

Audit and Scrutiny Committee

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

Present:-

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

Officers:

Jonathan Mair (Acting Director for Corporate Resources), Sam Fox-Adams (Head of Policy, Partnerships and Communications) and Helen Whitby (Principal Democratic Services Officer).

Other officers attending as appropriate:-

Richard Bates (Chief Financial Officer), Nick Buckland (Chief Treasury and Pension Manager), Andy Frost (Strategic Manager), David Hill (Director of Planning, South West Audit Partnership), Richard Pascoe (Head of ICT and Customer Services), James Roberts (Project Support Officer), Chris Scally (Joint Commissioning Manager (Civil Society)), Sally White (Audit Manager, South West Audit Partnership) and David Wilkes (Finance Manager (Treasury and Investments)).

Also in attendance: Harriet Aldridge and Daniel Deacon , PricewaterhouseCoopers

(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 **22 January 2015**.)

Apologies for Absence

181.1 Apologies for absence were received from Deborah Croney, Ian Gardner and Robert Gould (Cabinet Member for Corporate Resources).

181.2 The Chairman drew attention to Mr Gardner's recent poor health and his recovery. The Committee noted that Mrs Gardner had also been ill. The Chairman agreed to write to Mr and Mrs Gardner on behalf of the Committee wishing them a speedy recovery.

Resolved

182. That the Chairman write to Mr and Mrs Gardner on behalf of the Committee to wish them a speedy recovery.

Welcome

183.1 The Chairman welcomed Harriet Aldridge and Daniel Deacon, Pricewaterhousecooper (PWC), to the meeting. They would be reviewing the Committee's working arrangements over the next couple of months and were observing the meeting.

183.2 The Lead Conservative Member added that it had been agreed that members and key officers would be interviewed by PWC officers during the review. This would include interviews with individual members of the Committee and feedback on an individual basis. As part of the review, members had been provided with a feedback form for completion following the meeting. Officers would also be asked to complete a similar form.

183.3 Ms Aldridge explained that she had observed the meeting on 25 November 2014 and would also be attending on 22 January 2015. She would also be reviewing agendas and minutes and comparing and contrasting her findings with a range of different

organisations. Her final report would be considered by the Independent Appraisal Working Group, prior to being considered by the Committee in the Spring 2015.

Code of Conduct

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

Minutes

185. The minutes of the meeting held on 25 November 2014 were confirmed and signed.

Progress on Matters raised at Previous Meetings

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

186.2 One member referred to the Cabinet meeting on 1 October 2014 when the Chairman's report on Universal Free School Meals had been considered and asked which body would be reviewing the action plan. It was confirmed that the minute from the meeting specified that the action plan would be considered by the Audit and Scrutiny Committee and this had been clarified with the officer producing the report.

186.3 With regard to minute 210, it was reported that officers were working on a joined-up Forward Plan for all work streams. This was being finalised and would be produced for the next agenda.

186.4 One member referred to minute 156 and the need for an item on the Local Authority Trading Company (LATC) to be scheduled. The Chairman reminded members that their concern was that the Authority might pursue more than a single LATC and at present this was not the case. Another member added that the nature of the current LATC might be changed should it become pan-Dorset. The Head of Policy, Partnerships and Communications explained that the pan-Dorset LATC proposal was the subject of public consultation. It was recognised that Bournemouth and Poole's involvement in any LATC would be less than Dorset's and so their joining the LATC was unlikely to have a significant effect. The Acting Director for Corporate Resources added that the Cabinet would be asked to support a pan-Dorset LATC in principle the following day and, if the Committee wished to consider the pan-Dorset LATC this would need to be at their January 2015 meeting because the Cabinet was expected to make a final decision in February 2015.

186.5 Reference was made to the item on the Top Five Schools Deficits not being included on the agenda. It was explained that this was an annual report and would be considered in late spring. The Chairman asked officers to establish whether deficits were increasing, in which case he asked that a report be provided for the meeting on 22 January 2015.

Resolved

187.1 That a report on the Local Authority Trading Company be provided for the meeting on 22 January 2015.

187.2 That officers establish whether school's deficits were increasing and arrange for a report to be provided for the meeting on 22 January 2015 if this was the case.

Public Participation

Public Speaking

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

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

Petitions

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

Work Programme

189.1 The Committee considered its work programme for 2015.

189.2 In response to questions it was confirmed that the Corporate Plan and priorities would be considered at the meeting on 22 January 2015 and adopted by the County Council in April 2015. Any budget implications would be incorporated into the final Corporate Plan.

189.3 Members noted that the Universal Free School Meals action plan needed to be added to the 22 January 2015 meeting.

Noted

Cabinet Forward Plan and Work Programmes of Overview Committees

190. The Committee considered the Cabinet's draft Forward Plan for the meeting to be held on 14 January 2015 and the work programmes of the Adult and Community, Children's Services and Environment Overview Committees.

Noted

2013/14 – Analysis of Major Budget Variances

191.1 The Committee considered a report by the Chief Financial Officer on service budget areas which appeared to have continuing overspends, offset against corresponding underspends in central or other corporate budgets. The three main areas of overspend were Children in Care, Special Educational Needs (SEN) Transport and Specialist Adult Services. The report had been requested by the Committee at a previous meeting.

191.2 The Chief Financial Officer referred to the three main areas of overspend which had been the subject of cost pressures for a number of years. Plans were in place to address these areas over a three year period and they would be monitored closely as Forward Together projects. It was hoped that the budgets would be back in balance at the end of the three year period.

191.3 With regard to the corporate income and expenditure budget and the underspend the previous year, how this had arisen, how this had benefitted from low interest rates, and how the Council had borrowed against its own cash resources to offset borrowing was explained. Further monies from repayments from the Icelandic Banks had also contributed to the underspend. Some underspend on capital financing budgets was anticipated for 2014/15 but there would be none the following year. The Committee were also reminded that the Contingency Budget had been reduced by £1m as part of the Forward Together savings.

191.4 In response to members' questions, the Chief Financial Officer explained that the Director for Adult and Community Services was taking steps to end the continuing overspends in some of her budget areas and a detailed report would be considered by the Adult and Community Services Overview Committee in January 2015.

191.5 One member drew attention to the County Council's responsibility to encourage economic growth and asked whether any consideration had been given to moving away from the traditional approach and investing money to get a return on capital. The Chief Financial Officer explained that the County Council was starting to consider alternatives to asset disposal with an eye to income generation and he was currently exploring possible investment in economic development activities with other local councils. Any real opportunities arising from this would be reported to the Cabinet.

191.6 With regard to SEN transport, one member asked whether the use of return journeys would be considered as part of the Holistic Transport Review. The Chief Financial Officer confirmed that the possible use of return journeys, use of transport by siblings and other opportunities would be included in the review. He did caution that children's transport had to take into account safeguarding issues. The use of transport for Pupil Referral Units was also highlighted as an area for exploration within the review. .

191.7 With reference to where figures were shown for projects under the transformational challenge heading, the Chief Financial Officer agreed to provide an update report for a future meeting.

191.8 One member highlighted the significant shortfalls in budget estimates for the Dorset Waste Partnership. Members noted that the South West Audit Partnership were currently undertaking a review of management processes as a means of identifying any lessons learned. The Joint Scrutiny Review Sub-Committee had also expressed an interest in reviewing the situation.

191.9 With regard to why there was no spend for the Public Health Directorate, the Chief Financial Officer explained that contracts inherited from the Dorset Clinical Commissioning Group had been reviewed and re-negotiated. They now provided better value for money and the Director was keen to reinvest savings to progress other areas of work.

191.10 The Chairman referred to the Peer Review which had highlighted the importance of budgeting and not habitual over and underspends. The Chief Financial Officer agreed to provide a short report to an early meeting in 2015 on efforts made to comply with this.

Noted

Treasury Management Mid-year Updated 2014/15

192.1 The Committee considered a report by the Chief Financial Officer which provided an update on the economic background, its impact on interest rates, performance against the annual investment strategy, an update of any new borrowing, any debt rescheduling, compliance with the Prudential Code and an update on the deposits held with Icelandic Banks.

192.2 The Chief Treasury and Pension Manager presented the report highlighting the anticipated increase in interest rates, how capital expenditure and financing were financed and were currently £30m lower than budget, slippage in the capital programme, gross debt, debt maturity, cash flow projections and that investment and income were on target.

192.3 In response to why the County Council had borrowed money from West Midlands Police, it was explained that repayment of loans was regularly reviewed with Treasury Management advisers. The West Midlands Police loan had been for one year period and on favourable terms. With regard to the BA Systems loan, a fixed rate loan for a period of 20 years had been taken up as the interest rate was competitive with that of the Public Works Loans Board.

192.4 With regard to the Icelandic Banks, the Committee were reminded that information would be included in reports on an exceptional basis and noted that 94% of Heritable loans had been repaid, with more possible. The County Council's interest in Landsbanki had been sold.

192.5 With regard to the County Council's borrowing requirement, it was confirmed that this would be of the order of £4-5m the following year, with the capital programme being financed thereafter by capital receipts and Government Funding. The Chief Financial Officer added that the underlying borrowing requirement had peaked at £235m.

Noted

Forward Together Update

193.1 The Committee considered a report by the Chief Executive which provided an update on the Forward Together programme to date. The report had been considered by the Cabinet on 19 November 2014.

193.2 The Head of Policy, Partnerships and Communication explained that there were three major workstreams within the programme with an emphasis on the County Council being more business-like and achieving the savings required. He drew attention to the appendices which showed programme office functions and a corporate narrative for staff, stakeholders and others on what the County Council was trying to achieve.

193.3 Members referred to the programme's governance and asked for clarity over who was responsible for the delivery of the action plan, how it would be achieved, both corporately and on a directorate basis, and how the three programme boards related to the Local Authority Trading Company and the Hollistic Transport Review. In response the Head of Policy, Partnerships and Communication agreed to provide a detailed report on governance arrangements, including work streams for the next meeting.

193.4 It was suggested that Appendix 2 should make reference to the County Council, as an enterprise partner who took advantage of opportunities to promote economic growth. The Head of Policy, Partnerships and Communications agreed to take note of this within the Corporate Plan.

193.5 Some changes were suggested to the narrative and content of Appendix 2 and the Acting Director for Corporate Resources agreed to discuss these with the Chief Executive.

Resolved

194. That a report on the Forward Together workstreams and governance arrangements be provided for consideration at the meeting on 22 January 2015.

Dorset Public Sector Network Future

195.1 The Committee considered a report by the Acting Director for Corporate Resources which provided background and assurance about the future of the Dorset Public Sector Network (DPSN). The report had been provided in response to a request from the Committee.

195.2 The Committee noted that the DPSN covered County Council sites, schools and district and borough councils and had been procured in 2012 at a time when broadband coverage in Dorset was limited. It was always known that the new network would be more expensive than the previous one and a reserve was built up to compensate. However, the costs involved had increased as demand had increased and a number of schools had left the network to take advantage of the better broadband coverage. The Committee also noted that

the cost in 2014/15 was £1.47m against a budget of £1.13m. The current contract would end in 2018.

195.3 Although the network was implemented to meet the needs of the current partners, it had been hoped that other public sector organisations would joint and so share costs. This had not happened. The aim now was to reduce costs by negotiating with the supplier to reduce management overheads and exploring the use of the increased broadband infrastructure becoming available. A pilot was being undertaken to see whether broadband could provide the capability to run the County Council's network in which case negotiations to scale back the network would start. No decision to reduce the contract term had been made and would be subject to a business case following the pilot. Any costs attached to leaving the contract early would be built into the business case. Also options to reduce telephone costs through use of the existing Microsoft Lync system were being considered.

195.4 With regard to how well the Lync system was promoted to members and staff, the Head of ICT and Customer Service explained that it had been promoted during implementation as a means of reducing the number of emails used by officers. It provided the means of sharing information on screen, video-conferencing and making and receiving telephone calls and a number of offices were using these capabilities.

195.5 In response to a question about why other organisations had not joined DPSN, it was explained that some were already committed to existing contractual arrangements. The District and Borough Councils had joined as had the Borough of Poole. Two hospitals also used the procurement vehicle for their communications capability.

195.6 With regard to commissioning and the future, the Head of ICT and Customer Service explained that, assuming the trial was successful, the internet would become the main connectivity provider and anticipated that partners and other organisations would be moving in a similar direction.

195.7 One member suggested that an action plan be drawn up to show how the desired position could be achieved by 2018. With regard to the many asset disposals, the Head of ICT and Customer Service confirmed that he was aware of property rationalisation plans as a means of reducing costs and avoiding additional fixed costs.

195.8 With regard to reducing costs, it was confirmed that the budget for the current and following years was balanced through a review of costs and by using the reserve but there was a need to reduce management overheads, decommission equipment in telephone exchanges as the reduction in schools allowed and use broadband connectivity to reduce costs.

195.9 One member asked whether the benefits anticipated for the Superfast Broadband Project had been reviewed recently, taking into account the potential to reduce DPSN costs, as this might inform future actions. The Head of ICT and Customer Service was not aware of this being undertaken but would refer this to the appropriate officer. With regard to whether comparisons had been made with other authorities, it was confirmed that comparisons had been made with Devon, Hampshire and Wiltshire.

Noted

Internal Audit Quarterly Report

196.1 The Committee considered a report by the Chief Executive 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 detailing their respective assurance opinion ratings,

recommendations and their ranking; and 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.

196.2 The Director of Planning, South West Audit Partnership (SWAP), presented the report explaining that SWAP had been involved in work in support of the Forward Together Programme, on the Local Authority Trading Company business case and the transport review. He drew particular attention to the two key points relating to “partial assurance” reviews as set out in Appendix D. These related to a probity audit of imprest accounts and capacity/funding to deal with the increasing numbers of children entering care. Further details were given and the Committee noted that a review of imprest accounts would be undertaken with a view to identifying improvements. The Committee noted that SWAP had recently undertaken an audit of the increased number of children entering care and this had been reported to the Children’s Services Overview Committee in October 2014. The audit had identified 55 recommendations which would be monitored by the Overview Committee.

196.3 With regard to the 24 category 4 audit areas within Children’s Services, it was explained that SWAP would undertake a six monthly review of each to ensure that actions had been implemented and that progress would be monitored by the Children’s Services Overview Committee. There was some discussion as to whether the Overview Committee should take responsibility for this or whether the Audit Committee should become involved. It was agreed that the Overview Committee should monitor progress, but the Committee needed to be satisfied with actions taken by the Overview Committee and would review the situation in January 2015. It was also reported that the 55 recommendations had resulted in a bid for funding for 8 additional social work posts to ensure caseloads were safe and appropriate. Additional legal capacity had also been recommended because the number of child protection cases had doubled in recent months.

196.4 With regard to the category 4 probity audits, it was explained that this related to petty cash and a review of all accounts was to be undertaken to establish which were unnecessary. The Director of Planning agreed to provide additional information about the amount of money involved outside of the meeting.

Noted

External Funding Monitoring Report (2013/14) and Authority’s Bidding Process

197.1 The Committee considered a report by the Chief Executive on the annual report of external funding, covering activity led by Dorset County Council, where Dorset County Council was a formal partner or where Dorset County Council had enabled external funding activity through match funding.

197.2 The Joint Commissioning Manager (Civil Society) presented the report. The Committee were asked to review the external funding activity for 2013/14 and the external funding policy (set out in Appendix D) to ensure it reflected corporate aims and policies. The Committee noted that the policy had been introduced in 2007 and reviewed in 2013 to reflect changes to the Scheme of Delegation but the policy was difficult to enforce and was not consistently followed. Whilst recognising that bidding should not be hampered, the Joint Commissioning Manager recognised that there should be a consistent procedure in place to ensure that bids were approved, possibly by the Chief Executive’s Department. Equally any procedure should not delay the bidding process.

197.3 The Chairman reminded members that there had been instances where the County Council had successfully bid for funding only to find that they did not have the capacity to make use of it. The lack of member involvement in the bidding process was also highlighted and it was suggested that officers involved in the bidding process should seek the

views of local members. The Acting Director for Corporate Resources was not aware of any instances of local members not being consulted but recognised that consultation was too late by the time the bid was considered by the Cabinet and should be undertaken at an early stage by the relevant lead officer so as not to delay the bidding process. There was a clear procedure in place which required that local members should be consulted and the process would have to re-start if this was not the case.

197.4 Members were concerned that the bidding process not be delayed as it could be a means of income generation, but any bids needed to have the appropriate approval. They were concerned about the timeliness of bids, the need for these to be properly resourced and independently reviewed, and for the policy to be promoted and enforced consistently. Officers added that there was a lack of resource to support bidding currently with the possibility of funding opportunities being missed.

197.5 The Committee had no indication of the number of Government Bids available and were informed that EU funding would become available over the next few years. The Head of Policy, Partnerships and Communication explained that additional resources had been identified to support bids in the past and that the forthcoming review of staff should take this into account.

197.6 Members ask for a further report to be provided in the Spring which included information about EU funding and how the policy linked to the County Council's corporate priorities.

Resolved

198. That a further report be provided for consideration at the May 2015 meeting as outlined in minute 197.6 above.

Allocation of Performance Measures to the Audit and Scrutiny and Overview Committees

199.1 The Committee considered a report by the Chief Executive on the allocation of Corporate Plan performance indicators to each of the Overview Committees.

199.2 The Head of Policy, Partnerships and Communications explained that there were 36 performance indicators included in the Corporate Plan and that, following discussions between the Chairman of the Committee and the three Overview Committee Chairmen, these performance indicators had been allocated to individual committees for monitoring.

199.3 Although the Chairmen were familiar with the indicators, members generally were not so it was suggested that the report be shared with the overview committees so that they were clear about which performance indicators they were responsible for. This was agreed.

Resolved

200. That the report be provided for each of the overview committees to show the performance indicators they had responsibility for.

Pan-Dorset Community Safety and Criminal Justice Board

201.1 The Committee considered a report by the Director for Adult and Community Services on the creation of a pan-Dorset Community Safety and Criminal Justice Board.

201.2 The Strategic Manager explained that the County Council had a statutory duty to reduce crime and disorder through the Dorset Community Safety Partnership. In view of the increasing strategic work, the three local authority Community Safety Panels had supported the creation of the pan-Dorset Board which would provide closer links between

communities, criminal justice and court outcomes. It would not replace locality working, but would provide a means of strengthening this.

201.3 In response to questions, the Strategic Manager explained that because of the number of statutory partners involved, the Board would comprise 24 members and it was suggested that it would be supported on a rotational basis, although this had not been decided. The Board would also have the ability to establish sub-groups.

201.4 Members expressed concern about the size of the Board and suggested that there should be an appropriate level of engagement from the Dorset Clinical Commissioning Group. They also highlighted potential difficulties with regard to how the Board was to be supported. However, they considered the suggested approach to be sensible and supported the Board's establishment.

Recommended

202. That the proposal for the establishment of a pan-Dorset Community Safety and Criminal Justice Board, be recommended to the Standards and Governance Committee and the Cabinet for decision. It is the view of the Committee that a rotational support arrangement would simply not be satisfactory and there needed to be fixed permanent arrangements in place.

Reason for Recommendation

203. To ensure the future success of partnership work to sustain safe communities in all areas of Dorset. The proposals contributed to the vision of working together for a strong and successful Dorset and particularly contributed to the area of focus on Health, Wellbeing and Safeguarding.

Outside Bodies

204. No reports had been received from members appointed to Outside Bodies, Joint Committees and Consultative Panels which related to the Chief Executive's Department.

Noted

Questions from Members of the Council

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

Meeting duration: 10.00am to 12:50pm