Resolved

12.1 That the report be noted.

12.2 That a report on the accounting consequences of schools turning academy be provided for consideration at a future meeting.

Revenue budget Monitoring 2013/14, including Forward Together Residual Meeting Future Challenges (MFC) Update

13.1 The Committee considered a report by the Director for Corporate Resources which provided the latest budget monitoring information as at 30 November 2013.

13.2 The Chairman referred to the findings of the recent Peer Review and criticism of the continual overspends on Adult and Community Services and Children's Services budgets and the historic use of central allocations to address these. He asked whether the action plan in response to the findings addressed this criticism. The Director for Corporate Resources agreed that this had been an issue every year but overspends were reducing and the Pathways to Independence Project which was included in the action plan would address this issue. There was concern that a saving of £7m on the base budget would be reduced if there was an underlying overspend and this would necessitate the need to find even more savings. The Children's Services overspend related to the cost of out of county placements and was being addressed through the Transformation Programme (**Better Together ?**).

13.3 The Director for Corporate Resources presented the report drawing attention to the fact that the £5.6m overspend at the end of November 2013 had reduced to £2.4m

and it was anticipated that a balanced budget would be achieved by the end of the financial year. The Corporate Resources Directorate was predicted a small underspend over all and the overspends for HR and ICT were to be addressed.

13.4 With regard to whether the overspend in HR was a serious issue, the Director for Corporate Resources explained that although some efficiencies had been found these were not as much as had been anticipated and work was being undertaken to find these savings from elsewhere.

13.5 Reference was made to CR 073 (Internal Audit – 5% reduction in South West Audit Partnership days) and assurance was sought that the South West Audit Partnership work had not been reduced. The Head of Internal Audit, Insurance and Risk Management confirmed that the level of audit days and resources were kept under review and were of fairly low cost to the Authority. He thought the current level was appropriate and provided the necessary level of assurance.

Noted

Revenue Budget 2014/15

14.1 The Committee considered a report by the Director for Corporate Resources which provided a summary of key issues within the Provisional Local Government Finance Settlement and the impact of the settlement on the budget strategy for Dorset County Council.

14.2 The Director for Corporate Resources stated that a balanced budget for 2014/15 was anticipated and that no further savings would be sought for 2014/15.

Noted

Corporate Performance Monitoring Report Second Quarter 2013-14 (1 July – 30 September 2013)

15.1 The Committee considered a report by the Chief Executive which presented the results of corporate performance monitoring for the second quarter of 2013-14. The report contained analyses of the Council's progress against all five of its corporate aims, and presented the Corporate Balanced Scorecard.

15.2 One member asked when Outcome EN08 (Maintain and improve core property assets and reduce their running costs, dispose of non-core property assets, develop and acquire new assets where appropriate, and ensure our public buildings provide value for money) which currently was shown as red would move to green. The Director for Corporate Resources stated that this indicator was likely to remain red until such time as the reduction in the property portfolio was achieved. As this was likely to be some time, the member asked that some indication of direction of travel be included in future. It was suggested that this question be deferred until the Quarterly Asset Management Update report was considered (minute 17 below).

15.3 The Policy and Performance Manager presented the report in detail. At the end of the second quarter the performance indicators in the Budget and Corporate Plan had an average "green" (on target) rating, with 63% of indicators meeting or exceeding their targets. 67% of actions were reported to be on course or completed. The projected overspend at the end of Quarter 2 had reduced from £437,000 to £157,000 at the end of November 2013 and had reduced to an underspend of £60,000 by the end of December 2013. Particular attention was drawn to the red indicators relating to Aim 5 (Provide innovative and value for money services), and an explanation given of steps being taken to address them. Of particular concern was Risk CH01 (failure to keep children safer that are

known to, or in the care of DCC) as set out in the balanced scorecard as this remained “red” and was a risk to the authority and in relation to whether work practices should change to make an improvement, the Policy and Performance Manager explained that numbers involved were small and a small change could have a big impact. In fact four of the cases involved one family.

15.5 In response to CO 02 (response to an event that could impact on the community the environment and/or the council) the Policy and Performance Manager explained that the review had been delayed because of sickness and the target was expected to have been met by the end of 2013. He added that although the Authority provided emergency planning services, District and Borough Councils could not be compelled to use them and the recent council mergers had meant that their focus was elsewhere.

15.6 The Chairman referred to the fact that more than a third of targets were either red or amber. Given the current financial climate, the number of staffing restructures and the stress this put on services, he asked for a brief report on the risk of possible service failure for consideration at the next meeting.

15.7 One member was concerned at the reduced number of Personal Development Reviews completed and that this was not being prioritised by managers. The Policy and Performance Manager added that this might also be because of the number of staff restructures and the fact that some staff had left the organisation by the time of the mid-year reviews.

15.8 Attention was drawn to the inclusion of benchmarking information in the report and that although the Authority’s maintenance figures were continually shown as red, when compared to other local authorities, the Authority’s performance was average rather than poor.

Resolved

16.1 That the report be noted.

16.2 That a report on the risk of possible service failure be provided for consideration at the meeting on 18 February 2014.

Quarterly Asset Management Update

17.1 The Committee considered a joint report by the Director for Corporate Resources and the Interim Director for Environment which provided a quarterly update on progress against the asset management objectives and on progress with the Buildings, Highways, Waste Management, ICT and Fleet Management programmes. It also included an overview of the financial performance of the whole capital programme.

17.2 The Capital Programme Manager stated that the report had been considered by the Cabinet on 4 December 2013 when the recommendations had been approved. He then drew attention to items of particular interest. Members noted that 18% of the asset reduction strategy would be achieved by the end of April 2015 and the target of 25% reduction would be achieved by April 2016.

17.3 Reference was made to the recent decision of the Planning Committee to give planning consent for the long awaited Bridport Waste Management Facility. Members noted that the facility would be operational in 21 months time but there were seasonal issues which might affect the building start date and delay opening.

17.4 A member referred to the question noted at minute 15.2 above and asked how members would know that the direction of travel was appropriate. This was especially

important as the indicator was likely to remain red for some time. The Estate and Assets Manager referred to the Baseline Property Review which would review all assets with the target of reducing them by 75%. No end date had been identified for the review and the disposal of assets which were surplus to requirements. He referred to the previous report which showed an amber rating for the disposal of whole authority assets not red as reported above. An indication of direction of travel was sought or an indication of actual performance against that planned. Officers agreed to include this information in future reports.

17.5 In response to members' questions officers would seek clarification from the Head of ICT about the registers of risks kept by ICT relating to the core ICT infrastructure and why there were so many amber statuses for the significant ICT Projects currently being undertaken.

Noted

Internal Audit Quarterly Report

18.1 The Committee considered a report by the Director for Corporate Resources which summarised the work of the Council's Internal Audit Service and provided an overall positive assurance opinion on the Council's management of risk and the systems on internal control, a schedule of audits completed during the period, details of audit reviews which had either received a "Partial Assurance Opinion" or where risks had been identified which were considered to represent potential significant corporate risk to the Council and a follow up report on the audit review of the RAISE system.

18.2 The Group Manager drew attention to information about efficiencies and added value which was now included in response to the Committee's request. Although current audit performance was low, assurance was given that the audit plan would be delivered on time. The Committee noted that work was being undertaken to improve the current 30% completion rate of customer satisfaction questionnaires and that there were no significant risks to be reported for the quarter.

18.3 In relation to the governance arrangements of the Corporate Procurement Board, the Group Manager explained that the arrangements were currently being developed and would be considered by the Corporate Management Team in due course when consideration would be given to member involvement. The Committee would be updated in due course.

18.4 One member sought more information on the ICT Healthcheck. The Head of Internal Audit, Insurance and Risk Management explained that the Cabinet had asked for an independent review of the Authority's ICT arrangements. Terms of reference had been agreed for this and the matter was progressing. Details of the two phases of the project had been set out in the Progress Report considered earlier on the agenda.

18.5 With regard to whether the reduction in audit days had adversely affected South West Audit Partnerships' (SWAP) ability to undertake the necessary work, the Group Manager explained that SWAP provided the minimum of audit resource necessary to undertake the required work and provide assurance. The Head of Internal Audit, Insurance and Risk Management added that SWAP were engaged in discussions about the Forward Together Programme and the schedule of audits for 2014/15 would reflect the Authority's key priorities with adequate coverage for day to day services. The Chairman asked the Group Manager to inform the Committee if SWAP's ability to undertake the necessary work was affected.

18.6 The Group Manager drew particular attention to the details of the follow-up audit of the RAISE system which the Committee had scrutinised previously. The follow-up audit had provided no particular concerns.

Resolved

19.1 That the work undertaken by SWAP, the positive conclusion reached that risks were generally well managed and the systems of internal control were working effectively be noted.

19.2 That those issues relating to areas of potential significant corporate risk to the Council (Appendix B) of the Director's report and progress made by managers in implementing agreed actions be noted.

19.3 That those audit assignments which had been given a "Partial" assurance opinion but were not considered to present significant risks to the Council's overall operations (Appendix D) be noted.

19.4 That those audit assignments which had been allocated either a "Substantial" or "Reasonable" assurance opinion where it was generally concluded that controls were operating satisfactorily (Appendix C) be noted.

Non-Directly Employed Contract Workforce (Quarter 2 2013/14)

20.1 The Committee considered a report by the Director for Corporate Resources which set out expenditure on the non-directly employed contract workforce during Quarter 2 2013/14. The report was to be considered by the Staffing Committee on 3 February 2014.

20.2 The Head of Corporate Finance reported that generally expenditure on agency staff and consultants had levelled, although agency staff employed by the Dorset Waste Partnership had increased due to the roll out of "Recycle for Dorset". The guidance for engaging consultancy services was included in the report following a request by the Committee at a previous meeting. This would be published and promoted through Team Brief.

20.3 One member asked whether managers who had employed consultants ensured that their skills were transferred to other staff, reducing the need to employ contractors and whether this formed part of the PDR process. The Head of Corporate Finance confirmed that this was not contained in the current guidance but could be emphasised and included. Skills transference did not form part of the current PDR process but he would refer this to HR.

20.4 The Chairman referred to the Committee's scrutiny of the Weymouth Gateway Project where no in-house expertise had led to the employment of a consultant, the subsequent problems experienced and the Committee's recommendation as to how a repetition could be avoided. The Head of Corporate Finance stated that managers should provide sufficient challenge to the use of consultants before appointment, ensure the stability of any consultants used, and ensure that any work undertaken was closely managed. The Chairman asked that the guidance be reviewed to ensure that resilience was included.

Noted

Governance Progress Report

21.1 The Committee considered a report by the Director for Corporate Resources which outlined the current position on a number of governance issues previously identified and brought new issues to the Committee's attention.

21.2 The Head of Corporate Finance reminded the Committee that this was the first of three reports leading up to the production of the Annual Governance Statement. He drew attention to work undertaken by the Executive Advisory Panel on Member Development which meant that some areas of partial compliance were now fully compliant and he summarised other areas of particular note.

21.3 The Chairman referred to the findings of Grant Thornton's review of Dorset's Annual Governance Statement and asked why Dorset was below average in fourteen respects. The Head of Corporate Finance explained that some of these were marginal but main areas were set out in the report. He added that some of the information now required had previously been contained in the covering report and would now be provided in the Statement. Further details of the findings were requested, including specific examples. Details of how the recommendations were to be addressed would be provided within the next reports on the Annual Compliance Assessment and the Annual Governance Statement, and actions could then be taken depending on the detail.

21.4 The Chairman expressed concern about governance arrangements for outside bodies like the Dorset Resilience Forum and the Dorset Road Safety Partnership and suggested that Directors identify multi agency bodies and their reporting arrangements. The Cabinet Member for Children's Safeguarding and Families, who was also the Chairman of the Dorset Fire Authority, explained the governance arrangements of the Dorset Resilience Forum and the Dorset Road Safety Partnership. She also informed members that a conference on the new Civil Contingency Unit was to be held on 5 February 2014 and that this would explain some of the governance arrangements. The Head of Corporate Finance stated that the Chief Executive's office had previously undertaken work on outside bodies but was unaware of its current status. He agreed to review this with the Senior Policy and Performance Manager.

21.5 Reference was made to the proliferation of committees and the need for their regular review to ensure they were needed, abolished or merged if appropriate. As to whether members were involved in the Governance Group which monitored progress against actions plans in response to audit recommendations and whether the working arrangements were transparent, the Head of Internal Audit, Insurance and Risk Management explained the membership and purpose of the Group. He had been disappointed at the feedback from the Grant Thornton review but stated that areas of fair criticism would be addressed. A member commented that it was disappointing that the review did not include evidence to support the findings.

21.7 A member asked whether the review indicated that the Authority was good at identifying issues of governance but not of identifying capacity or skills to address this. The Head of Corporate Finance explained that the reviewers had felt that there was insufficient evidence to show the Authority was capable of it and had highlighted that the Annual Governance Statement did not show how it compared to the previous one and this would be addressed in the next Statement.

Noted

Outside Bodies

22. No updates from the members appointed to outside bodies which related to the Chief Executive's Office and the Corporate Resources Directorate were received.

Questions from Members of the Council

23. No questions were asked by members under Standing Order 20.

Audit and Scrutiny Committee – 20 January 2014

Meeting duration: 10.00am to 12.40pm.