

**DORSET COUNCIL - AUDIT AND GOVERNANCE COMMITTEE**

**MINUTES OF MEETING HELD ON MONDAY 12 OCTOBER 2020**

**Present:** Cllrs Matthew Hall (Chairman), Richard Biggs (Vice-Chairman), Susan Cocking, Rod Adkins, Janet Dover, Barry Goringe, Mike Parkes, Bill Pipe and Clare Sutton

**Apologies:** Cllr Bill Trite

**Also present:** Cllr Shane Bartlett, Cllr Simon Gibson, Cllr Laura Miller and Cllr Gill Taylor

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

David Trotter (Risk and Resilience Officer), Paul Ackrill (Service Manager for Finance), Rupert Bamberger (Assistant Director SWAP), Andrew Billany (Corporate Director of Housing, Dorset Council), Mark Blackman (Corporate Director - Education and Learning), David Bonner (Service Manager for Business Intelligence and Performance), Aidan Dunn (Executive Director - Corporate Development S151), Marc Eyre (Service Manager for Assurance), Heather Lappin (Head of Strategic Finance), Theresa Leavy (Executive Director of People - Children), Jim McManus (Corporate Director - Finance and Commercial), Tony Meadows (Head of Commissioning), Gill Vickers (Interim Corporate Director - Adult Care Operations), Sally White (Principal Auditor), David Wilkes (Service Manager for Treasury and Investments), Kate Critchel (Senior Democratic Services Officer) and Fiona King (Democratic Services Officer)

**15. Apologies**

An apology for absence was received from Cllr Bill Trite.

**16. Minutes**

The minutes of the meeting held on 10 August 2020 were confirmed and signed.

**17. Declarations of Interest**

No declarations of disclosable pecuniary interests were made at the meeting.

**18. Public Participation**

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

## 19. Financial Report Quarter 1 2020/21

The committee reviewed the Quarter 1 Finance Report, which had been presented to the Cabinet on 28 July 2020.

The Cabinet paper reported an overspend of just under £5m for 2019/20, which was funded from reserves. The Audit & Governance Committee would receive a fuller outturn report alongside the statement of accounts for approval at its November meeting.

The report also forecasted an overspend of £43m on Council budgets in 2020/21. The Dedicated Schools Grant (DSG) was not a financial management responsibility for local tax-payers, as Regulations clarified that this fell to the Department for Education. However, the Council was carrying the cumulative overspend on DSG of £21.8m as a negative reserve in its balance sheet. A further overspend of £18m was predicted this year.

The Executive Director for Corporate Development updated the estimation of the overspend to £35m for this year. If the figure remained at £35m it would be covered by reserves but next year would prove to be a real challenge.

Members were advised that Income projections were well short of what had been anticipated due to Covid. Expenditure had increased ie. PPE and care placements had also increased. However, Covid was not the only problem there were some underlying financial challenges.

Cllr Mike Parkes welcomed the update but wanted to know if the £35m took into account the loss from revenue and what plans were in place if additional funding from central government was not forthcoming. The Executive Director for Corporate Development advised that the £35m was for this financial year. In reality COVID will have cost about £6m but the council was able to take government support for around £39m. In terms of lost income this was about £35m for this financial year. However, the government has supported some of that.

In respect of reserves the Council was in a fortunate position that monies had been set aside to fund the high needs block overspend around £13m. The next financial year was a concern nationally as well as locally. In respect of car parking, whilst car parks were closed during lockdown things were now starting to pick up. Council tax and business rates collections were being monitored. Officers were looking to close the gap through tactical savings and pushing hard on transformation programme.

Cllr Clare Sutton expressed concern regarding the funding for Adult Services funding as the majority appeared to be business as usual. She felt the pressure would get worse in this area. The Executive Director for Corporate Development advised that officers did factor in an increase for a price and level of demand when setting the budget but clearly had not anticipated Covid. For the next financial year this has now been factored this in and modelling completed. The Acting Corporate for Commissioning highlighted the new measures in place to try and mitigate this e.g. Home First

programme. Work was ongoing to transform services around the community rather than around hospitals. They were now seeing a trend of people not wanting to go into care homes. Members were advised that mitigations were now in place to recover and rebalance. Officers were looking into the costs and see how they could be reduced.

Following a question about the rising numbers of externally placed children in care, the Corporate Director for Education and Learning advised that work had been stalled a bit by COVID and the increased number of children in the care system was adding to pressures. However, there were a number of projects coming forward that would increase sufficiency.

In respect of the dedicated schools grant, Cllr Sutton expressed concern that the report mentioned that the debt sat with schools and they didn't have the money prior to Covid and was concerned they would not have it now. The Corporate Director for Finance and Commercial advised that the overspend was nearer to £22m and was continuing to overspend this year. The DfE had confirmed this was not a local tax payer issue and continued to work the Local Authorities on a recovery strategy. The Executive Director for People, Children advised there was no expectation that individual schools would be asked to pick this up.

Following a question from the Chairman regarding the general standard of the school buildings in the county, the Executive Director People, Children advised there was an ongoing maintenance programme but recognised there were challenges around this. She suggested that the committee might like to look at the sufficiency of places at a later date.

In response to a question about the reduction in capital funding and whether it was realistic, the Corporate Director for Finance and Commercial advised that the £15m had not been reduced. There would be an update in the November Cabinet report, although more of the £15m had been spent. Reference to this in the appendix to the report was a request for approval of additional spending.

Cllr Susan Cocking made reference to the additional buses for school children and considered how much was being spent on this and how long did officers foresee using additional transport. The Corporate Director for Education and Learning advised that the additional money was being spent from the requirement to social distance schoolchildren. The spend for this half term was 330/350k for this half term which to date had been covered by government grants and officers were waiting to hear about future funding in this area. In respect of any additional pressure on bus services, numbers were broadly similar. However, some parents were taking their children to school and this was largely balanced through putting the right provision in place. Officers confirmed that there was no funding allocation for schools in respect of PPE.

The Vice Chairman expressed concern about the forecasting of budgets and that despite putting significant amounts of funding in each year it never seems enough. The Executive Director for Corporate Development explained that

there had been an additional degree of volatility this year in respect of the care sector and additional requests for homecare. Officers were currently in the process of modelling for next year and drawing comparisons with neighbouring authorities. He accepted this was an area for improvement and work was ongoing to improve this.

Following a question from the Chairman regarding forecasting and whether there had been any thoughts of a second wave in respect of income etc, the Executive Director for Corporate Development advised that forecasting was based on first 3 months of the year and officers had not necessarily built in a second wave. There was a whole lot of other variables and assumptions being considered.

The Interim Corporate Director for Adult Care Operations advised that the only way to manage demand was to put more investment into prevention. Covid had brought the community together to respond and had enabled officers to work more on the prevention side. There was a huge cultural change ongoing and this required a lot of support. The aim was to slow down the amount of people coming into adult social care. The Acting Corporate Director for Commissioning added that one of the key issues as well as understanding the data was the huge population of self funders in Dorset and the Council was now working with a lot more people and organisations as a result of Covid. The Chairman felt it would be helpful to have separation with a written overspend for Covid and one for business as usual.

The Executive Director for Corporate Development made reference to the financial benefit as a result of Covid, in respect of office use and lack of travel expenses. Thoughts were now ongoing as to how to make this sustainable. Part of this stocktake will feature in the Qtr 2 Finance report for Cabinet in November. Transformation had not stopped, it was just that the focus for the organisation could not be entirely on transformation at the present time.

The Executive Director People, Children paid credit to colleagues in Children's Services during the staffing changes. She updated members on the work being done with headteachers, parents and early years level and was confident there had been a good start with some savings having already been delivered. She highlighted the very credible work that had been done with partners during the Covid crisis and felt that the transformation works had made a good first step.

Following a question from a member regarding looked after children and how steps were progressing to accompany unaccompanied asylum children, the Executive Director People, Children advised this had been challenging in terms of some of the government organisations not being available to do their ordinary work. Part of a conversation nationally referred to a critical incident in Kent and that across the country no Local Authority should have nor more than 0.07 of unaccompanied children. There was a continued debate about whether there should be a forced scheme in place. Dorset had so far supported an additional five children and had been asked to support further, but to date had not been in a position to do so.

One member highlighted there were 199 children at the end of June placed externally out of the county and requested up to date numbers. The Executive Director People, Children advised that for all foster carers there had been a lack of available placements and some residential provision had been unavailable. There were currently in excess of 60 children within the family law court process which was partly due to the closure of some courts. However, the numbers of children in care had remained steady. Out of county placements had reduced by a small number to around 195. The level of provision remained a real challenge but there were significant pressures around the whole country.

### **Decision**

That the Committee noted the outturn for 2019/20 and recognised the challenges regarding the forecast position for 2020/21.

## **20. Treasury Management Annual Report**

The committee received a report that summarised the treasury management performance and position information for Dorset Council for the year ended 31 March 2020.

Treasury management at the Council was conducted within the framework of CIPFA's Treasury Management Code of Practice. In adopting the code, recommended best practice was for members to approve an annual treasury management strategy report, and to then receive a mid-year update on progress against the strategy and a year-end review of actual performance against the strategy.

Following a question from a member regarding borrowing and how £36m had to be repaid within this financial year, the Service Manager for Treasury and Investments advised there was always an element of borrowing that comes up for maturity but there were parameters within the strategy. Although the Council did try to avoid borrowing, there was an active inter authority market of loaning and borrowing money from each other for short periods of time at very low interest. It was noted that the level of borrowing was within the parameters.

The Chairman welcomed the Service Manager's offer to organise some training for members on Treasury Management as had happened in previous years. He made reference to some of the terminology used in the reports and felt it might be helpful to explain these in more detail especially to the newer members of the committee and members of the public.

The Vice-Chairman made reference to the report highlighting there were no climate implications noted and wanted to challenge this. He felt the council's investments were very traditional and he felt the Council should be looking at a more ethical base of investments. The Service Manager for Treasury and Investments accepted this and would rectify for future reports. He suggested there may be a need to probe further into the underlying holdings that the Council currently had and undertook to cover this in the training for members.

The Chairman requested that the Service Manager for Treasury and Investments works with the Service Manager for Assurance to provide an overview of the key risks and controls relating to treasury management.

### **Decision**

That a training session for members on Treasury Management be arranged.

## **21. Internal Audit Activity and Progress 2020/21**

The committee considered the report from the South West Audit Partnership (SWAP) on internal audit activity and audit planning for 2020/21.

Members were advised that due to the current environment SWAP were taking a more flexible and responsive approach to audit planning. They were working to provide a live audit planning document which members and officers would be able to access, which provided an up to date position on all audits including those that had been deferred or removed. The Chairman felt there was a need to have more explanation around the risks involved in the removal of some audits and requested that the Service Manager for Assurance liaises with officers around the removal of audits to provide additional assessments along with any mitigating actions or assurances.

The Principal Auditor highlighted to members a newly identified significant corporate risk around key issues that led to a largely unpredicted significant overspend in the school transport budgets for 2019-20. There was confidence that the recommendations would be taken forward and follow up work would be reported back to this committee by SWAP.

One member asked what was being done regarding the incorrect information on the Trapeze and Synergy systems. The Corporate Director Education and Learning advised that the Trapeze system operated within the Place Directorate and Synergy was the Children's part of the piece. Officers worked closely with colleagues in the Place Directorate and there was a significant amount of work ongoing around the whole SEN transport issue.

With regard to the progress of mitigating a previously identified significant risk around the use of Pupil Premium Plus Grant at the Virtual School, follow up audit work had now been concluded and a significant amount of work had been undertaken by the Virtual School, however SWAP were not yet in a position to confirm that this corporate risk had been effectively mitigated. The follow up report had been very positively received by the new Virtual School Head and SWAP were aiming to work with them to improve the situation further.

SWAP advised that follow up work on the financial reconciliations procedures indicated less progress than might have been hoped but there were mitigating circumstances around this namely; the need to move to a single bank account and the closely linked need to move from the legacy district financial systems to the Council's SAP system.

Following a question from the Chairman regarding a single bank account for the Council, the Corporate Director Financial and Commercial advised that work was being done to complete this but it was a complex process. There had been a sustained improvement in the bank reconciliation process but there was still a need for further improvement. The Service Manager for Treasury and Investment advised members that the biggest challenge with moving to one bank account was the revenues and benefits service as there were 5 different sets of banking arrangements for each of the predecessor councils. The bank accounts were now ready and waiting to move across but there was a need to ensure that this was done correctly. There was an expectation that the move across to Nat West would take place in this calendar year but there was a risk this could slip into the last financial quarter. The Chairman asked officers to bring a report to the November meeting explaining the risks and issues around moving to a single bank account.

### **Decision**

That a report be included on the agenda for the November meeting regarding the issues around the Council moving to a single bank account.

## **22. Internal Audit Annual Report 2019-20**

The Assistant Director highlighted four key areas within the report:

1. the audit opinion itself which provided Reasonable assurance based on our work over the financial year 19/20. The Reasonable assurance opinion translates to the fact that 'most areas were found to be adequately controlled. Generally risks are well managed... but some areas require the introduction or improvement of internal controls';
2. the fact that there were no areas of significant corporate risk reported to the Committee during the period in question. There was one piece of work with a significant risk that spanned financial years, but this had been included and discussed in the previous report on the Agenda;
3. that there have been increasing instances during the past year where follow up audits have found that insufficient progress has been made in implementing audit recommendations, and that further follow up work was required to be scheduled;
4. and then finally, on Page 3 of the report, the one case of a recommendation we made in the period where the risk has been accepted by management, which we are required to highlight.

The report also summarised the activity of SWAP for the year 2019/20 along with the outturn.

The Service Manager for Assurance emphasised to members that officers were working closely with SWAP to align the risks and internal audit processes.

## **Noted**

### **23. Fraud and Whistleblowing Report 2019-20**

The committee considered a report from the Service Manager for Assurance which set out the action plan that had been agreed and provided an interim overview of whistleblowing and fraud activity ahead of a more formal Annual Report process being established from 1 April 2021.

Members were advised that since the last verbal update to the Committee the Service Manager had set up a small task and finish group which included representatives from HR, Finance and SWAP. Following this a first draft action plan was completed and included improved communication and visibility and a fraud risk assessment in order to prioritise focus on training, both of which were ongoing.

A follow up audit was now overdue and it had been suggested to SWAP that this commenced after the deliberations of this Committee.

The Service Manager for Assurance advised the committee that the Council was entering into an arrangement with a cross-sector fraud sharing organisation as part of its zero tolerance for fraud which would enable data matching with a national fraud database to highlight areas of potential fraudulent payments and claims. The Chairman asked for the Committee to be kept appraised as this initiative progressed.

## **Noted**

### **24. Risk Management Update**

The committee received a Risk Management Update along with the draft Risk Management Strategy from the Service Manager for Assurance.

The Service Manager advised that much in the same way that the Committee had helped officers develop our approach with the Annual Governance Statement, he welcomed member's thoughts on the approach that was being taken with this Strategy. It had been shared with SWAP and benchmarked with other SWAP partners and the results were favourable.

The Chairman highlighted that risks seemed to stay on registers and felt there was a need to have a system that a named person was highlighted so that accountability for updates was more clear.

The Vice Chairman felt that the strategy was excellent but considered it could be improved by embracing opportunity risk management more fully. He also felt that the current scoring matrix did not provide sufficient differentiation between risk levels. The Service Manager for Assurance welcomed the feedback and advised that the scoring matrix was intentionally simple to assist early engagement but would be strengthened.

### Decision

That the key risks identified in the corporate and service risk registers be reviewed and the draft risk management strategy commented upon prior to submission for approval and adoption.

## **25. Dorset Council's Performance Framework**

Members received a presentation from the Service Manager for Business and Intelligence.

The Service Manager explained that this update following a previous report to members on delivering the performance framework. He recapped on the framework for members and then demonstrated the new power BI reports to members. The aim was to have the information on Council Plan reporting on the website for members of the public to be able to access. The performance leadership dashboard was also highlighted along with the balanced scorecards. Members were advised that Business Partners liaised with officers within the different services to ensure that the correct information was gathered.

Following a question from a Chairman about the process for reporting this information, the Service Manager advised that officers had started to look at the process and this was still under discussion. The Chairman highlighted that he would be concerned if members of the Audit and Governance Committee did not have the opportunity to review this information. The Service Manager for Business and Intelligence undertook to advise the Chairman of the outcome of these discussions.

Following a question from a member about the new system, the Service Manager for Business and Intelligence advised that this had been developed in-house and would continue to evolve to ensure transparency across the council.

In response to a query from the Vice-Chairman regarding including risk information in the balanced scorecards, the Service Manager for Business and Intelligence advised it was intended to include this and was currently working the Service Manager for Assurance to achieve this.

### Decision

That the Service Manager for Business and Intelligence advise the Chairman of the outcome of the discussions around performance reporting.

## **26. Constitutional Changes**

The Service Manager for Assurance highlighted a change to the Constitution which related to an identified inconsistency between the Scheme of Delegation and the Planning protocol on behalf of the Monitoring Officer.

Article 15.2 of the Constitution sets out the circumstances where the Monitoring Officer can alter the Constitution without prior report to the full Council. This is where amendments are considered necessary and or

expedient to reflect legislative change, secure consistency and or address any legal ambiguity. Secondly to provide alignment with existing or emerging internal practices and procedures and or address any uncertainty in interpretation subject to prior consultation with the Leader, an Executive Member and the Chairman of the Audit and Governance Committee.

In either case the Monitoring Officer is required to report to the next meeting of the Audit and Governance Committee so that the Committee is sighted on changes being made under delegated powers.

In summary the two issues identified were:

### **Issue 1**

The Scheme of Delegation only requires Dorset Council applications to go to Committee where Dorset Council is named as the applicant. It does not require third party applications on Dorset Council land to go to Committee whereas the Protocol does.

**Agreed change** - For reasons of transparency the change is to bring the Scheme of Delegation and the Protocol into alignment by changing the Scheme of Delegation to require all applications made by Dorset Council or applications where the Council is not the named applicant but the application concerns Dorset Council land to be referred to Committee for decision..

### **Issue 2**

The Scheme of Delegation and Protocol are inconsistent in that the former requires applications by Chief Officers and planning officers with a direct involvement to go to Committee. The Protocol requires an application made by any officer to be referred to committee.

**Change** – The Scheme of Delegation and Protocol will be aligned by amending both so that applications by the following must be reported to Committee for decision and not dealt with under delegated powers:

- Chief and Deputy Chief Officers (that is to say The Chief Executive, Executive Directors, the Monitoring Officer and Corporate Directors)
- Heads of Service
- Any officer whose work routinely involves them in advising on planning matters.

These changes have been supported by the Leader, Cllr Walsh and the Chair of this Audit and Governance Committee and are therefore presented back to this committee for information.

### **Noted**

#### 27. **Forward Plan**

The Committee's Forward Plan was reviewed.

With reference to the meeting scheduled for 16 November 2020, the Chairman considered if an additional meeting would be required in December for members to have the opportunity to review the Quarter 2 Finance report which would be presented to Cabinet at their meeting on 3 November 2020. The Executive Director for Corporate Development advised that he would confirm with the Chairman outside of the meeting if an additional meeting would be required or if this report could be included with the November agenda.

The Chairman also took the opportunity to remind members of the importance of ensuring their Register of Interests forms were up to date and that any changes were included.

**28. Urgent items**

There were no urgent items of business.

**Duration of meeting:** 10.00 am - 12.04 pm

**Chairman**

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