



Audit and Governance Committee

Date: Tuesday, 3 December 2019
Time: 10.00 am
Venue: Committee Room 1, County Hall, Dorchester, DT1 1XJ

Membership: (Quorum 3)

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

Chief Executive: Matt Prosser, South Walks House, South Walks Road, Dorchester, Dorset DT1 1UZ (Sat Nav DT1 1EE)

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A G E N D A

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1 APOLOGIES

To receive any apologies for absence.

2 MINUTES

5 - 10

To confirm the minutes of the meeting held on 7 November 2019.

3 DECLARATIONS OF INTEREST

To receive any declarations of interest.

4 PUBLIC PARTICIPATION

To receive questions or statements on the business of the committee from town and parish councils and members of the public.

5 URGENT ITEMS

To consider any items of business which the Chairman has had prior notification and considers to be urgent pursuant to section 100B (4) b) of the Local Government Act 1972. The reason for the urgency shall be recorded in the minutes.

6 FINANCE REPORT QUARTER 2 2019/20

11 - 28

To consider the Finance Report Quarter 2 2019/20 as presented to Cabinet on 5 November 2019.

**7 REPORT OF INTERNAL AUDIT ACTIVITY PLAN PROGRESS
2019/20 - NOVEMBER 2019**

29 - 44

To receive a report from South West Audit Partnership (SWAP).

8 RISK MANAGEMENT UPDATE

45 - 52

To receive an update on risk management issues.

9 AUDIT AND GOVERNANCE COMMITTEE FORWARD PLAN

53 - 56

To review the Audit and Governance Committee Forward Plan.

10 EXEMPT BUSINESS

To move the exclusion of the press and the public for the following item in view of the likely disclosure of exempt information within the meaning of paragraph x of schedule 12 A to the Local Government Act 1972 (as amended).

The public and the press will be asked to leave the meeting whilst the item of business is considered.

There is no exempt business.

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DORSET COUNCIL - AUDIT AND GOVERNANCE COMMITTEE

MINUTES OF MEETING HELD ON THURSDAY 7 NOVEMBER 2019

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

Apologies: Cllrs Mike Parkes and Bill Pipe

Also present: Cllr Tony Ferrari, Cllr Les Fry, Cllr Andrew Parry, Cllr Molly Rennie and Cllr Peter Wharf

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

Aidan Dunn (Executive Director - Corporate Development S151), Chris Matthews (Service Manager - HR Operations), David McIntosh (Corporate Director (HR & OD)), Jim McManus (Corporate Director - Finance and Commercial), John Sellgren (Executive Director, Place), David Wilkes (Service Manager for Treasury and Investments) and Lindsey Watson (Senior Democratic Services Officer)

40. Minutes

The minutes of the meeting held on 14 October 2019 were confirmed as a correct record and signed by the Chairman.

41. Declarations of Interest

There were no declarations of interest.

42. Public Participation

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

43. Urgent items

In response to a request from the Chairman, the committee was provided with an update in respect of outstanding issues with signing off the accounts of the former Dorset Councils Partnership councils. The Executive Director of Corporate Development noted that confirmation had been received from the External Auditor that all work required had been completed. The only outstanding point was to receive confirmation from banks as to balances as at 31 March 2019.

On a separate point, the Chairman noted that he had received a communication from the Ministry of Housing, Communities and Local Government with regard to reviewing the role of the external auditor.

44. **Presentation - Dorset Council Workforce Data and People Strategy**

Following a request by the committee at a previous meeting, councillors received a presentation which covered Dorset Council workforce data and the People Strategy. The committee considered the issues arising from the presentation and during discussion, the following points were raised:

Workforce Data

- Staff turnover and sickness absence figures were noted
- 10% of posts in the establishment were vacant and it was noted that some vacant posts had been held while restructures were undertaken. The current tranche 2 was coming to an end
- A review of recruitment practice had been undertaken
- The Dorset Council website was the main location for council job vacancies, although it was noticed that a lower level of recruitment was currently taking place
- As at the end of September 2019, the headcount for Dorset Council was 4669 (3665 Full time equivalents)
- A discussion was held with regard to sickness levels and in particular the level of long-term sickness and the strategies that were in place to deal with these issues
- A comment was made with regard to stress related illness and issues around mental health in particular directorates and that there may be a need for a specific piece of Human Resources (HR) work within these directorates
- An overview of the issues being addressed through the Blueprint for Change consultation was provided including the need for manageable case loads for social workers
- Levels of staff morale in the council were considered and different views expressed. The council was looking to procure a system in order to survey staff in a more modern way
- The council operated a 'Business Partner' approach with each service area being allocated a senior HR contact. Workforce data was also available at directorate level
- A point was noted with regard to the need for the committee to receive information on a timely basis and particular reference was made to the position in Children's Services
- The Executive Director of Corporate Development responded to recognise the position and to reiterate that everything was being done to support Children's Services through the Blueprint for Change consultation
- The Chairman noted that he had been contacted by the South West Audit Partnership with regard to the timing for the committee receiving information and inviting any comments from councillors prior to him submitting his response
- Information from each directorate was included in the presentation and reference was made to 'knowledge management' and how information could be retained or transferred with people leaving the

- council. Particular reference was made to information from the Business Insight and Corporate Communications area
- A point was raised as to how Dorset Council held and shared information and it was understood that some work was being undertaken in this area. It was noted that a councillor workshop on the Dorset Council transformation programmes was being held on 10 January 2020 and it was suggested that councillors attend this session and following this, the committee could give further consideration to whether any further work was required in this area
 - The Portfolio Holder for Children, Education and Early Help provided reassurance that a significant amount of work had been undertaken in areas such as sickness levels which had seen a reduction in levels. Reference was also made to successful management arrangements in the Children's Advice and Duty Service (CHAD) and a recent Ofsted visit which have shown that the council was classified as 'requiring improvement on the way to Good'
 - Staff were recognised as a key asset for the council.

Dorset Council's People Strategy

- The Deputy Leader and Portfolio Holder for Corporate Development and Change introduced the Dorset Council People Strategy. Any minor changes arising from discussion at the meeting could be incorporated into the document, with any fundamental changes, if required, being reported back to Cabinet. The Deputy Leader expressed his thanks to staff for their work in this area and noted that the strategy had been put together with engagement with management, trade unions and the workforce
- In response to an earlier point, it was noted that training had been made available for managers on recognising mental health issues in the work place
- A discussion was held with regard to opportunities for young people and reference was made to work to be developed by the Rotary Club which could link in with the council and work on apprenticeships being undertaken by the council
- A point was noted that opportunities for children would be considered including those for the council's looked after children
- In response to a question, it was noted that there was a very detailed equality impact assessment for the People Strategy and an inclusion and diversity policy would be produced
- A point was raised with regard to external accreditation for the People Strategy and whether this was something the council should pursue
- Examples of areas available to assist with the employee journey were provided
- There would be a role for councillors in this area including the appointment of a councillor champion for mental health issues and the involvement of councillors in new employee induction events

- Although not specifically included within the presentation, it was noted that the council had a zero tolerance policy on bullying
- A point was raised that a goal of the People Strategy, 'Creating a positive workplace culture' had not been covered in the presentation, although it was noted that this could be recognised as an outcome of success in the other goals (becoming an employer of choice, developing our people, engaging our people, supporting our people and rewarding & recognising performance)
- Further points were raised with regard to the need to include reference in the strategy to listening to people, rewarding and recognising good or high performance and encouraging people to share information
- A comment was made that the presentation did not cover support provided, including training available, to staff in respect of domestic violence and abuse, and that this should be covered within the strategy
- A concern was raised that the strategy did not include councillors and that this should be addressed. Reference was also made to the councillor officer protocol and a comment made that the protocol should be enhanced for the council. A piece of work could be undertaken with the Democratic Services Team in terms of the support available for councillors.

The Deputy Leader noted the following action points following discussion at the meeting:

- Review of Officer/Member Protocol in the Constitution
- Greater visibility of zero tolerance approach to bullying within the strategy
- A need to focus on knowledge sharing and corporate memory
- The council to demonstrate that it is a listening organisation
- An emphasis on rewarding good performance
- Reference to support provided to staff in respect of domestic violence and abuse including supporting managers to be able to identify issues
- A note that the employee forum is open to all staff
- Consideration of the point that the goal 'Creating a positive workplace culture' had not been covered in the presentation, although it was noted that this could be recognised as an outcome of success in the other goals
- An update following consideration of the above issues to be provided to the Chairman of the Audit and Governance Committee.

The Chairman thanked the Deputy Leader and officers for the presentation and discussion.

The Chairman made reference to occasions when the remit of an issue may cover more than one committee and it was noted that there may be a need for joint meetings in future in respect of particular items.

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

The committee received a presentation from the Executive Director of Place, which set out the preparations being undertaken by Dorset Council in respect of EU Exit. The update covered the work that had been undertaken by the council and noted that an extension for EU Exit had been granted until 31 January 2020.

It was reported that in line with the Ministry of Housing, Communities and Local Government's approach, the Strategic and Tactical Groups set up by the council had been paused. All structures in this area would be reconvened in January 2020.

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

- In response to a question the Executive Director confirmed that scenarios would be prepared for from the emergency control centre based at County Hall. Desktop exercises were undertaken and the Executive Director was confident that the council had the resilience to deal with events, including where there may be more than one incident
- Work had begun on the issues around recovery following response, which had included discussion with Bournemouth, Christchurch and Poole Council on areas such as support for economic development
- Close work was undertaken with the Police around social unrest issues, which was an area led by the Police, supported by the council
- A discussion was held with regard to the EU Settlement Scheme and it was noted that the Home Office had confirmed the current scheme would be open until at least 31 December 2020. Relevant people could be advised to register under the scheme if required and it was noted that Citizens Advice could assist people to register
- The Chairman asked that a further update be provided at an appropriate time.

46. Treasury Management 2019/20 Mid-Year Update

The committee received and considered a report which summarised the treasury management performance and position information for Dorset Council for the financial year to 30 September 2019. A training session was to be run for all councillors, provided by officers and advisers, to further explain the responsibilities that councillors had in relation to treasury management.

Councillors considered the contents of the report and during discussion, the following points were raised:

- Reference was made to a loan from BAE Systems, set out in appendix 2 of the report and points noted with regard to potential public concern with ethical borrowing issues and the ability to repay

the loan early if required. In response, the Service Manager for Treasury and Investments provided background to the specific loan and noted that the loan had consolidated a number of previous loans. There would be a premium in order to repay early. It was noted that a number of the loans listed were loans taken out by the former Dorset County Council and that they would have been taken out in accordance with the strategy of the former council

- In response to a question, it was noted that there was an active market in inter-authority lending for short term borrowing
- A lot of borrowing was based on the strategy of the former Dorset County Council
- The council would aim to have variances in the maturity dates for loans in order to mitigate in case of a sudden increase in interest rates.

47. Audit and Governance Committee Work Programme

Councillors reviewed the Audit and Governance Committee work programme and items expected at forthcoming meetings. It was noted that the External Audit Plan would now be presented to the meeting on 16 January 2020.

At the next meeting on 3 December 2019, the committee would be considering the Financial Report for Quarter 2 2019/20. The committee requested that the Executive Director of People – Children be invited to the meeting as it was noted that there was a 13% overspend on budget in this area for the first 6 months of the financial year (as set out in the finance report considered at Cabinet on 5 November 2019) and councillors would like the opportunity to have a discussion on progress being made in this area.

The committee also requested a further update on Dorset Council preparations in respect of EU Exit at their meeting on 16 January 2020.

48. Exempt Business

There was no exempt business.

Duration of meeting: 10.00 am - 1.02 pm

Chairman

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Date of Meeting: 3 December 2019

Lead Member: Cllr Matt Hall – Chair, Audit & Governance Committee

Local Member(s): N/A

Lead Officer: Aidan Dunn

Executive Summary:

Dorset Council's governance arrangements involve review of the quarterly financial management reports by the Audit & Governance Committee after they have been received by Cabinet.

This report covers the Qtr2 report that was presented to Cabinet on 5 November 2019.

The Cabinet report is attached as Appendix 1. Members may also wish to refer to minutes of the Cabinet meeting for further information regarding the discussion of the report.

Equalities Impact Assessment:

This report does not deal with any new strategies or policies that would trigger an impact assessment.

Budget:

The report sets out a forecast overspend of £8.2m on Council budgets plus a further predicted overspend of £6.5m on the Dedicated Schools Grant.

The narrative around key variances is set out in the Cabinet paper and is therefore not repeated here.

Risk Assessment:

Current Risk: HIGH

Residual Risk: HIGH

Any overspend in 2019/20 will impact on the Council's general funds and/or reserves.

As well as any overspend in-year, the Council will need to take account of any continuing cost or volume pressures when setting the budget strategy for 2020/21 and in the development of the Medium-Term Financial Plan (MTFP).

Climate implications:

N/A

Other Implications:

N/A

Recommendation:

It is recommended that the Committee:

1. note the predicted overspend at the end of the second quarter and the change since Qtr1;
2. discuss and agree what courses of action the Committee wishes to pursue in light of the forecast overspend.

Reason for Recommendation:

Amongst other things, the Committee's terms of reference refer to "the Council's risk management framework including the internal control environment, integrity of financial reporting and governance arrangements".

Audit & Governance Committee has already received the Qtr1 Cabinet report and has also, independently of Cabinet, received presentations covering transformation plans in Children's Services and Adults' Services and on the Dedicated Schools Grant and schools financing.

Effective financial management is a cornerstone of this responsibility.

Appendices:

Cabinet Qtr2 Finance report 5 November 2019

Background Papers:**Officer Contact:**

Name: Jim McManus

Tel: 01305 221235

Email: jim.mcmanus@dorsetcouncil.gov.uk



Date of Meeting: 5 November 2019

Lead Member: Cllr Tony Ferrari – Lead Member for finance, commercial and assets

Local Member(s): N/A

Lead Officer: Aidan Dunn

Executive Summary:

This report updates the Cabinet on Dorset Council's financial performance, position and forecasts at the end of the second quarter of the financial year.

Members will recall the forecast reported at Q1 was an overspend of £7.1m for Council revenue budgets and £5.5m for the schools' budget. This has deteriorated to £8.2m and £6.5m respectively.

This report provides the context for the movements in the forecast and sets out how the development of the medium-term financial plan (MTFP) is affected.

At Qtr1, Cabinet took the view that the projected overspend could be managed using general reserves without exposing the Council to unnecessary financial risk over the longer term and this continues to be the case. With the position moving on since then, this report gives the Cabinet another opportunity to review the situation, take stock of action in hand to manage in-year pressures and consider strategy and transformation plans needed to address the Council's longer-term sustainability over the MTFP period.

This level of overspend would create financial risk in the medium term. Cabinet should note the work that is in progress:

- a) work on the new staffing structures to achieve the planned savings is concluding in Qtr3;
- b) a finance team led review on the budget is concluding and will feed into the 2020/21 MTFP;
- c) implementation of the Children's Services and Adults' Services improvement plans to improve services whilst reducing costs;
- d) a focus on developing an organisation-wide transformation plan for 2020-24;
- e) focus sessions on better procurement and contract management continue and will have a specific focus on opportunities for 2020/21;
- f) a strategic review of the Council's property assets has commenced;
- g) a transformation fund has been established to invest in transformation which will deliver revenue savings;
- h) a capital budget prioritisation process is also being established and the new capital programme will also focus on spending which has a beneficial impact

on the revenue budget.

Equalities Impact Assessment:

This report does not deal with any new strategy or policy issues that would trigger the need for an impact assessment.

Budget:

Financial information is set out in this report.

Risk Assessment:

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: HIGH

Residual Risk: HIGH

There is still material risk around some of the savings plans incorporated into the 2019/20 budget, especially concerning activities driving spend in Children's Services, Adult Services social care budgets and the High Needs Block (HNB) of the Dedicated Schools Grant (DSG).

There is still risk around convergence savings being delivered from reorganisation although an update on work that has concluded and actual savings that have been delivered is provided here.

Climate implications:

N/A

Other Implications:

Recommendation:

Cabinet is asked to:

1. note the Senior Leadership Team's forecast for Dorset Council's position at the end of Qtr2 and the movement since Qtr1;
2. comment on the continuing actions to improve the position during the year;
3. suggest further actions needed to bring down spend during the year;
4. note the impact that any overspend will have on reserves and the general fund;
5. note the update to the MTFP following the Spending Review and the work in progress to develop a sustainable base budget for 2020/21 and beyond.

Reason for Recommendation:

Cabinet reviews the forecast quarterly to ensure any risks to the in-year position

are appropriately addressed and the impact on the MTFP and longer-term position is understood.

Appendices:

1. Summary of LAC external placements and foster care placements;
2. Summary of costs of care packages for adults.

Background Papers:

Budget paper 2019/20 approved by Shadow Council 20 Feb 2019

Qtr1 Cabinet report

Officer Contact:

Name: Jim McManus

Tel: 01305 221235

Email: jim.mcmanus@dorsetcouncil.gov.uk

1. Introduction

- 1.1 The Qtr1 report for Cabinet set out details of the context underpinning the setting of the 2019/20 budget. The report highlighted a forecast overspend of £7.1m on the Council's own budgets, plus an estimated overspend on Schools' budgets of £5.5m.
- 1.2 In reviewing the Qtr1 report, the Cabinet confirmed that the council plans to treat 2019/20 as a transitional year of consolidation, to release the savings from bringing the councils together, whilst developing medium and long-term service and financial plans. This work continues and further updates are set out elsewhere in this report and in other reports to the Cabinet covering the corporate plan and transformation priorities.

2. Forecast v budget

- 2.1 At the end of Qtr2, the council is forecasting an overall overspend of £8.2m on its own budgets and a further £6.5m on Schools' budgets. These figures compare with predicted overspends of £7.1m and £5.5m respectively at Qtr1.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend		Qtr 1 forecast	Change v Qtr 1
	£k	£k	£k	%	£k	£k
People - Adults	112,091	117,087	(4,996)	(4.46%)	(2,422)	(2,574)
People - Children's	65,855	74,415	(8,560)	(13.00%)	(6,912)	(1,648)
Place	66,067	66,888	(821)	(1.24%)	(346)	(475)
Corporate Development	29,028	28,653	375	1.29%	(156)	531
Legal & Democratic	7,213	7,349	(137)	(1.89%)	(42)	(95)
Public Health	0	0	0	0.00%	0	0
Total Service Budgets	280,254	294,393	(14,139)	(5.04%)	(9,879)	(4,260)
Central Finance	(281,126)	(287,110)	5,984	(2.13%)	2,775	3,209
Whole Authority	(871)	7,283	(8,155)	(935.79%)	(7,104)	(1,051)

3. Analysis by Directorate

People Services – Adults & Housing

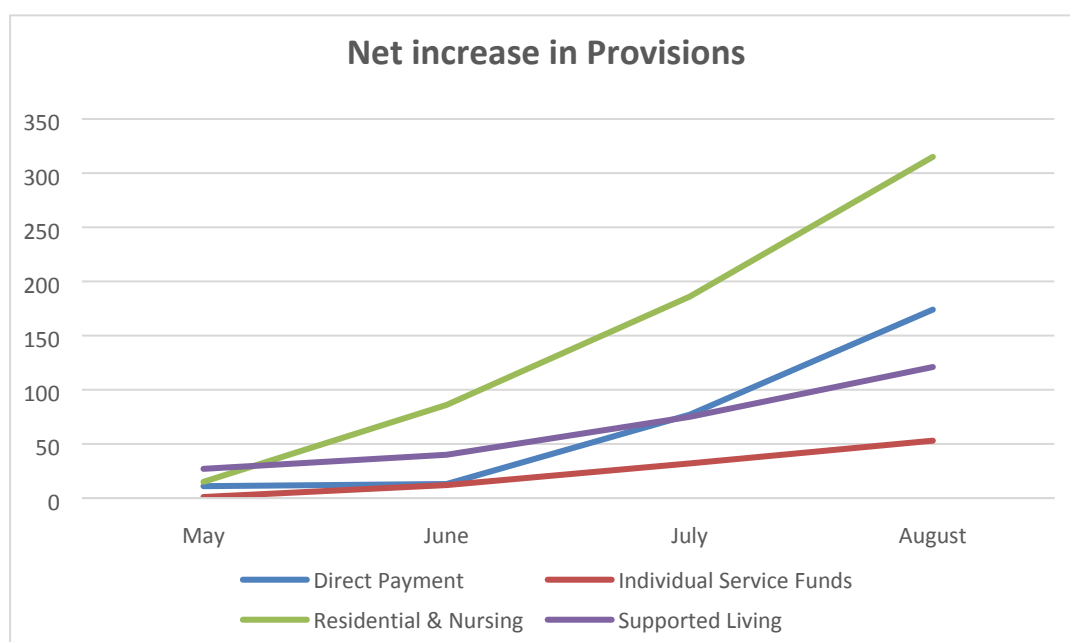
Executive Director Mathew Kendall; Cabinet Members Laura Miller, Graham Carr-Jones

3.1 The People Services - Adults budget is projected to overspend by £5m (4.46%). The Qtr1 forecast was an overspend of £2.4m.

People Services - Adults	Net Budget	Forecast	Forecast (Overspend)/		Qtr 1	Change v Qtr 1
	£k	Outturn	Underspend	%	forecast	£k
Adult Care Packages	87,773	92,052	(4,279)	(4.87%)	(2,021)	(2,257)
Adult Care	12,743	12,951	(208)	(1.63%)	(208)	0
Commissioning	4,645	5,249	(604)	(12.99%)	(558)	(46)
Director's Office	3,452	3,437	15	0.43%	(15)	30
Housing Services	3,478	3,399	79	2.28%	380	(301)
Total Directorate Budget	112,091	117,087	(4,996)	(4.46%)	(2,422)	(2,574)

3.2 The 19/20 financial year saw the Directorate start from a position of a £1.85m overspend. This was caused by an unaddressed base budget deficit of £0.7m brought forward from 2018/19, £0.8m worth of individual Christchurch cases passed back to Dorset Council and £0.3m loss due to a delay in the implementation of the Fairer Contribution proposals. Additional in year increases equate to a further £2.4m. Key contributors to this increase are inflation (£1.1m) and increasing service users (£0.7m). To understand specific issues and take relevant action, focused work takes place in the localities to identify areas of pressure in key budget lines. Teams from performance, commissioning and finance work together to ensure there is an understanding of the cost pressures across the whole system.

3.3 The Adult Care Packages budget is forecast to be overspent by £4.3m (4.9%), an increase of £2.3m since Qtr1. The Council is experiencing increasing demand for these services alongside increasing prices and acuity. The table below shows the net increase in individual packages of care, both long and short term, since April:



- 3.4 Appendix 2 has two graphs: one showing forecast spend v current budget by Primary Support Reason (PSR); and the second showing forecast spend v budget by care setting. These show that the largest areas of spend in terms of PSR is for Physical Support (£48.9m) followed by Learning Disability. Those people with Learning Disabilities tend to be of working age (18-64). In terms of setting, most is spent on residential care (£40m+) with the second highest being Domiciliary Care (£18m+). The second graph shows a forecast overspend in nursing reflecting the increased acuity and consequent need for nursing and dementia beds.
- 3.5 The Council is facing continuing demand from self-funders in residential care whose assets fall below £23,350 thus making them eligible for local authority funding. In the majority of these circumstances, individuals have usually agreed a placement cost that is significantly higher than the council expects to pay under its usual contractual arrangements. Ongoing work to manage this is taking place through developing improved advice and guidance for self-funders and by increasing provider sign-up to the Dorset Care Framework which places specific responsibilities upon providers through its contractual terms and conditions.
- 3.6 The Adults Project Management Office and other key partners including Health are working together looking at the flow and demand for services. This will ensure the customer journey is streamlined, reducing handoffs and ensuring people get the right information, advice and support at the earliest point of contact.
- 3.7 The Directorate has introduced a strengths-based approach training programme. A strengths-based in approach improves outcomes for people, enabling them to source solutions that are not council led. It is expected this approach will reduce over time in the demand and volume of packages of care and support. A good example of this is the tech-based offer that will change the support to that of a digital solution instead of traditional care and support services.
- 3.8 Work has begun with Tricuro to redesign the reablement offer for Dorset that enables shorter term interventions promoting greater independence and less reliance on tradition longer term care services.
- 3.9 The Adult Care budget (essentially staffing and joint working) is currently forecast to overspend by £208k, principally on staffing. The process for recruiting social care practitioners has been redesigned to a centralised system and along with some innovative recruitment methods, such as 'try before you apply', this has meant professional positions have been filled more successfully, reducing agency social work spend. There remain some key dedicated roles in place that are expected to end by the end of March 2020.

- 3.10 The Commissioning area is forecast to overspend by £604k, a slight deterioration since Qtr1. The majority of the overspend is driven by the increased projections on the Integrated Community Equipment Service (ICES) pooled budget and the Dorset Accessible Homes Service (DAHS) contract.
- 3.11 Housing Services are forecasting an underspend of £79k. Although this is a deterioration of the reported position, it is principally the result of consolidating the budgets from former districts, rather than anything causing a negative impact on the service. There may be a positive impact on the budget as a result of budgeting for Housing specific grants within the overall revenue budget. This is a change in accounting treatment from that used by predecessor authorities. The full effect will be understood as the detailed budgets are worked through.
- 3.12 The overall savings target for the Directorate for 2019/20 is £5m. The forecast currently assumes that all bar £250k from the Fairer Contributions initiative will be delivered. It is now clear that the £500k assumed for a saving from the Tricuro contract will not now materialise. This is not reflected in the current forecast although it will be from Qtr3.

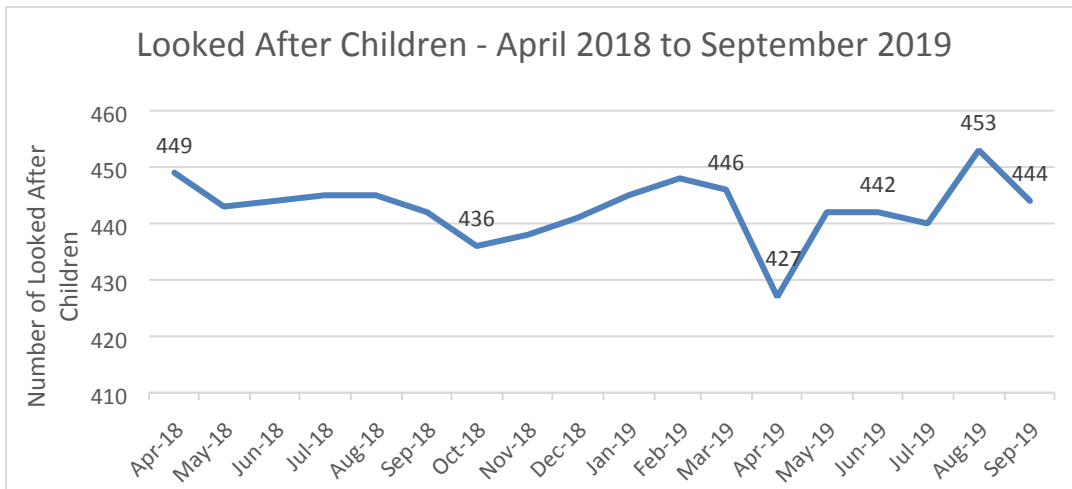
People Services – Children

Executive Director Sarah Parker; Cabinet Member Andrew Parry

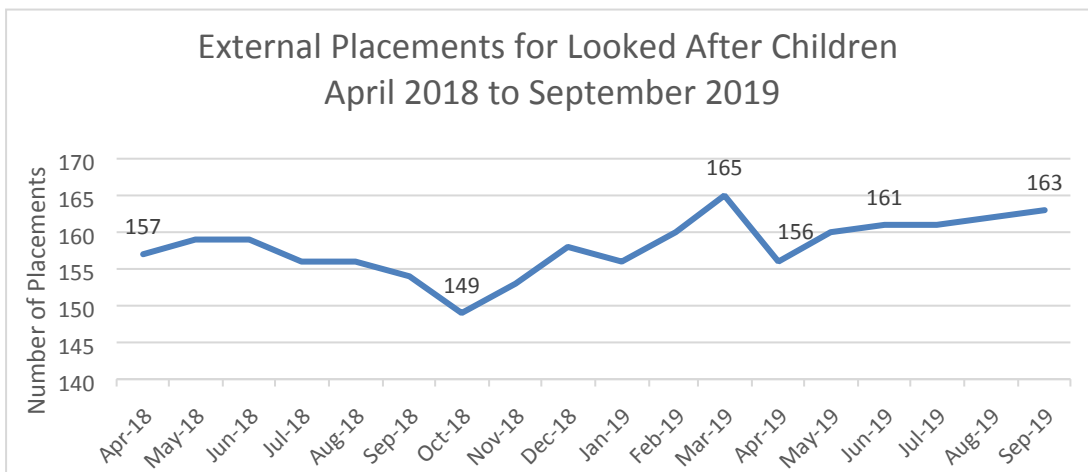
- 3.13 The People – Children’s Services revenue budget is projected to overspend by £8.6m (13.21%). The Qtr1 forecast was an overspend of £6.9m.
- 3.14 The Dedicated Schools Grant (DSG) is forecast to overspend by £6.5m. At Qtr1 the overspend was predicted as £5.5m.

People Services - Children	Net Budget £k	Forecast Outturn £k	Forecast (Overspend)/ Underspend		Qtr 1 forecast £k	Change v Qtr 1 £k
			£k	%		
Care and Protection	39,522	46,681	(7,160)	(18.12%)	(5,545)	(1,614)
Commissioning and Partnerships	9,007	8,767	240	2.67%	101	139
Director's Services	3,538	4,651	(1,113)	(31.47%)	(807)	(306)
Education and Learning	12,731	13,258	(528)	(4.15%)	(661)	134
Total Directorate Budget	64,797	73,357	(8,560)	(13.21%)	(6,912)	(1,648)
Dedicated Schools Grant budgets	871	7,348	(6,476)	(743.21%)	(5,514)	(963)

- 3.15 The Children’s revenue budget was set with an increase of £9.9m on the 2018/19 base budget inherited from Dorset County Council.
- 3.16 The Care and Protection Service is responsible for children’s social care in Dorset. Following the transfer of 33 children to the Bournemouth, Christchurch and Poole Council on 1 April 2019, there were 413 Looked After Children in Dorset at the start of the financial year. At 30 September 2019 there are 444 Looked After Children; a net increase of 31 in the first six months.



3.17 Looked After Children live in a variety of settings sourced internally and externally, for example, residential care, foster care and independent accommodation. In the last 18 months an average of 36% of the Looked After Children placements have been sourced externally.



3.18 On 1 April 2019 15 children in external placements were transferred to Bournemouth Christchurch and Poole Council, leaving 150 Dorset children in these placements at the start of the financial year. At 30 September 2019 there are 163 children with external providers; a net increase of 13 in the first six months. The current cohort of 163 children are forecast to overspend the external placements budget by £7.2m.

3.19 Residential care placements are mainly required for adolescents that are highly vulnerable or that might present a danger to themselves or others. Gross costs range between £2,800 and £8,000 per week. There has been a net increase of 11 residential placements in the first six months of 2019/20.

3.20 There are 198 children placed with in-house foster carers and this is below the budgeted placement level for 2019/20. The recruitment and retention of foster carers continues to be a priority for the service. The forecast underspend on the in-house Fostering budget will offset budget pressures in other areas, for example Community Resource Workers and Independent Living arrangements for Looked After Children.

3.21 The Commissioning & Partnerships and Director's Services budgets are forecast to underspend £0.2m.

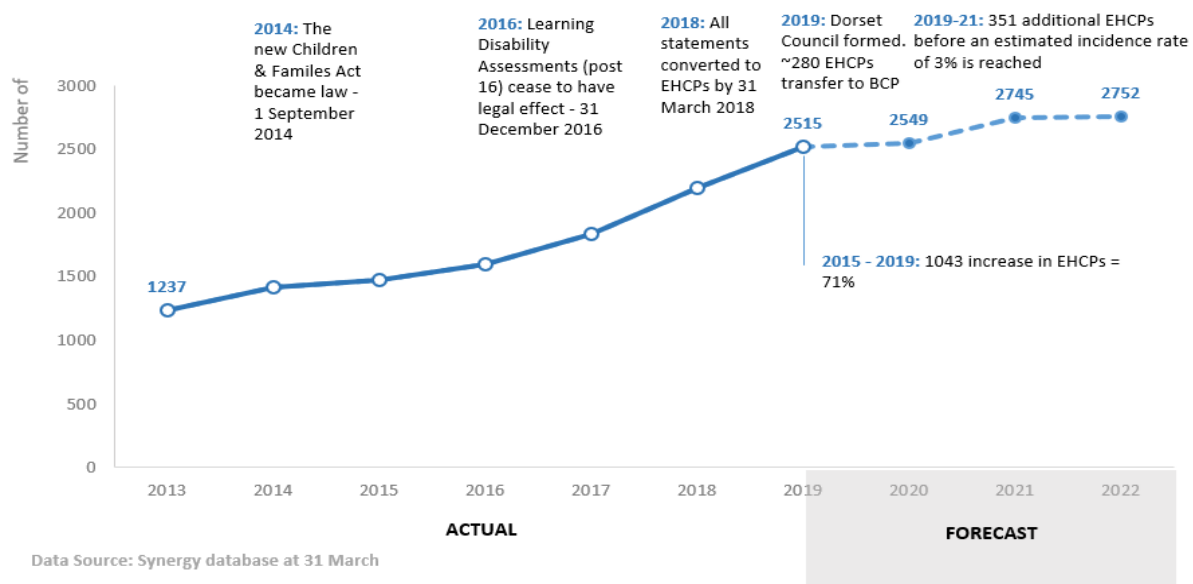
3.22 The Education and Learning service comprises areas funded from Dorset Council revenue budgets and the (DSG). This area provides:

- Educational services to schools including early years and post 16 settings.
- Traded / trading services including the Dorset Music Service and Governor Support services.
- Sufficiency and School Organisation including school admissions, SEN Transport and early years funding.
- SEND (Special Education Needs and Disabilities) Services 0-25 including specialist teaching services, SEN Assessment team and Educational Psychology.

3.23 The major issues impacting Education and Learning are:

- Rising numbers of children and young people with SEND requiring an Education, Health and Care Plan (EHCP). This causes pressure on the statutory services that administer EHCPs and the EHCP process – DC revenue funded - plus the demand-led SEN Transport. This also drives demand for services and education provisions, for example high cost placements, funded from the HNB, part of the DSG. The graph shows the increase in EHCPs since the introduction of the Children and Families Act in 2014.
- School funding decreasing and the increase in academy conversions (>50% of schools will be academies by the end of the 2019-20).

Number of Statements / EHCPs over time



3.24 The DSG is forecast to overspend by £6.5m. There is a further £1m of risk. The DSG deficit brought forward is £15.3m, and any overspend from this year will be added to that figure.

- 3.25 £0.476m of the risk is due to a decision to return this amount to maintained schools. This was a transfer from the Schools Block to the High Needs Block as part of the 2019/20 DSG budget setting process.
- 3.26 The remainder of the risk, just short of £1m, concerns EHCP growth being 176 EHCPs over the 351 budgeted increase level. Numbers of EHCPs being processed each month varies dramatically, and therefore even this forecast is subject to change, in addition to which the education provision for the child or young person and the associated cost is also variable. The table below shows recent numbers of requests for EHCPs by month:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Number of EHCP requests	41	53	54	53	66	56	99	27	32
Number of EHCP requests agreed to be assessed	67	35	64	68	69	67	62	75	31

- 3.27 The Dorset Council budgets within Education and Learning are forecast to overspend by just over £0.5m. This is primarily due to demand pressures on the alternative provision pupils, part of the SEN Transport budget.
- 3.28 In response, Children's Services are currently consulting on the Blueprint for Change strategy. There are also a number of initiatives being developed and implemented to control demand and manage costs. These include:
- development of a joint placement decision and review panel across both social care and education which will include reviews of all high cost placements, ensure those with significant health requirements are identified and passed to the CCG for continuing care or joint funding, identify move on plans for vulnerable children and review / challenge any packages of care where costs significantly increase. There will also be a focus on improving practice, ensuring that professional standards are maintained and that all staff receive high quality training and development opportunities.
 - As part of the Blueprint for Change project the directorate will be establishing an Adolescent service with an edge of care team, a residential hub, therapeutic foster carers, new front door arrangements, detached youth workers, 'pop up' targeted education provision and a multi-disciplinary locality model that promotes an early intervention model that seeks to reduce the numbers of children requiring formal care.
 - Development of a business intelligence tool to help us use the power of data and intelligence to target and inform provision by gathering insights to create a holistic understanding to enable us to target the right interventions for the right people at the right time. This will be designed to improve multi agency working within and outside the Council through an information portal and automated case notes. It will also highlight risk indicators that trigger crisis points allowing us to prevent outcomes from happening and intervene early. It will also help us allocate resources effectively across Council Services and achieve savings.

- Children’s Services are now fully involved in the Building Better Lives programme and will be using this to identify market shaping opportunities including the development of a residential hub, additional technology enabled general housing provision to enable greater numbers of disabled children to remain in their family home, development of key worker housing to ensure we create a local sustainable care workforce and increased numbers of supported lodgings for care leavers and young people transitioning to adulthood.
- 3.30 Whilst the actions above will only have a limited impact on the forecast overspend in 2019/20 it will enable the Council to greatly improve services in the future through targeted early interventions and improved service planning, reduce numbers of high cost out of county placements as well as increasing opportunities for effective in-County commissioning.

4. Dedicated Schools Grant consultation

- 4.1 On 11 October the Department for Education launched a consultation *clarifying the specific grant and ring-fenced status of the Dedicated Schools Grant*. Clearly this is only a consultation at this stage, but if the substance becomes Regulation, it will preclude Councils from supporting the DSG with local taxpayers’ funds without the specific approval of the Secretary of State.
- 4.2 This appears to be a welcome move if it does in fact reflect that HM Treasury is acknowledging that many councils are carrying deficit balances from accumulated DSG overspends and in effect financing the overspend themselves – particularly on the High Needs Block (HNB).
- 4.3 The consultation instead requires councils to carry forward any overspend to the future schools’ budget and work on a recovery plan, with the Schools’ Forum which will enable that deficit to be recovered over time (unspecified period in the consultation). Councils will not be required to fund the overspend themselves.
- 4.4 Whilst on its own this is potentially good news, the fact remains that the DSG will still be in deficit in 2020/21 (and probably beyond). There are no signs yet that the additional funding promised for the HNB in particular or the DSG in general will allow any possibility of repayment of the cumulative overspend in the immediate future.

Other budgets

- 4.5 Central/corporate budgets are forecast to be underspent by almost £6m as a relatively heavy contingency budget was set to potentially mitigate issues arising in other areas. This is being released as and when the Council is comfortable that no commitments will arise against it. There are further potentially further uncommitted funds in contingency, but we are unable to state at this stage that they will not be needed.
- 4.6 Convergence savings are held within central budgets until the restructure work is complete. £5.2m is anticipated in the 2019/20 budget and the council is making good progress with this work, having secured £3.9m of savings at

the end of tranche 1. The exact savings total – and calculation of the full-year-equivalent to include in the MTFP - will not be known until the end of tranche 2. An update will be included in the Qtr3 report.

- 4.7 The Council continues to progress savings from bringing together six predecessor authorities. Staff costs savings from tranche1 of the convergence process has secured savings of £3.9m in 2019/20. The full-year impact of this will be £5.6m in 2020/21. Savings from tranche 2 will be reported in the Qtr3 report. Other savings from convergence include insurance premiums, internal and external audit and subscriptions costs.

5. Capital programme, strategy and budget

- 5.1 The 2019/20 capital programme has two parts. The capital budget approved by Shadow Council was £65.3m and there was a further £37m carried forward from predecessor councils' capital programme slippage.
- 5.2 The finance team is currently working through the inherited projects to reforecast their likely impact on the current year. It is extremely unlikely that the full programme will be completed in-year. The Capital Strategy and Asset Management Group is also reviewing the current programme alongside the revised criteria being applied to 2020/21 capital programme bids to ensure all the work is still within the scope of the emerging corporate plan priorities.
- 5.3 There was no reliance on *new* capital receipts to finance the capital programme. Predecessor councils carried forward nearly £13.5m of capital receipts in reserves. £6.1m of this is supporting the inherited programme and £7.4m is being used flexibly to support the costs of transformation. Transformation costs above this figure will be funded from the current year's capital receipts or reserves.

6. Medium Term Financial Plan update

- 6.1 Work to develop the MTFP is progressing and a version of this was shared with Councillors at a corporate plan consultation session early in September. The plan has also been updated in light of the Chancellor's Spending Review announcement.
- 6.2 In summary, the Spending Review contained broadly positive news for the Council at headline level, with additional funding coming through in the form of social care grant and an extension to the social care precept. The technical consultation has been launched and whilst it provides a little more detail than the spending review, we still await final details which will be set out in the draft local government finance settlement in December. We also know that the implementation of further business rates retention and the fair funding review have been delayed until at least 2021/22.
- 6.3 Further work on the MTFP continues to inform the budget setting process.

7. Transformation and savings

- 7.1 Part of the process of bringing the Councils together was to review reserves, as reported in the Qtr1 paper. One outcome of this review was to enable £5m of funding to be released from reserves and establish this as a transformation fund.
- 7.2 The first draft of the MTFP will be reviewed by SLT at the end of October. In the meantime, a bidding process for transformation funds has been established with criteria including the need for all investment in transformation to have a significant, lasting and positive impact on the revenue budget.
- 7.3 Bids are currently being compiled and these will be reviewed by Councillors meeting as the Transformation Board in November. Successful bids will receive funding and will also have future budgets updated in the MTFP. Any residual budget gap at the end of the bidding process will still need to be closed through a more traditional and/or tactical approach to generating savings. Whatever the process involves, the Council is required to balance its budget.

8. Continuing risks

- 8.1 There are clearly still risks in the short and longer-term. In 2019/20, despite the movement since Qtr1, the Council is still sufficiently resilient to mitigate and manage these risks, through a combination of prudent use of reserves, management action and making in-year savings. The Qtr1 report acknowledged the risk to our ongoing, base position and some of that is reflected in the developing MTFP. The 2019/20 budget rebasing exercise is also concluding and will be an essential part of the MTFP.

9. Summary/conclusions

- 9.1 There is no doubt that 2019/20 is a challenging year but the Council remains confident that it has the resources available to overcome short-term pressures while it continues to refine the vision, strategies and operating model that will deliver the sustainable, dynamic and innovative organisation that Dorset's residents need.

Aidan Dunn

Executive Director, Corporate Development

Appendix 1

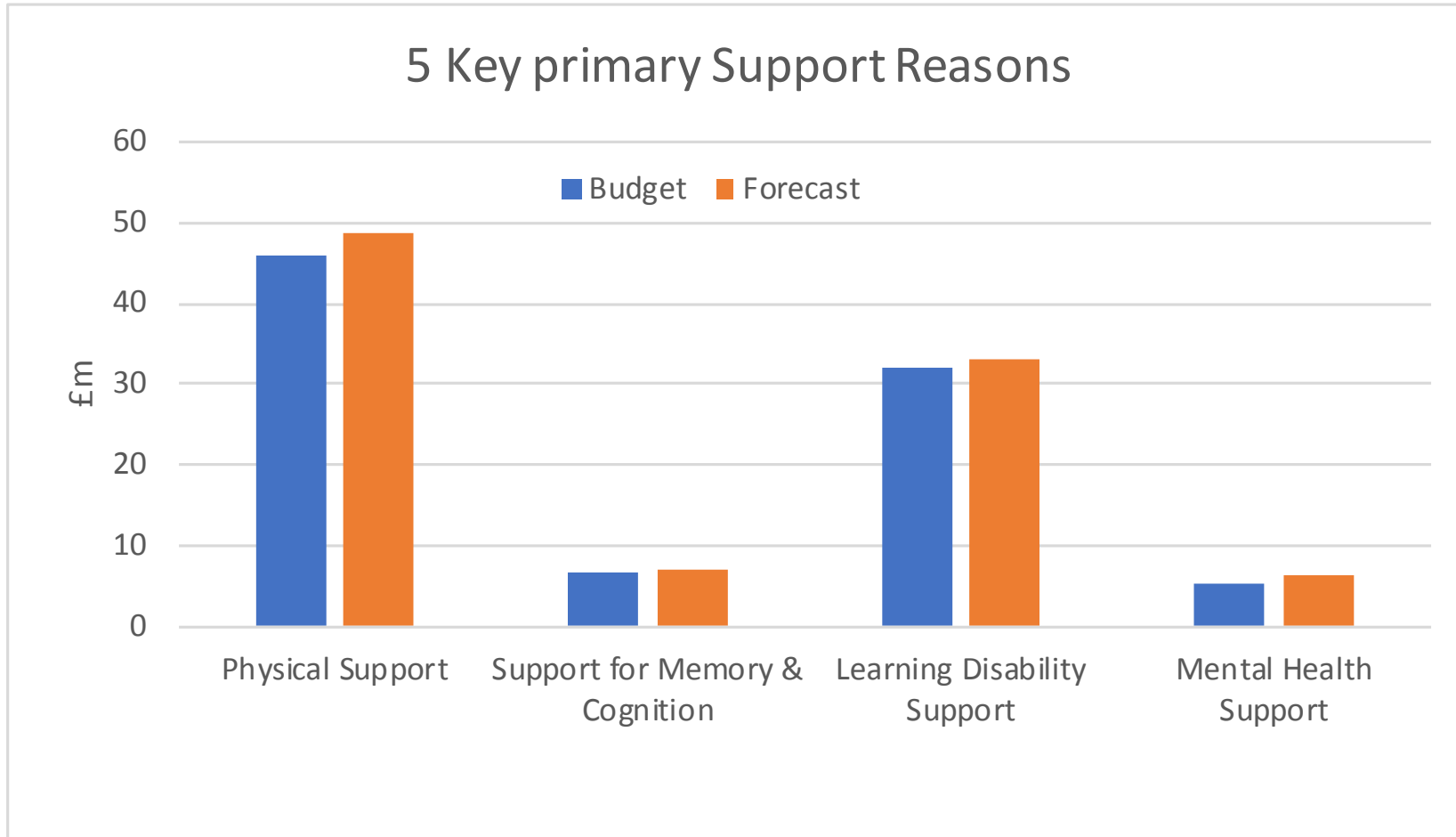
CHILDREN'S SERVICES - ADDITIONAL INFORMATION FOR MONTH 6 MONITORING External Placements Budget Set 2019-20 and Placements Position as at 30 September 2019

	Placement Numbers for Budget Set 2019/20			Placement Numbers as at 30 September 2019				
	Number of Placements	Budget 2019/20	Average Weekly Cost	Number of Placements	Forecast Position	Forecast Under/ (Overspend)	Average Weekly Cost	Current Weekly Cost
Independent Fostering Agencies	81	3,272,200	775	90	4,490,178	(1,217,978)	957	
Parent & Child (placement average 20 weeks)	3	100,000	1,667	2	77,769	22,231	>>>>	1,495/1,696
Residential Care	37	5,860,400	3,038	53	8,914,942	(3,054,542)	3,226	
Secure Accommodation	1	272,900	5,234	2	424,758	(151,858)	4,073	
High Cost Supported Accommodation	6	800,000	2,557	13	1,684,165	(884,165)	2,485	
Alternative Placements	0	0		3	1,901,380	(1,901,380)	12,156	
All Children	128	10,305,500		163	17,493,192	(7,187,692)		

Independent Fostering and Inhouse Fostering Budget Position as at 30 September 2019

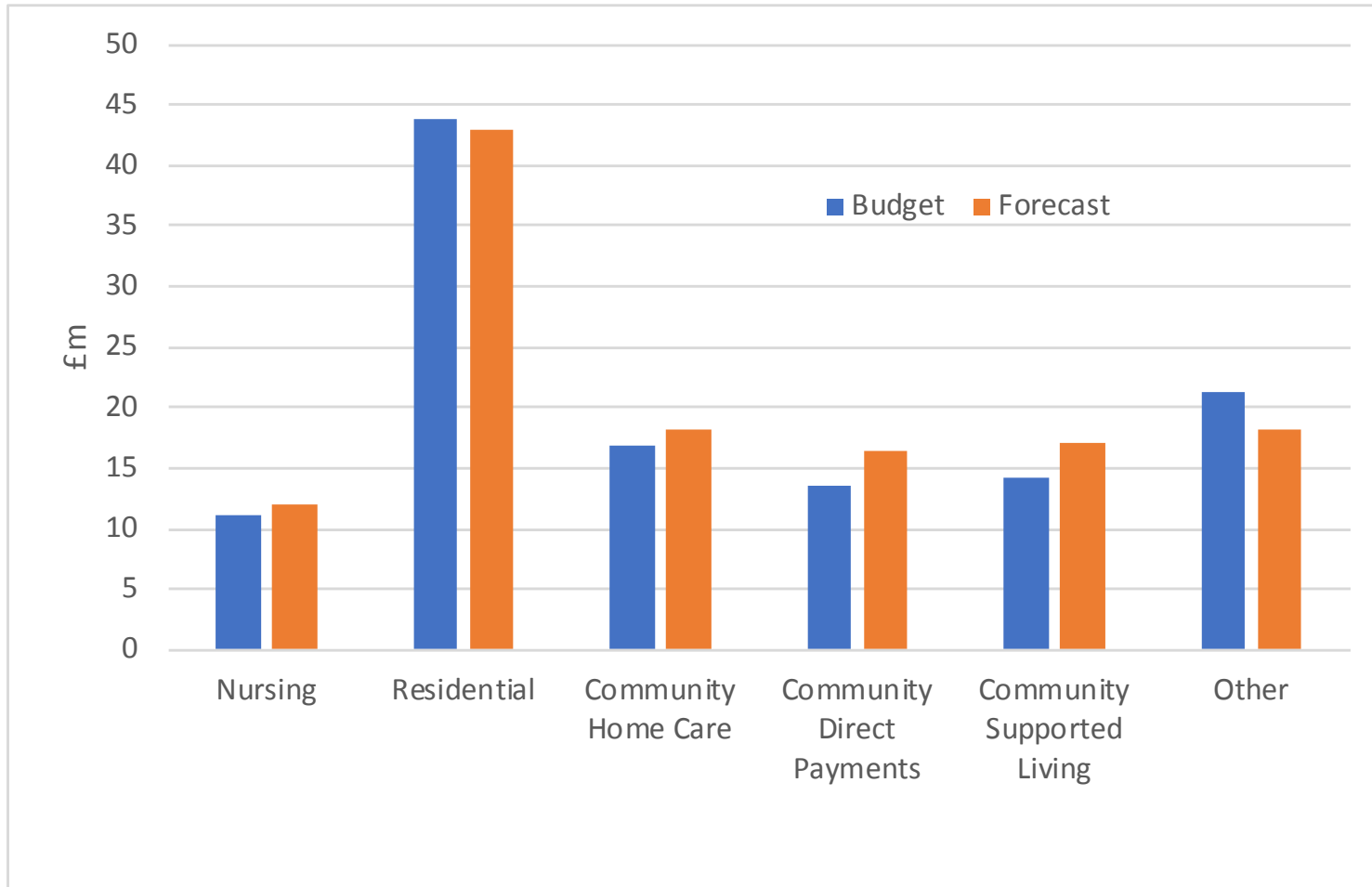
	Placement Numbers for Budget Set 2019/20			Placement Numbers as at 30 September 2019			
	Number of Placements	Budget	Average Weekly Cost	Number of Placements	Forecast Position	Forecast Under/ (Overspend)	Average Weekly Cost
Independent Fostering Agencies	81	3,272,200	775	90	4,490,178	(1,217,978)	957
In-house fostering	231	5,126,900	426	198	4,159,265	967,635	403
All Placements	312	8,399,100		288	8,649,443	(250,343)	

Adult Social Care current budget v forecast by Primary Support Reason



Appendix 2 (2)

Adult Social Care Current Budget v Forecast by Care Setting



Dorset Council

Report of Internal Audit Activity

Plan Progress 2019/20 – November 2019

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Agenda Item 7

Executive Summary

The Assistant Director is required to provide an annual opinion to support the Annual Governance Statement.

As part of our plan progress reports, we will provide an ongoing opinion to support the end of year annual opinion.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating previously identified significant risks by audit.

The contacts at SWAP in connection with this report are:

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Audit Opinion and Summary of Significant Risks

Audit Opinion:

Audit reviews completed to date, highlight that in the majority of areas, risks are reasonably well managed with the systems of internal control working effectively.

However, since the start of the financial year we have issued a number of Partial opinions on the areas and activities we have been auditing. In Appendix A on pages 7-10, we provide a summary of each partial opinion, in order to provide the committee with further insight.

When we undertake follow up audits, we would ideally hope to find all our recommendations implemented. However this is often not the case, and sometimes for good reason. We monitor and report to members the percentage of high priority (priority 1 and 2) recommendations that are not implemented at the time of our follow up audits, despite the implementation date having passed. The percentage outstanding is currently reasonably high; 75% (6 out of 8).

Where we feel that insufficient progress has been made towards implementing our recommendations, we will agree new implementation dates and schedule a further follow up review to ensure that progress has been made.

Significant Risks:

No Significant Corporate Risks have been identified as part of our 2019/20 audit work across Dorset Council to date.

Internal Audit Plan Progress 2019/20

The Chief Executive Officer for SWAP reports performance on a regular basis to the SWAP Directors and Owners Boards.



SWAP Performance

SWAP performance is subject to regular review by both the Directors and Owners meetings. The respective outturn performance results for Dorset Council for the 2019/20 year (as at 13 November 2019) are as follows:

Performance Target	Performance
<u>Audit Plan – Percentage Progress*</u>	
Completed	34%
Work at Report Stage	6%
Fieldwork	21%
Scoping	13%
Not yet Started	26%
* The above percentages are based on the full year's internal audit work plan – previously reported figures were based only on the six-month plan up to end September	
<u>Quality of Audit Work</u>	
Overall Client Satisfaction <i>(did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i>	100%
<u>Outcomes from Follow Up Audit Work</u>	
Percentage of Priority 1&2 recommendations for Partial assurance audits, that remain outstanding when the follow up audit is undertaken	75% (6 of 8)
Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	100%

Value Added

'Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.'



Value Added

SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

Some recent examples of added value are benchmarking exercises both within our own partner base and also our wider network of Internal Audit colleagues through the County Chief Auditors Network, along with surveys as follows:

- **Fostering** – As part of our review of Fostering we were asked to undertake a benchmarking exercise to identify alternative delivery models that are in place in other authorities. We had an excellent response to our request for information and were able to benchmark against 12 other Councils which indicated that the majority are still providing in-house fostering services with just 3 of the 12 delivering a fully out-sourced service. Further to the benchmarking exercise, a survey was undertaken across all current mainstream and connected persons foster carers. 71 responses were received from a total 171 which has provided the service with foster carers views and opinions on the approval process, the annual review process, support and training provided.
- **Adult Services Financial Assessments** – Again we were asked to undertake benchmarking as part of our audit work to identify staffing levels for assessment teams across other authorities. We were able to benchmark against four other Councils and this demonstrated that team size varied from 4.9 to 20 but in general most teams are not solely deployed on financial assessments but work on other service areas also.
- **To help ensure that Dorset Council was sufficiently prepared for the task of creating a new Information Communication Strategy**, SWAP conducted a survey across all Dorset Council employees (excluding schools). The purpose of this was to gauge their opinions on aspects of current internal communication and preferences. The Communications Team have used these results to formulate the new strategy.

Internal Audit Plan Progress 2019/20

Since April 2017 we have been providing formerly Dorset County Council and now Dorset Council with data on potential duplicate payments extracted from the Council's SAP system which is used to process payments. Our audit work has identified duplicate payments of £36,053 still to be recovered and from the beginning of Quarter 3 2018/19 it has been possible to identify duplicate payments that are solely attributable to SWAPs work (sometimes the duplicates we identify may have already been identified by the Council through their own processes). To date this has amounted to £18,633, although work is still ongoing within the Council to recover these overpayments.

Further to this, we are looking to expand our current regular data analytics work to develop a range of reports similar to the duplicate payment work detailed above that will enable Dorset Council to identify potential fraud and errors within their transaction base. We will keep the committee updated on this work as it progresses.

Approved Changes:

We keep our plans under regular review so as to ensure that we are auditing the right things at the right time



Changes to the Audit Plan

We will regularly re-visit and adjust our programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems and controls. Our 2019/20 audit plan also includes a small proportion of audit time still to be specifically allocated, in order that the plan can remain flexible to respond to new and emerging risks as and when they are identified.

Being a new Council, it has been difficult to accurately predict and align internal audit work with longer-term key organisational risks. Our approach to internal audit planning for 2019/20 has therefore also changed to reflect this. Instead of preparing a full twelve-month plan, we prepared a six-month 'Agile', work plan, containing key areas of coverage, to ensure that we are auditing the right areas at the right time. At the Audit Governance Committee on 17th September the second half year audit plan was approved, and work has commenced on delivering this plan.

As a result of being able to bring new work into the plan half-way through the year there have been fewer changes and amendments to the plan and there have been no proposed changes to our plan of work since our last update report. Full details of our current on-going work is detailed in Appendix B on page 11.

The role of SWAP as the internal auditors for Dorset Council is to provide independent assurance that the Council’s risk management, governance and internal control processes are operating effectively. In order for senior management and members to be able to appreciate the implications of the assurance provided within an audit report, SWAP provide an assurance opinion. We have four opinion ratings defined as follows:

Assurance Definitions	
None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

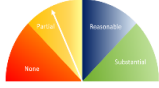
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In addition to the assurance definitions above we have also introduced an ‘assurance dial’ which indicates on a range of high medium or low where within the range of that assurance a particular audit assurance sits.

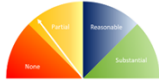


As can be seen in this example the assurance provided is low partial as the dial is sitting on the lower end of the partial scale. It could equally have been a medium partial assurance where the dial sits midway or high partial when it is sitting at the upper end close to the reasonable assurance.

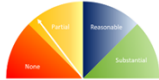
We provide the Committee with details of the overall assurance opinion for all completed audits and they can be seen in the plan progress table in Appendix B on page 12 below. The Committee have indicated that they would like additional insight into Partial audits that have a high number of recommendations and/or could be a cause for concern. We have therefore introduced a new section of our report which provides further information for members on the partial assurance audits completed to date. We have also included the position on the dial, so members are also able to gauge where the audit sits within the partial assurance range.

Audit	Scope and Objective	Opinion	No of Rec	1 =	↔	3 =
				Major		Minor
				Recommendation		
				1	2	3
Dorset Local Enterprise Partnership – Enterprise Zone	To review the current governance arrangements for the Enterprise Zone and to provide clarity to Dorset Council on its remit for governing the funds it holds on behalf of the Dorset Local Enterprise Partnership.	 <p>Medium Partial</p>	5	-	5	-
<p>Summary of Findings</p> <p>The governance structure of the Enterprise Zone Management Board (EZMB), which is a sub-group of the Dorset Local Enterprise Zone (DLEP) is confused. The formal documents that set out the governance structure include the DLEP Local Assurance Framework, the EZMB Terms of Reference (ToR), and the EZMB Memorandum of Understanding (MoU) but there are inconsistencies between these documents regarding the specific accountabilities, decision-making responsibilities and membership of the EZMB. This has resulted in confusion between key stakeholders as to where the decision-making responsibilities lie. A complete review of the governance structure of the EZMB should be carried out to provide clarity and all relevant documentation should be updated as a result.</p> <p>The role of the Dorset Council (DC) as the Accountable Body is clearly set out in the Local Assurance Framework to oversee the proper administration of financial affairs of the DLEP. DC fulfils this role, maintaining separate bank accounts for the DLEP funds but confusion appears to have arisen between the role of Accountable Body and the fact that DC is also the landowner. The governance review also needs to provide clarity regarding these two roles.</p> <p>This report was well received by the Executive Director for Place and there is a high level of confidence that the recommendations contained within the report will be implemented and we are starting a follow up audit to confirm these actions.</p>						

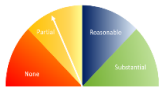
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Audit	Scope and Objective	Opinion	No of Rec	Recommendation		
				1 = Major	↔	3 = Minor
				1	2	3
Portesham School	To ensure that the School has adequate controls in place to safeguard against fraudulent or improper use of public money and assets.	 Low Partial	13	-	6	7
<p>Summary of Findings</p> <p>It is recognised that the school have experienced a period of instability. On return from a secondment the Headteacher reported concerns to the Governing Body over the financial management of the voluntary funds, through which income and expenditure relating to many school activities was being processed. The school managed their own investigation and members of staff involved at that time have now left.</p> <p>There are a large number of reimbursements to staff (121 from 1.4.18 to 29.4.19 totalling £12,952.76), where purchases have been made out of their own money, then receipts submitted for reimbursement. Significant errors have been identified with some of these reimbursement including errors in addition and overpayments. Placing orders in advance through the finance system and ordering goods from suppliers will improve control and ensure that budgets can be effectively monitored. The school was unable to locate supporting records for all of the payments selected for testing (8 out of 19 could not be located).</p> <p>Commitment was given to implement the recommendations and we will be undertaking a follow up audit shortly to confirm the actions.</p>						

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Audit	Scope and Objective	Opinion	No of Rec	1 =	↔	3 =
				Major		Minor
				Recommendation		
				1	2	3
Homes Dorset	To ensure the governance arrangements over Homes Dorset provide adequate oversight, effective decision making and sufficient levels of scrutiny both from the perspective of Homes Dorset and also Dorset Council as the owner and shareholder.	 Low Partial	10	3	4	3
<p>Summary of Findings</p> <p>The process that was followed in the formation of Homes Dorset Ltd included a number of errors and instances where approval was obtained retrospectively leading to a governance structure that is not as robust as it could be, resulting in Dorset Council as sole shareholder, not retaining a sufficient level of control over the operations of Homes Dorset. It is understood that the business plan, which was drawn up following the formation of the company, has never been presented to West Dorset District Council (WDDC) members prior to local government reorganisation (LGR), or to Dorset Council (DC) post LGR.</p> <p>Recommendations were made around the current Homes Dorset Ltd arrangement in order to strengthen controls including consideration of whether the company should continue in its present form. These recommendations were welcomed by the Executive Director for Place and the Corporate Director for Legal and Democratic. We will undertake a follow up audit in due course however a number of the recommendation implementation dates have not yet passed.</p>						

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Audit	Scope and Objective	Opinion	No of Rec	1 =	↔	3 =
				Major		Minor
				Recommendation		
				1	2	3
Policy Convergence	To provide assurance that Dorset Council has a robust plan in place to manage, prioritise and monitor the development, review, harmonisation and approval of all policies required for it to operate effectively, efficiency and legally following the Local Government Reorganisation in April 2019.	 Mid-Partial	6	-	4	2
<p>Summary of Findings</p> <p>As part of the legislation that brought the new Dorset Council into existence on 1st April 2019, the Government gave the Council until 31st March 2021 to adopt nine legally required policies. As of August 2019, one of these nine policies has been reviewed and adopted. Therefore, a body of work remains to harmonise, refresh and adopt the remaining eight policies by the prescribed deadline. Currently, a plan may not be in place for all eight of these remaining policies to help ensure they are implemented by the 31st March 2021.</p> <p>In addition to the above eight policies, a significant amount of work is still required to review and either adopt or decommission nearly 200 more policies that, whilst not required by law to be in place by a certain date, should be reviewed as soon as possible as a matter of best practice. There are currently no formal plans in place to manage and monitor the review and adoption of these policies to help ensure implementation by set deadlines. Almost all of these 200 policies will need to be considered and approved by Full Council or Cabinet. The current arrangements in place at approval stage will need to be reviewed in order to ensure they are adequate to mitigate the risk of potential ‘bottlenecks’ occurring at approval stage.</p> <p>As a result of there being no fully implemented staffing structure in place for Dorset Council, Policy Owners / Authors who would ultimately be responsible for ensuring the review and adoption of policies have yet to be assigned. Currently, Policy Owners have been assigned who may have already left the Council, are due to leave or have changed role.</p> <p>A standard policy template, including guidance on how to write a policy that meets legal requirements has been drafted, approved and communicated to relevant officers. However, no formal consideration has been given to ensuring that policies which are reviewed and adopted for Dorset Council are consistent with the agreed format, well written and in line with legislative requirements. In addition, whilst reviewing, adopting, harmonising or decommissioning policies is an important task, the Council should also consider whether further work is required in relation to other documentation not captured by the work undertaken on policies specifically, which may be equally as important (for example, procedural guidance etc.).</p>						

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At the conclusion of audit assignment work each review is awarded a “Control Assurance”, a summary of the assurance levels is as follows:

- Substantial – Well controlled and risks well managed.
- Reasonable – Adequately controlled and risks reasonably well managed.
- Partial – Systems require control improvements and some key risks are not well managed.
- None – Inadequately controlled and risks are not well managed

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
Completed Work								
Operational	Election Readiness	1	Final	Advice and Guidance	N/A			
Operational	Induction and Training of Elected Members	1	Final	Substantial	2	-	-	2
Operational	Dorset Local Enterprise Partnership – Enterprise Zone	1	Final	Partial	5	-	5	-
Grant Certification	Weymouth Port Health Authority – Annual Review	1	Final	Grant Certification	N/A			
Grant Certification	Dorset Gateway LEP	1	Final	Grant Certification	N/A			
Grant Certification	Troubled Families	1	Final	Grant Certification	N/A			
Follow up	Family Partnership Zones	1	Final	N/A	3	-	1	2
Operational	Mountjoy School	1	Final	Advice and Guidance	N/A			
Follow up	Deferred Payments (DCC)	1	Final	N/A	0	-	-	-
Follow up	Sickness Management (DCP)	1	Final	N/A	1	-	1	-
Follow up	Data Handling and Disposal (DCP)	1	Final	N/A	4	-	-	4

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
Follow up	Whistleblowing (DCC)	1	Final	N/A	7	-	4	3
Operational	Property Maintenance Framework	1	Final	Reasonable	3	-	1	2
Operational	Portesham School	1	Final	Partial	13	-	6	7
Operational	Recording of the new Dorset Council Budget	1	Final	Advice and Guidance	N/A			
Operational	Homes Dorset	1	Final	Partial	10	3	4	3
Operational	Property Asset Management	2	Final	Advice and Guidance				
Operational	Policy Convergence	2	Final	Partial	6	-	4	2
Follow up	Deprivation of Assets	2	Final	N/A				
Operational	GDPR Compliance	2	Final	Advice and Guidance	N/A			0
Operational	Financial Assessments	1	Final	Reasonable				
Operational	Communication with Staff	2	Final	Advice and Guidance				
Grant Certification	Christchurch Disabled Facilities Grant	3	Final	Grant Certification	N/A			
Grant Certification	Local Enterprise Partnership Interim Grant Review	3	Final	Grant Certification	N/A			

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Reporting



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Operational	Effectiveness of Social Care Practice	2	Draft					
Operational	Fostering Service	2	Draft					
Operational	Social Care Caseload Management	2	Draft					
Operational	Use of Pupil Premium for Looked after Children	2	Draft					
In Progress								
Operational	Deputyship for Service Users	1	Fieldwork					
Operational	Duplicate Payments	1-4	Ongoing					
Operational	NFI	1-4	Advice and Guidance					
Operational	Public Law Outline	2	Fieldwork					
Operational	IR35 Compliance	2	Fieldwork					
Operational	Capital Programme/budget	2	Fieldwork					
Operational	Budget Monitoring and Reporting to Officers & Members	2	Fieldwork					
Operational	Effectiveness and Implementation of EHCP's	2	Fieldwork					
Key Control	Key Control – Financial Reconciliations	2	Fieldwork					
Operational	Programme Management – Children's	2	Fieldwork					
Operational	Contract Compliance	2	Fieldwork					
Operational	Commercial Contract Management	2	Fieldwork					
Follow up	Further follow up of Whistleblowing	3	Fieldwork					

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Follow up	Dorset Local Enterprise Partnership – Enterprise Zone	3	Fieldwork					
Follow up	Portesham School	3	Fieldwork					
Scoping								
Operational	Risk Management	3	Scoping					
Operational	Disaggregation of Records to BCP	3	Scoping					
Operational	Preparations for 2020-21 budget	3	Scoping					
Operational	Review of Reserves	3	Scoping					
Operational	Corporate Performance	3	Scoping					
Operational/Schools	Use of Pupil Premium	3	Scoping					
Operational	Role of the Dorset Manager	3	Scoping					
Operational	Coroners' Service	3	Scoping					
Operational	Achievement of Savings Plans	3	Scoping					

A copy of the agreed first half year audit plan, including details of upcoming planned audit reviews can be seen at page 884 of the agenda report pack of the Audit and Governance Committee of 26th July 2019

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Audit & Governance Committee

Risk Management Update

Date of Meeting: 3 December 2019

Portfolio Holder: Cllr S Flower, Leader/Governance, Performance & Communications

Local Member(s): N/A

Director: Jonathan Mair, Corporate Director, Legal & Democratic

Executive Summary:

The continual development and promotion of risk management will ensure that the Council is well placed to demonstrate that objective and informed decisions are taken and that the Council is ultimately in a strong position to successfully face and address the challenges ahead.

Strategic risk management is owned by the Senior Leadership Team, with an agreed risk management policy statement setting out the Council's commitment. Work was undertaken with the leadership team and the Shadow Executive to determine the Council's risk appetite, and this informs the scoring criteria used to prioritise and escalate risks.

The initial corporate risk register is based on a mix of consolidated sovereign council registers and other exposures identified during the Shaping Dorset Council implementation programme. Executive / Corporate Directors are accountable for the top level strategic risks. Operational / service level risks meanwhile are owned by Heads of Service / Service Managers, with the performance of these informing the top level strategic risks. A summary of the corporate risks is identified at Appendix A, including a Management Response for all risks identified as High.

Since the last report to this Committee in September 2018, a risk profiling process has commenced with Heads of Service and Service Managers to identify the most significant risks within each service area. The output from this work will establish service level risk registers and ensure that the register properly reflects the risk profile of Dorset Council. This will in turn inform and challenge the content of the over arching corporate risk register. Once complete, future quarterly reports will include a management update on High service risks.

Work is also underway with the South West Audit Partnership (SWAP) to more fully align the risk management and internal audit processes. Owners of service risks will need to identify the key controls that mitigate risks and make a judgement on the effectiveness of these controls. SWAP will provide challenge and support to improving this control framework. Once the service risk registers are sufficiently developed, they will play a key role in the commissioning process for the audit plan.

Overview of risk management rests with the new Assurance function, which is looking to embed a culture of organisational learning from risk events that occur. The September report highlighted resources issues for the corporate risk function. A Risk and Resilience

Officer has now been recruited and will provide the necessary support to drive forward a proactive risk management approach, in conjunction with Accountable Officers and Risk Owners. Appendix B sets out the timeline for achieving an improved risk framework.

Equalities Impact Assessment:

There is no change in policy, or impact on equalities groups, associated with this report.

Budget:

No budget implications specifically, although unmanaged risks may pose a threat to the Council's financial stability. Identified risk improvement measures may also have direct budget implications, each of which need to be subject to a cost/benefit analysis prior to implementation.

Risk Assessment:

Having considered the risks associated with this decision using the Council's approved risk management methodology, the level of risk has been identified as:

Current Risk: HIGH
Residual Risk: HIGH

The risk level is identified as High as Appendix A provides an update on those High level risks which are currently identified within the Corporate Risk Register.

Climate implications:

"Failure to protect our environment and adapt services and communities to the impacts of a changing climate" is identified as one of the 20 corporate risk themes.

Other Implications:

Recommendation:

That Audit and Governance Committee:

- Note the key risks identified in the corporate risk register and the timeline for embedding the risk framework

Reason for Recommendation:

To ensure that the Council's risk management methodologies remain current, proportionate and effective in enabling risk informed decisions to be made.

Appendices:

Appendix A – Summary of Dorset Council corporate risks;

Appendix B – Timeline for embedding the Dorset Council risk framework;

Appendix C – Dorset Council Risk Scoring Matrix

Background Papers:

Officer Contact:

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APPENDIX A

Summary of Corporate Risks

Please note, corporate risks are informed by a more detailed schedule of service level risks. A Management Update is provided for High Risks.

Ref	Risk Description	Current Risk Level
CRR 01	Failure to adequately manage the financial position leads to an overspend which is untenable in the medium term	High
CRR 02	Loss of ICT service or data through a cyber attack	High
CRR 03	Failure to recruit, develop and retain the required workforce skills leads to an inability to deliver the Council's vision	High
CRR 04	Failure to safeguard personal information or the misuse of information leads to a breach of the General Data Protection Regulations	Medium
CRR 05	Failure to respond to a major event (internal or external) that could impact on the community, the environment and/or the delivery of critical Council services	Medium
CRR 06	A failure to understand and manage EU Exit implications on the Council results in a breach of statutory duty or service failure	Medium
CRR 07	Failure to provide adequate provision of infrastructure leads to inability to deliver the Council's vision	High
CRR 08	Failure to provide a good education to young people in Dorset	Medium
CRR 09	A failure to manage the service transformation process results in poor service outcomes and negative staff morale	Medium
CRR 10	Failure to manage the extent of staff changes and structural change results in a significant loss of corporate knowledge	Medium
CRR 11	Failure to protect our environment and adapt services and communities to the impacts of a changing climate	Medium
CRR 12	Failure of process, policy or procedure leads to a breach of statutory duty, litigation or cessation of critical service	Medium
CRR 13	Failure to protect the health, safety and wellbeing of staff, contractors or the public leads to significant financial and/or reputational damage	Medium
CRR 14	A safeguarding failure results in the harm or neglect of a vulnerable person	Medium
CRR 15	Failure to effectively commission services results in poor value for money, service failure or legal challenge	Medium
CRR 16	Failure to maintain an effective political and managerial interface leads to a breakdown in effectiveness	Medium
CRR 17	Major service failure associated with transport provision for schools	Medium
CRR 18	Failure to use sufficient and meaningful evidence leads to incorrect decisions	Medium
CRR 19	Failure to sustain an effective relationship with key partners results in a service delivery failure	Medium
CRR 20	Failure to successfully deliver an election impacts on the Council's reputation and incurs costs	Medium

High Risks (Exception Reporting):

Risk	Accountable Officer	Risk Level	Management Update
CRR01) Failure to adequately manage the financial position leads to an overspend which is untenable in the medium term	Executive Director (Corporate Development S151)	High	General Fund reserves of £28M are underpinning the current overspend, which is predominantly driven by the demand led services. Services are developing and implementing savings initiatives in the short term, whilst the Transformation plan is being developed to provide long term cost reductions and financial sustainability. The financial position is monitored on a monthly basis and reported quarterly to Cabinet.
CRR02) Loss of ICT service or data through a cyber attack	Executive Director (Corporate Development S151)	High	<p>Countermeasures for this risk can be split into 2 categories, Likelihood reduction and impact reduction.</p> <p>Likelihood reduction: User Awareness training and Phishing Simulation capabilities are under review in order to increase user awareness to phishing cyber-attacks. These types of attack account for up to 80% of all cyber security breaches (NCSC). These capabilities are expected to be in place in Jan 2020 and should provide a reduction in risk likelihood. Phishing simulation will allow the authority to assess the effectiveness of this training providing further assurance to the organisation.</p> <p>Impact Reduction: Planning has started to provide more consistent responses to cyber incidents, enabled by the Operations team in the ICT Structure. The planned changes will allow the organisation to react to a breach quickly which can drastically reduce the overall impact of the incident.</p> <p>Work is underway to implement the new DC password policy (likelihood reduction) and multifactor authentication capability (impact</p>

			reduction) and is expected to complete by the end of December.
CRR03) Failure to recruit, develop and retain the required workforce skills leads to an inability to deliver the Council's vision	Corporate Director for Human Resources & Organisational Development	High	<p>A presentation on Workforce was considered by the Committee at its October meeting. The Senior Leadership Team is monitoring workforce data on a monthly basis, with HR business partners reporting data to Directorate Leadership Teams to help understand performance and identify trends.</p> <p>The Council's People Strategy was released in November, which includes a delivery action plan.</p>
CRR07) Failure to provide adequate provision of infrastructure leads to inability to deliver the Council's vision	Executive Director for Place	High	Highways Infrastructure – Continued achievement of Band 3 status for the full allocation from the Department for Transport's Incentive Fund. Further submissions for central government funding will be made as and when the opportunities arise.

Timeline for Development of Dorset Council Risk Framework

Timeline	Actions
November 2019	<ul style="list-style-type: none">• Risk profiling of service risks;• Risk and Resilience Officer interviews (Completed)
December 2019	<ul style="list-style-type: none">• Analysis of risk profiling work;• South West Audit Partnership risk work with services (where required);
January 2020	<ul style="list-style-type: none">• Risk and Resilience Officer commences post;• Analysis of significant risks for inclusion within Annual Governance Statement;• Presentation of key service risks to Executive / Corporate Directors and Portfolio Holders
February 2020	<ul style="list-style-type: none">• Regular risk reporting commences for Directorates;• Discussions with SWAP re Service Risks informing the Audit Plan
March 2020	<ul style="list-style-type: none">• Presentation of Annual Governance Statement to Audit & Governance Committee;• Improved risk reporting to Audit and Governance Committee (Management Update on High Service Risks)
April 2020 onwards	<ul style="list-style-type: none">• Reassessment of Dorset Council Risk Appetite with Cabinet / SLT;• Revision of Dorset Council Risk Strategy

Dorset Council Risk Scoring Matrix

IMPACT (1 to 5)

Score	Financial	Legal / Compliance	Strategic	Safety, Wellbeing & Safeguarding	Reputation	Service Delivery
5	Over £1 million	Non-compliance with legislation or regulatory breach	Complete failure of a strategic priority	Fatality or life-changing injury / illness; Significant safeguarding breach	Complete failure in confidence (local or national)	Complete failure to deliver critical services (safeguarding; urgent statutory responsibilities etc)
4	£500k to £1 million	Significant regulatory impact	Major impact on a strategic priority	Major injury / illness; moderate safeguarding breach	Long term media attention (local or national)	Major impact on delivering critical services (safeguarding; urgent statutory responsibilities etc)
3	£300k to £500k	Moderate regulatory impact	Moderate impact on a strategic priority	Moderate injury / illness	Medium term negative impact on public memory	Serious disruption to less critical services
2	£100k to £300k	Minimal regulatory impact	Minor impact on a strategic priority	Injury or illness requiring minimal intervention / treatment	Short term negative impact on public memory	Minor disruption to services
1	£100k or less	No legal or regulatory impacts	Negligible impact on a strategic priority	No health and safety impact	Minor complaints or rumours	Negligible disruption to service delivery

LIKLIHOOD (1 to 5)

5	Almost Certain	Over 80% chance
4	Likely	61 – 80% chance
3	Possible	41 – 60% chance
2	Unlikely	21 – 40% chance
1	Rare	0 – 20% chance

Audit and Governance Committee Forward Plan

Date of Meeting	Item	Purpose / Key lines of Enquiry	Lead councillor / officer
3 December 2019			
	Financial Report Quarter 2 2019/20	To receive and scrutinise the Qtr2 finance report presented to Cabinet on 5 November 2019.	Portfolio Holder – Finance, Commercial & Assets Lead Officer - Executive Director - Corporate Development S151
	Internal Audit 2019/20 Plan Progress Report	To enable the committee to consider progress against the Internal Audit Plan. This will include reporting of and a focus upon the highest priority actions identified through the Plan previously approved by the committee.	Portfolio Holder - Leader of the Council Lead Officer - Corporate Director Legal & Democratic Service Monitoring Officer
	Risk Management update	To review and challenge the Council's corporate risk register, including the effectiveness of the controls identified to bring the level of risk down to an acceptable level.	Portfolio Holder - Leader of the Council Lead Officer - Service Manager for Assurance
	Constitutional Changes (if required)	To report to the committee on any changes made to the Constitution under powers delegated to the Monitoring Officer and to seek the views of the committee on any proposed changes requiring full Council approval (<i>note a review of the Constitution is to take place after the first twelve months of operation</i>).	Portfolio Holder - Leader of the Council Lead Officer - Corporate Director -Legal & Democratic Service Monitoring Officer

Date of Meeting	Item	Purpose / Key lines of Enquiry	Lead councillor / officer
16 January 2020			
	Asset Management & Disposal Governance Arrangements	To review the Council's emerging asset management and disposal governance arrangements.	Portfolio Holder - Finance, Commercial & Assets Lead officer - Executive Director - Corporate Development S151 & Executive Director - Place
	External Audit Plan	To receive the External Audit Plan.	External Audit
	Presentation – Dorset Council EU Exit Preparations	To receive a presentation from the Executive Director of Place with regard to preparations being made by Dorset Council in respect of EU Exit.	Portfolio Holder – Leader of Council Lead Officer – Executive Director - Place
Reserve - 11 February 2020			
24 March 2020			
	Financial Report	To receive and scrutinise the latest finance report as presented to Cabinet.	Portfolio Holder – Finance, Commercial & Assets Lead Officer - Executive Director - Corporate Development S151
	Internal Audit 2019/20 Plan Progress Report	To enable the committee to consider progress against the Internal Audit Plan for the second year half. This will include reporting of and a focus upon the highest priority actions identified through the Plan approved by the committee at its 17 September 2019 meeting.	Portfolio Holder - Leader of the Council Lead Officer - Corporate Director Legal & Democratic Service Monitoring Officer

Date of Meeting	Item	Purpose / Key lines of Enquiry	Lead councillor / officer
	Internal Audit Plan 2020/21 & Internal Audit Charter	To approve the proposed internal audit plan for 2020/21 (<i>note this will include consideration of whether to adopt a full year plan or to continue with two plans of six months duration as in 2019/20</i>). The plan brought to the committee for approval will have been discussed with both the Leader and SLT	Portfolio Holder - Leader of the Council Lead Officer - Corporate Director Legal & Democratic Service Monitoring Officer
	Risk Management update	To review and challenge the Council's corporate risk register, including the effectiveness of the controls identified to bring the level of risk down to an acceptable level.	Portfolio Holder - Leader of the Council Lead Officer - Service Manager for Assurance
	Annual Audit Update (External Audit)	To receive an update from the council's External Auditor.	External Audit
	Annual Governance Statement	To review and challenge the content of the statutory Annual Governance Statement ahead of its signing by the Leader of the Council and Chief Executive.	Portfolio Holder - Leader of the Council Lead Officer - Service Manager for Assurance
	Constitutional Changes (if required)	To report to the committee on any changes made to the Constitution under powers delegated to the Monitoring Officer, to seek the views of the committee on any proposed changes requiring full Council approval and to receive an update on the 12 month review of the Constitution.	Portfolio Holder - Leader of the Council Lead Officer - Corporate Director -Legal & Democratic Service Monitoring Officer

Other items raised by Audit and Governance Committee requiring further consideration

Issue	Notes	Date raised
Workforce stress / mental health issues	The committee have raised this as a potential area of work but note that it is linked to current transformation work	At committee on 7 November 2019
How Dorset Council holds and shares information	<p>It is understood that some work is being undertaken in this area.</p> <p>A councillor workshop on the Dorset Council transformation programmes is being held on 10 January 2020. The suggestion is that councillors attend this session and following this, the committee give further consideration to whether any further work is required in this area</p>	At committee on 7 November 2019