

## **DORSET COUNCIL - AUDIT AND GOVERNANCE COMMITTEE**

### **MINUTES OF MEETING HELD ON TUESDAY 17 SEPTEMBER 2019**

**Present:** Cllrs Matthew Hall (Chairman), Richard Biggs (Vice-Chairman), Simon Christopher, Susan Cocking, David Gray, Brian Heatley, Nocturin Lacey-Clarke, Mike Parkes and Bill Pipe

**Apologies:** Cllrs Bill Trite

**Also present:** Cllr Tony Alford, Cllr Jon Andrews, Cllr Molly Rennie and Cllr Peter Wharf

**Officers present (for all or part of the meeting):**

Aidan Dunn (Executive Director - Corporate Development S151), John Sellgren (Executive Director, Place), Jim McManus (Corporate Director - Finance and Commercial), David Wilkes (Service Manager - Treasury and Investments), Marc Eyre (Service Manager for Assurance), Rupert Bamberger (Assistant Director SWAP), Sally White (Principal Auditor) and Lindsey Watson (Senior Democratic Services Officer)

#### **15. Minutes**

The Executive Director of Corporate Development provided an update on work outstanding in respect of the Statement of Accounts for North Dorset District Council, West Dorset District Council and Weymouth and Portland Borough Council. The council had completed all work required by the External Auditor and was now waiting for the External Auditor to sign off the accounts. An update would be provided to the committee once this had been completed. Although some disappointment was expressed with regard to the delay, it was noted that there had been issues on both sides, which could be addressed for the future.

A discussion was held with regard to the different methods used to value assets.

The minutes of the meeting held on 26 July 2019 were confirmed as a correct record and signed by the Chairman.

#### **16. Declarations of Interest**

There were no declarations of interest.

#### **17. Public Participation**

There were no representations from town and parish councils or members of the public.

18. **Urgent items**

There were no urgent items.

19. **Presentation - Dorset Council EU Exit Preparations**

The committee received a presentation which set out the preparations being undertaken by Dorset Council in respect of EU exit. It was noted that this would be the first of a series of presentations to be given to the committee on this issue. The presentation set out the key council services impacted and the need to ensure that Dorset Council was prepared and could continue to provide services, whilst taking a proportionate and risk based approach. A team had been brought together to work through the various issues and risks identified and work was being undertaken with other organisations, including the Local Enterprise Partnership.

The committee considered the issues arising from the presentation and during consideration the following points were raised:

- Issues around transport and fishing were being looked at by Bournemouth, Christchurch and Poole Council in respect of the Port of Poole, and Dorset Council was supporting the council in planning through the Local Resilience Forum. Close work in respect of fisheries was being undertaken with the Fisheries Local Area Group (FLAG) and work was also being undertaken with the council's economic development team
- In respect of health issues, discussion was held within the local resilience forum arrangements and discussion had been held with the NHS. The council's role in adult social care was recognised
- Planning meetings were currently scheduled up until the end of the year. The level of preparation would not be stepped down until more was known
- In response to a question, contingency plans were in place in case of a national restriction on fuel. As a council, a contingency plan was in place to ensure that critical services could continue to operate. The financial implications of potential rising costs for items such as fuel was picked up as part of the finance report to be considered later in the agenda and it was noted that reserves within the budget were in place
- A question was raised with regard to the impact on the farming community and it was noted that a lot of support was provided to businesses including agriculture. Work was undertaken with the Dorset Chamber of Commerce and the Local Enterprise Partnership and liaison undertaken with the National Farmers Union (NFU) and County Landlords Association
- In respect of planning, the EU exit presented some difficulties in terms of predicting what may happen. However, it was noted that the quality of information from the Government had improved and the council was able to respond to the information and advice provided and undertake learning from partners. Government

provided funding was partly being used to provide a contingency fund in this area

- The council was working with education providers in order to give the best possible advice and guidance.

## 20. **Risk Management Update**

The committee received a report which provided an update on risk management in the council and invited the committee to note the key risks identified in the corporate risk register and the proposals to carry out more detailed risk profiling to challenge service level risks. In addition, the report set out the work currently underway to manage the risks associated with the potential for a no-deal EU Exit. The report provided a summary of the risks contained on the risk register and it was noted that further information could be circulated to councillors following the meeting.

During discussion, comments were raised as follows:

- Some risk ratings may vary due to officer interpretation
- In respect of risks around staffing issues and loss of corporate knowledge, it was noted that further management information could be provided for top level risks
- In respect of the risk associated with the loss of ICT service or data through a cyber attack, it was reported that although a significant amount of controls were in place, the risk was identified as high as the potential consequences were significant. This issue was to be considered by the Resources Scrutiny Committee
- A request was made for further information for those items identified at the higher end of the risk register. This would be included in the next report
- Issues around fuel requirements were to be considered by a stand alone Board
- It was agreed that an item on the risks relating to staff recruitment and retention would be included on the work programme for a future meeting.

The report was noted.

## 21. **Finance Regulations**

The committee received a report in order to provide the opportunity to review the council's financial regulations, which was considered to be good practice. It was noted that a review of the whole Constitution was to take place at the end of the first year of Dorset Council. Members were invited to review the financial regulations at this stage.

The committee considered the financial regulations and during discussion, the following points were made:

- In response to a question, the Executive Director of Corporate Development confirmed that the council was part of a national

fraud initiative, whereby data was provided to a central organisation in order to identify any duplicate claims, which could assist in the identification of potential fraud

- The financial regulations noted that an Executive Director would be responsible for agreeing virements within delegated limits on budgets within his/her responsibility and/or control, in consultation with the Section 151 Officer where required. In addition it was noted that these would be reported by the S151 Officer to councillors through the quarterly finance reports to Cabinet
- With regard to the section on Budget Monitoring and Control, it was noted that the wording in B12 should be read in conjunction with B13 and the responsibilities of the Executive Directors. This may be an area which councillors wished to examine at a future meeting.

Councillors considered the potential timescale for the next review of the financial regulations and various views were expressed.

Following discussion it was proposed by Councillor Pipe, seconded by Councillor Lacey-Clarke

### **Decision**

That the financial regulations next be reviewed at the end of Year 1 of Dorset Council during the review of the Dorset Council Constitution and then subsequently reviewed on an annual basis.

## **22. Treasury Management Annual Report 2018/19**

The committee received and considered a report which summarised the treasury management performance and position information for Dorset Council's six predecessor authorities, for the year ended 31 March 2019. In presenting the report, the Service Manager for Operational Finance noted an amendment to the figure for total capital expenditure of £72.1m compared to an estimated £61.6m, contained within the Executive Summary of the report, which should read £61.6m compared to an estimated £72.1m.

In response to a question, it was reported that work was currently being undertaken in respect of the inherited capital programme and that information would be made available to councillors once it had been discussed at a working group. The need to review this area in light of the new Dorset Council Plan was recognised.

It was noted that a training session for all Dorset Council's councillors would be provided by officers and advisers to further explain the responsibilities that councillors had in relation to treasury management.

The report was noted.

## **23. Finance Report Quarter 1 2019/20**

The committee reviewed the Quarter 1 Finance Report, which had been presented to Cabinet on 30 July 2019. In presenting the report, the Executive Director of Corporate Development welcomed any feedback on the content and format of the report.

- A request was made for detail of the level of reserves from each of the predecessor councils to be included in the report
- The report was influenced by overspends in the areas of Adults and Children's Services. It was noted that the committee would be receiving presentations on these two areas at their meeting on 14 October 2019
- In respect of the above point, information on user numbers was available and could be included in the quarterly finance monitoring reports to Cabinet
- A point was raised with regard to the table at paragraph 6.7 of the report and the reference to 'Director's Services'. In response, the Corporate Director, Financial and Commercial confirmed that some stranded costs could not be saved into directorates and had therefore been consolidated into 'Director's Services'
- The Capital Assets and Strategy Group was meeting this week to look at assets and investment required
- A date for the fair funding review was not currently known
- In response to a point raised, it was noted that the forecasting method made assumptions but could not prevent all factors causing overspending
- In response to a comment about the level of overspend, the Deputy Leader noted that the Council had reserves and also a transformation programme with a savings goal
- A point was raised as to back up plans in the case of the main council buildings being unavailable.

The report was noted.

#### **24. Presentation - Overview of the Pensions Fund**

Councillor Wharf provided an overview of the membership arrangements for the Pension Fund Committee and noted that Councillor Andy Canning had been appointed as Chairman of the committee at the last meeting.

The committee received a presentation from the Service Manager for Operational Finance, to provide an overview of the Pensions Fund, following a request at the last meeting. During the presentation, the following areas were covered:

- What is the Local Government Pension Scheme (LGPS)?
- What is a pension fund deficit?
- Why do LGPS pension funds have deficits?
- How big is Dorset's deficit?
- How is the deficit being tackled?

The Chairman felt that it was important to have the presentation at the committee in order for councillors to have the opportunity to be better informed of the issues and have the opportunity to ask questions.

The Chairman noted that as a former employee of Dorset County Council, he had a local government pension. However he was not making a declaration of interest in respect of this item as it was a presentation only. Councillor Lacey-Clarke noted that this situation also applied to him.

Councillors considered the issues arising from the presentation and during the discussion, the following points were made:

- A request was made for a graph to show the aggregate pension deficits for the former councils and how this was changing
- Reference was made to the McCloud ruling and it was noted that although there was not a material impact on the pensions deficit, the practicalities for the scheme were currently unknown
- A point was raised with regard to relevant councillors needing to declare an interest when considering pension matters and it was thought that a dispensation could be granted to those members impacted by this
- A point was noted that the pension fund was moving in the right direction in order to close the deficit
- In response to a point raised, the Service Manager for Operational Finance provided figures on the returns on the fund for the last 12 months and as an average over the last 5 years.

#### **25. Report of Internal Audit Activity Plan Progress 2019/20 - August 2019**

The committee received the South West Audit Partnership (SWAP) report of Internal Audit activity plan progress report for the 2019/20 year. The plan progress reports provided an ongoing opinion to support the end of year annual opinion and also provided details of any significant risks that had been identified, along with the progress of mitigating previously identified significant risks by audit. It was reported that the ongoing audit opinion remained as reasonable and that there had been no significant risks identified in internal audit work in 2019/20 to date.

In response to a question it was noted that an audit on ethics and culture and separate audits of transformation were to take place during the next half of the year. In addition, the Executive Director of Corporate Development agreed to include an item on staff recruitment and retention on the agenda for the next meeting of the committee. He also noted that a staff engagement survey had been undertaken and as part of Organisational Development being undertaken, staff base line and monitoring was taking place. SWAP had also undertaken a survey of the effectiveness of communications with staff.

#### **26. 2019/20 Internal Audit Plan - October - March**

The committee reviewed the South West Audit Partnership (SWAP) Internal Audit Plan for 2019/20, which provided a summary of the proposed audit

coverage that the internal audit team would deliver within the second half of the 2019/20 financial year.

A point was raised that the plan did not cover the area of vacancy management and in response, the Executive Director of Corporate Development noted that a report would be provided on recruitment and retention issues in Dorset Council, at the next meeting of the committee. The Chairman noted that once this report had been received, the committee could consider whether there was a requirement for SWAP to undertake any work in this area.

In respect of reports prepared by SWAP, a request was made for additional explanatory text to be included where an audit had received partial assurance.

**27. Audit and Governance Committee Work Plan**

Councillors reviewed the work programme for the committee and a request was made for a further update on the council's preparations in respect of EU Exit.

An additional councillor was required for a meeting of the Assessment Sub-committee to be held on 25 September 2019 and Councillor Lacey-Clarke agreed to sit on the sub-committee.

**28. Exempt Business**

There was no exempt business.

**Duration of meeting:** 10.00 am - 12.26 pm

**Chairman**

.....