

## Audit and Scrutiny Committee

Minutes of a meeting held at County Hall  
Colliton Park, Dorchester on 16 September 2014.

### Present:-

Trevor Jones (Chairman)  
Mike Byatt (Vice-Chairman)  
Andrew Cattaway, Deborah Croney, Lesley Dedman, David Harris, Ian Gardner and Peter Wharf.

Robert Gould (Deputy Leader and Cabinet Member for Corporate Resources) and Jill Haynes (Cabinet Member for Adult Social Care) 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), Jonathan French (Corporate Policy and Performance Officer (Complaints)) and Helen Whitby (Principal Democratic Services Officer).

### The following officers attended for certain items, as appropriate:

Debbie Ward (Chief Executive), Catherine Driscoll (Director for Adult and Community Services), Paul Kent (Director for Corporate Resources), John Alexander (Policy and Performance Manager), Marc Eyre (Corporate Risk Officer), Phil Rook (Group Finance Manager), and John Oldroyd (KPMG Manager).

William Trite attended as Chairman of the Adult and Community Services Overview Committee for minutes 155 and 156.

Ken Attwool, Unison Assistant Branch Secretary attended for minutes 155 and 156.

(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 on **16 October 2014**.)

### **Apologies for Absence**

146. No apologies for absence were received from members.

### **Code of Conduct**

147. There were no declarations by members of any discloseable pecuniary interests under the Code of Conduct.

### **Minutes**

148. The minutes of the meeting held on 22 July 2014 were amended as follows:-.

Minute 127.2 to read " The Director ...it was not unusual for ..."

Minute 127.3 to read "... There were two significant write-offs. Within the Adult and Community Services Directorate, these related to £270k which should have been written off previously. In addition there were £106k on payroll debts which could not be recovered. ..."

### **Matters Arising**

#### Independent Appraisal Working Group

149.1 The Chairman of the Working Group reminded members that the Group had been established by the Committee and had met for the first time on 5 September 2014. The Group had agreed their terms of reference and would consider the process for appointment of

an independent individual or organisation to undertake a review of the Committee's working practices and identification of a budget for the costs at their second meeting later that day.

### **Corporate Working Groups**

149.2 The Chairman reminded the Committee that they had been encouraged to observe corporate working groups in order to provide appropriate challenge. In the case of the Risk Management Group comments made by members had led to changes in the working arrangements. The Director for Corporate Resources gave a brief explanation of these. Members had been provided with a list of corporate working groups and were asked to contact the Principal Democratic Services Officer about any which they would like to observe. It was noted that the Chairman, Vice-Chairman and Lead Conservative Member would observe the Corporate Leadership Team.

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

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

150.2 With regard to Minute 55 (Forward Together), the Committee noted that work on the operational model was currently on hold because of personnel changes in the Chief Executive's Department. Officers were asked to identify a date when the operational model would be available and report this to the next meeting.

150.3 In connection with Minute 87 (Quarterly Asset Management Report), it was noted that further information about the Public Internet Access Project would be provided for the meeting on 16 October 2014.

### **Noted**

### **Public Participation**

#### **Public Speaking**

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

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

#### **Petitions**

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

### **Work Programme**

152.1 The Committee considered its updated work programme.

152.2 One member asked whether the expected Home to School Transport report would include information about the school admissions procedure. It was explained that this was outside of the scope of the report but that further information could be requested when the report was considered on 25 November 2014.

### **Noted**

### **Cabinet Forward Plan and Work Programmes of Overview Committees**

153. The Committee considered the Cabinet's draft Forward Plan for the meeting to be held on 1 October 2014 and the work programmes of the Adult and Community, Children's Services and Environment Overview Committees.

**Noted****Report to those Charged with Governance (ISA 2600) 2013/14**

154.1 The Committee considered a report from KPMG which set out key issues identified during their audit of the County Council's financial statements for the year ended 31 March 2014 and their assessment of arrangements to secure value for money in the use of resources.

154.2 KPMG had provided an unqualified audit opinion and the accounts would be signed off following their being considered by the Ad Hoc Accounts Committee on 23 September 2014. There were no significant risk areas and an unqualified audit opinion with regard to value for money in the use of resources had been issued. Overall the Authority was in a strong position this year.

154.3 One member expressed concern about the adequacy of the IT General control environment in place to support the operation of the Dorset Enterprise System (DES). The KPMG Manager explained that processes and an IT plan were in place to manage the risk. This item had been included in the report as a follow up. He was confident that the plan would address any risk. The Director for Corporate Resources added that IT controls had been reviewed the previous year and corrected. The concerns raised were about system operations and how the system worked and an internal review of DES was about to start. The conclusions would be reported to the Committee.

154.4 With regard to the Dorset Development Partnerships working arrangements and performance, the KPMG Manager stated that Partnership had not been audited in detail as no properties had been sold by the year end. A more detailed audit would be carried out next year when schemes were sold. The Director for Corporate Resources added that one scheme had recently been sold with a net profit of £1.2m for the Authority. More schemes were to follow. One member remained concerned about the partnership model and what it sought to achieve.

**Noted****Formation of a Local Authority Trading Company (LATC) for Adult Provider Services**

155.1 The Committee considered a joint report by Directors for Adult and Community Services and Corporate Resources which provided context and rationale for creating an LATC with the transfer of the Council's provider services and staff. The report was considered by the Adult and Community Services Overview Committee on 15 September 2014 and members were provided with a copy of the recommendations arising from this meeting. Members were provided with key lines of enquiry.

155.2 The Director for Adult and Community Services reported that the Adult and Community Services Committee the previous day had recommended that the Cabinet approve the LATC in principle, that detailed implementation plans be agreed and a further report on a pan-Dorset LATC be presented once the high level business case was developed. The Director explained why an LATC was being pursued, also referring to other options which had been considered and why they were rejected. The LATC would be Teckal compliant, which would mean that it would not be necessary to follow European tendering procedures. The LATC would provide quality services and outcomes for service users and their carers, no change to current service levels, not lead to any changes to terms and conditions of service for staff, provide an opportunity to move into different market areas and generate income, provide a sustainable high quality service and provide value for money. There was also evidence to show a move to an LATC could achieve a cultural change more quickly as the organisation was of smaller size than the Council, it provided staff with a greater sense of identity, all of which could reduce current sickness absence levels.

155.3 The Director explained the potential risks faced by the Council if it moved to an LATC. These included the need for the LATC to be Teckal compliant and to ensure that services were able to support better integration of health and social care services through the Better Together Programme which would lead to better outcomes for service users and their carers. In moving to an LATC it would be clear that the LATC would have to buy back services from the Council during an initial three year period, so that costs were known and to help avoid the risk of stranded costs for the Council. The Council would be the only shareholder in the LATC, the LATC would be commissioned by way of a five year contract for service delivery and the Council would hold the contract to deliver business support services for the LATC for the first three years. The South West Audit Partnership and the Head of Internal Audit, Insurance and Risk Management had been involved in the preparation work for the LATC to provide support from an audit and risk perspective.

155.4 The Cabinet Member for Adult Social Care added that there was a higher risk to the County if service provision did not change and that moving to an LATC would have no impact on staff 's terms and conditions of employment or pensions. The LATC contract would be for five years, after which time it would be reviewed. The LATC model was being developed for possible use in other parts of the Council but it might not be appropriate in some areas.

155.5 The Chairman of the Adult and Community Services Overview Committee reported a full and frank discussion at the Committee meeting the previous day. They had supported the recommendation in principle and asked for more detail when further decisions were needed. He stressed that moving to an LATC was not a privatisation, it was a new organisation which would be wholly owned by the Council. The Committee had concluded that there was no alternative other than to move to an LATC. The number of elderly people was rising, the demand on services increasing and the LATC provided a means of meeting this pressures. With regard to risk, he stated that the do nothing approach presented a much higher risk to the Council.

155.6 The Director then responded to members questions about Teckal compliance, the business case figures and the fact that very little additional income was shown in the business case and how moving to an LATC might improve current sickness absence levels. She explained that prudent financial assumptions about income had been used in the business case so that the business case would stack up without any additional income opportunities. She also advised the Committee that Specialist Art Services were also managed differently from Adult Services and that learning from these two approaches were to be consolidated to provide timely information across the Council. The Cabinet Member for Adult Social Care added that not all the answers were known at this stage and an Executive Advisory Panel had been established to scrutinise the process.

155.7 Ken Attwool, Unison Assistant Branch Secretary, explained that Unison supported the LATC proposal for Dorset, but formation of an LATC was not necessarily the solution for solving funding issues in every case. The Union was keen to inform the LATC process in Dorset and would like to look at the business case when more detail was available. He recognised the huge number of changes within the Council and stated that the Union was not advocating a do nothing approach if the LATC solution did not proceed.

155.8 He then referred to a report which had been considered the previous week by the Staff Consultative Panel on Local Authority Trading Companies. Members of the Committee had been provided with copies of the report's executive summary. Mr Attwool explained that the report had been commissioned earlier in the year by Unison and he summarised its contents. The report suggested that the options appraisal was not fit for purpose as there had been errors in its completion. The Options Appraisal suggested that

there was no evidence to show that an LATC would provide opportunities for growth and development. The report also suggested that the qualitative assessment had been flawed and that there would be employment consequences for staff moving to the LATC leading to a two tier staffing system. The report also referred to instances of LATC failure in other areas of the Country.

155.9 In response to comments made by the Director for Adult and Community Service he said that services users and their carers would see a difference in the services they received following legislative changes and they would be persuaded to become more self-reliant. He did not agree with the closure of care homes and the practice of moving people with learning disabilities into the community with support. He questioned whether there was evidence to support the Director's comments about market potential and whether this would affect the quality of service provision. He stated that there was no guarantee that an LATC would provide value for money. He then referred to the three forthcoming Adult Services reorganisations which would result in high level management changes. The County Council was transforming the way it worked and Unison hoped the Council would make the necessary savings through the transformational changes. He questioned whether an LATC was needed in addition to the other changes.

155.10 Members then discussed the report and the information which had been presented. In particular they considered the significant changes the Council was making to reshape its core business and do things differently, whether the move to an LATC would open up markets whilst delivering services to the same standard, whether service users and carers would notice any change following the move, that currently there was little detail about the LATC, the fact the business case did not include anything about choice and independence which might affect the model to be used, there was no indication about key buildings or management and control and whether the LATC would have any impact on other providers.

155.11 The Committee was reminded that their role was to look at whether the processes followed to date were correct and robust. It was recognised that the business case currently lacked detail but this would be added as the process developed and the detail would inform the final decision. There was a suggestion that member involvement at a lower level should be increased and that careful consideration be given to the impacts of moving to the LATC before current reorganisations were completed. It was also suggested that any additional LATCs should proceed on individual merit and take advantage of any lessons learned from previous LATCs. It was also suggested that the report should have included more about change management, risks and steps taken to mitigate these.

155.12 The Cabinet Member for Adult Social Care explained that there would be five elected members on the Board of the LATC and she hoped that members with a business and/or an adult social care background would be appointed. She agreed with the approach being taken.

155.13 The Cabinet Member for Corporate Resources confirmed that the Council adhered to national terms and conditions of service and there were no plans to change this. The Director for Corporate Resources added that any changes to staff terms and conditions could expose the County to the risk of equal pay claims.

155.14 One member who supported the direction of travel and the inclusion of Bournemouth and Poole asked whether a deadline of April 2015 was realistic. In response the Cabinet member for Adult Social Care explained that Bournemouth and Poole were interested in joining the LATC and a series of meetings had been set up with portfolio holders and directors from Bournemouth and Poole. Dorset's original project plan had scheduled that the LATC would proceed with an implementation date of April 2015/16 regardless of whether

Bournemouth and Poole wanted to be included, this had now been reviewed and an amended implementation date of July 2015 had been proposed at the earliest. An update on this work would be provided after the meetings had taken place. She added that health and social care integration was part of the LATC plans and the Clinical Commissioning Group were interested in this development.

155.15 One member asked how many LATCs had been established in the country, how many had failed and what this looked like. The Director for Adult and Community Services reminded the Committee that the development of the LATC was one aspect of the Forward Together and the Pathways to Independence Programmes. It was about changing the way adult social care was delivered and would focus on choice, quality and people's independence. She was clear about the Council's duties to service users from April 2015 as a result of the Care Act and the responsibility to people who bought their own care. She hoped that residents in care homes would not experience any difference in the services they received then and that the quality of service would be maintained. The models of care would be completely different but would they would support people to live in their communities. Risks for individuals would be managed through support and the planning process and would be monitored by social care staff. She confirmed that some LATCs had failed and she gave examples and explanations of some of these. She confirmed that the Dorset LATC was big enough to be viable.

155.16 The Cabinet Member for Corporate Resources expressed his support for the approach being taken as this was an integral part of the Forward Together Programme and he confirmed that the business case had been scrutinised carefully. He agreed that there was a risk to the Council from possible stranded costs and that an LATC may not be appropriate for other areas.

155.17 With regard to the medium and long term implications for the County Council, should LATCs become the norm, the Chief Executive explained that this was being explored. There would be a risk of stranded costs and it was a question of how these would be dealt with and managed and the impact these might have. She stated that any service areas wishing to consider an LATC would go through a single gateway process. The Arts Community Interest Company was slightly different from the LATC but both posed a high risk for the Council and should be considered carefully before decisions were made.

155.18 One member highlighted that a greater profile could be given to the risks associated with service users and change management. The Director for Adult and Community Services agreed to include these in future reports.

155.19 The Chairman thanked Mr Atwool for attending the meeting.

### **Resolved**

156.1 That it was appropriate for the Council to investigate the introduction of a Local Authority Trading Company and that there was more work to be done before any final decisions were taken.

156.2 That the Committee supported the recommendations from the Adult and Community Services Committee.

156.3 That the Committee believed that a target implementation date of July 2015 was appropriate.

156.4 That work on the pan-Dorset Local Authority Trading Company with Bournemouth Borough Council and the Borough of Poole in the Local Authority Trading Company should continue.

156.5 That a further report be provided on corporate implications should the Council run a number of arms' length organisations.

**Corporate Performance Monitoring Report First Quarter 2014-15 (1 April-3- June 2014)**

157.1 The Committee considered a report by the Chief Executive which presented the results of the monitoring of the Corporate Balanced Scorecard, including the Corporate Plan, for the first quarter of 2014-15. At the end of the first quarter of the 47 measures in the Corporate Balanced Scorecard 26 targets were on target, 4 0-5% off target and 14 more than 5% off target. The report included three headline issues for the Committee to consider as well as performance commentary and information about benchmarking.

157.2 The Corporate Policy and Performance Manager referred to the current under-performance in unpredicted/avoidable hospital admissions, delayed transfers from hospital care and satisfaction of social care users and their carers with the service they have received and the fact that this could prevent access to Better Care Funding.

157.3 The Director for Adult and Community Services explained that the Better Care Funding was a new fund of Government, which had been top-sliced from the NHS. The performance element of the Fund had been changed in July 2014 because of national concerns about increased hospital admissions. If this was not addressed it could result in a loss of £3.7m funding, although the Clinical Commissioning Group had provided £4m in mitigation should admissions not reduce. Hospital admissions in Dorset were currently 15% higher than normal, with increases at the three acute hospitals varying from 5% to 21%, and although some factors for the increase were understood, there was no apparent reason for the increase. The national target for reducing admissions was 3.5%, but this would mean that Dorset would have to reduce admissions by 15-17% which was not achievable in the timescale. The Better Together Programme was playing a key part in trying to achieve the reduction along with help from the three acute trusts and an increased range of community services.

157.4 With regard to delayed transfers of care, all delays were to be reviewed but acute and community hospitals had a part to play in improving the current performance. A complete review the whole system was needed. Performance was not as good as it should be and related to the lack of capacity in community based services to meet people's need when they were discharged from hospital. Detailed work on capacity building was under way.

157.5 The Director explained that work was being undertaken with Healthwatch on increasing satisfaction rates for service users and their carers, with focus groups being held to identify what needed to change. She attributed the poor percentage of adults in contact with secondary mental health services living independently as a recording issue.

157.6 With regard to the monitoring of these areas, the Director confirmed that this fell to the Adult and Community Services Overview Committee, who received regular performance reports. She also explained the role of the Dorset Health Scrutiny Committee, who were responsible for the monitoring of health performance. There was also a role for the Dorset Health and Wellbeing Board in monitoring the performance of all organisations.

157.7 The Chairman asked that a report on Corporate Plan indicators be provided for consideration by the Committee on 16 October 2014 and how these would be allocated to the different Overview Committees so that the risk of duplication could be reduced. He also invited the Chairmen of the Overview Committees to attend the next meeting for this discussion.

157.8 The Corporate Policy and Performance Manager then presented the report in detail. He explained the layout of the report, which now included a Red/Amber/Green rating, direction of travel, benchmark information where this was available and that high or increasing risk areas were highlighted. Particular attention was drawn to the "People Matter" element where there were Red ratings for nearly all the indicators and to high risk areas included on

the Corporate Risk Register. In summary at the end of the first quarter 55% of performance measures in the Corporate Plan and Balanced Scorecard were on target, 9% 0-5% off target and 30% more than 5% off target. Of the 36 performance indicators within the Corporate Plan, 61% were on target, 11% 0-5% off target and 19% more than 5% off target. At the end of July 2014, there was an overall Amber forecast corporate overspend of £5.58m i.e. 2.17% of the budget. He highlighted the improved performance in road conditions.

157.9 Members discussed the report. They voiced their concerns over the low delivery percentages associated with Team Brief. They were also particularly concerned over the continuing poor performance in the number of Personal Development Reviews undertaken, which was considered to be unacceptable and a management issue which needed to be addressed. The Corporate Performance and Policy Manager reminded members that the DES system had been reviewed and that there had been an increase in the number undertaken and there was to be a review of Team Brief as performance remained low and was thought to be a recording issue. The Chairman asked that the Committees concerns should be reported to the Staffing Committee.

157.10 With regard to the figures for those killed or seriously injured, although the baseline figure of 271 was more than the average of 228, Dorset's performance was better than many other County Councils.

157.11 One member referred to the Growing Place Fund and asked about the potential for improving the current situation. The Corporate Policy and Performance Manager explained that Fund provided loans to businesses who could not obtain loans from Banks but the allocation procedure was not working well at present. The matter would be considered by the Dorset Local Enterprise Partnership Board on 24 September 2014. It was suggested that an appropriate officer be invited to attend a future meeting so that members could better understand the situation and that this be considered as part of the report on the responsibilities of the Overview Committees.

### **Resolved**

158.1 That a report on Corporate Plan indicators be provided for consideration by the Committee on 16 October 2014 as set out in minute 157.7 and 157.11 above and that Overview Chairman be invited to attend for this item.

158.2 That the Committee's concern about the continuing low performance in Performance Development Review completion rates be reported to the Staffing Committee as set out in minute 157.9 above.

### **Retirement**

159. The Chairman on behalf of the Committee thanked the Director for Corporate Resources for his services to the Committee over a number of years and wished him well in his forthcoming retirement. The Director responded by saying that he had enjoyed his time with the Council and working with the Committee.

### **Developing our Approach to Risk Management – Risk Management Group**

160.1 The Committee considered a report by the Director for Corporate Resources which set out areas of improvement for the Risk Management Group (RMG) following a review of the Group and its working practices.

160.2 The Director for Corporate Resources reminded members that they had received regular update reports on Risk Management. Following observation of the RMG by some of the members of the Committee, suggestions had been made to improve its functioning. Since that time a review had been undertaken, steps taken to strengthen those areas of identified weaknesses and adopted improvements were set out in the report. These changes were welcomed by members.



160.3 One member drew attention to the fact that the Risk Management Group did not have elected member representation. It was suggested that the Committee might like to identify a member to observe the revised arrangements to be operated by the RMG. Peter Wharf was identified to undertake this role.

160.4 With regard to Directorate Risk Champions members agreed that these should have direct access to Directorate Management Teams. The Head of Internal Audit, Insurance and Risk Management added that the new Chairman of RMG had sent his fellow Directors a clear person specification for the role of Risk Champion and been invited to nominate their representatives for this role.

160.5 In view of the Director for Corporate Resources forthcoming retirement and the loss of his considerable knowledge and expertise, he was asked to provide the Committee with reflections on their work and, if he was able, to meet with members of the Committee informally.

160.6 Members were provided with a list of Corporate Management Groups and asked to identify groups which they would like to observe. This information should be forwarded to the Principal Democratic Services Officer by 1.00pm on Monday, 22 September 2014 and would be confirmed at the next meeting. The Chairman, Vice-Chairman and the Lead Conservative Member would observe the Corporate Leadership Team.

#### **Resolved**

161.1 That the outcomes of the self-assessment review of the Risk Management Group and recommendations approved by the Corporate Leadership Team (CLT) be noted.

161.2 That the revised terms of reference that have been endorsed by CLT be noted.

161.3 That a member be nominated to observe the revised arrangements of the Risk Management Group and that Peter Wharf undertake this role.

#### **Provision of School Meals**

162. Attention was drawn to failure of school meal delivery and the failure to contact customers to make them aware of the difficulties and a member requested a call to account. The Chairman, Vice-Chairman and the Lead Conservative Member would consider this outside of the meeting.

#### **Noted**

#### **Local Triathlon**

163. Reference was made to a triathlon event held the previous weekend in South Dorset which Parish Councils seemed to be unaware of. The event had resulted in many road closures, traffic difficulties and affected local businesses. The Director for Environment and the Economy was undertaking an internal review of the situation. A report would be requested for consideration by the Committee.

#### **Resolved**

164. That a report on the event and lessons learned by provided for consideration by the Committee at a future meeting.

#### **Review of Community Transport**

165.1 The Committee were reminded that they had agreed to review Community Transport at their meeting on 22 July 2014. It had proven difficult to find a date for this meeting and the Cabinet Member for Children's Safeguarding and Families had written to the Chairman to express her concern that a date still had to be identified.

165.2 The Principal Democratic Services Officer explained the steps she had taken to identify a date, but that it had not been possible to identify a date when the Directors for Children's Services, Adult and Community Services and Environment and the Economy were available.

165.3 Members discussed the urgency of this meeting and agreed that the review be undertaken at their meeting on 25 November 2014.

**Resolved**

166. That the review of Community Transport be held on 25 November 2014.

**Joint Scrutiny Review Sub-Committee**

167. The Committee were informed that a review of the role of the Sub-Committee was to be undertaken which would include consideration of the potential for a pan-Dorset role. In view of the increase in pan-Dorset working and the need for these to be scrutinised members supported the review.

**Noted**

**Outside Bodies**

168. The Committee received a report from Robin Cook on the Dorset County Council Fund and their seven panel meeting which was held on 2 September 2014.

**Noted**

**Questions from Members of the Council**

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

Meeting duration: 10.00am to 1.05pm