

**AUDIT COMMITTEE
10 FEBRUARY 2020**

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

Councillors A J Spencer (Vice-Chairman), P E Coupland, A P Maughan, R B Parker, P A Skinner and A N Stokes.

Also in attendance: Mr I Haldenby (Independent Added Member) and Mr A Middleton (Independent Added Member).

Officers in attendance:-

Debbie Barnes OBE (Chief Executive), Debbie Bowring (Principal Risk Officer), Les Britzman (Chief Fire Officer), Andrew Crookham (Executive Director Resources), James Drury (Executive Director Commercial), Cheryl Evans (Democratic Services Officer), Glen Garrod (Executive Director - Adult Care and Community Wellbeing), Michelle Grady (Assistant Director for Strategic Finance), Andy Gutherson (Executive Director Place), Andrew Hancy (Head of Business Support), Shagofta Noreen (Corporate Project Support Officer), Lucy Pledge (Head of Internal Audit and Risk Management), Mark SurrIDGE (External Auditor, Mazars), Jill Thomas (Principal Auditor) and Fiona Thompson (Head of Human Resources).

41 APOLOGIES FOR ABSENCE

There were no apologies for absence.

42 DECLARATIONS OF MEMBERS' INTERESTS

There were no declarations of interest at this stage in the meeting.

43 MINUTES OF THE MEETING HELD ON 18 NOVEMBER 2019

RESOLVED

That the minutes of the meeting of the Audit Committee held on 18 November 2019 be approved and signed by the Chairman as a correct record.

44 COMBINED ASSURANCE REPORTS - 2019/20

The Chairman congratulated Debbie Barnes OBE on her recent appointment as Chief Executive of Lincolnshire County Council.

The report provided an insight on the assurances across all the Council's critical services, key risks, partnerships and projects. The Corporate Leadership Team was in attendance to present their respective area.

Chief Executive Summary

The Chief Executive's summary was set out on page 22 of the agenda pack. The Chief Executive highlighted the substantial assurance for the Council and stated that over the last twelve months there had been a change in leadership with the appointment of a new Chief Executive; and three new Executive Directors. It was also highlighted that interviews were scheduled to appoint to the post of Executive Director of Children's Services.

Strategic Risks

The Strategic Risks were set out on pages 23 – 24 of the agenda pack. The Chief Executive highlighted there were four critical areas of risk. The first was the uncertainty over the long-term funding for local government, in particular for adult social care; and the increase in demand for special educational needs and disabilities services remained a risk. The Council continued to lobby for fairer funding, which aimed to improving the distribution of funding and address some of the challenges of delivering services in a rural county.

The second area of risk related to the priority for an integrated health and care system, which was being mitigated by the appointment of a seconded senior manager to lead on the neighbourhood team initiative. In response to a question, it was advised that the pace of change in this area was slow, which was due in part to the NHS needing to seek approval of any proposed changes at a national level.

The third area of risk was IMT. The roll out of windows 10 machines had led to greater staff satisfaction and the implementation of Office 365 would further improve user experience. The Committee was assured that this was an improving area and employees were advising that systems had become more reliable.

The fourth area of risk was workforce, where there was a challenge to recruit in certain areas, such as social work; legal services; and engineers.

In response to a question, it was hoped that the Lincoln Medical School would assist with recruitment of medical staff across the County. Particular reference was made to the retention and recruitment of staff for NHS roles, particularly in a rural county.

NOTE: Andrew Middleton (Independent Added Member) wished it to be noted that he was the lay Vice-Chairman of South West Lincolnshire Clinical Commissioning Group.

Adult Care and Community Wellbeing (AC&CW)

The key messages of the Executive Director of Adult Care and Community Wellbeing were set out of pages 25 – 26 of the agenda pack.

The Executive Director highlighted that the Wellbeing Service, which was delivered in partnership with district councils, was working well. Approximately 8,000 people benefited from this service each year.

Work was being undertaken on *Team Around the Adult* which would involve multi-agency partnership working based around each individual. It was anticipated that this could be rolled out in the summer of 2020.

The occupational therapy service had been reorganised to better align with district councils. A sum of £6 million was spent each year on adaptations, with district councils working closely with the County Council on this. It was noted that in line with national trends, it was working age people with high intensive support needs who generated the highest expenditure.

In terms of workforce, AC&CW had adopted a policy of 'grow your own' and, alongside the introduction of apprenticeships, were supporting up to twelve unqualified fieldworkers to become qualified as social workers or occupational therapists which would aim to replace staff, who were retiring and where such roles were hard to recruit.

It was intended that neighbourhood teams would reduce pressures on GPs and hospitals.

In response to questions, the following points were noted:

- The backlog of financial assessments had been cleared, owing to a change in charging practices; the digitisation of systems; and a change in the focus of the main contractor.
- There was a relatively stable and well-resourced residential care sector in Lincolnshire. For home care there was a turnover rate of around 30%, and there was a need for care workers to have recognition and status similar to that in the NHS. Withdrawal from the European Union was considered a relatively low risk for the sector, compared to the 30% turnover rate, which represented a challenge in Lincolnshire as elsewhere.
- A report on the *Team Around the Adult* initiative was requested for one year's time.

Children's Services

The Directors' key messages were outlined on page 27 of the agenda pack. The Chief Executive was pleased to report that this had been a successful year for Children's Services which had been judged *Outstanding* by Ofsted.

It was also highlighted that inspections in Children's Public Health and Special Educational Needs and Disabilities (SEND) had also secured enviable outcomes.

In response to the Committee's questions on the key messages, the following points were noted:

- Reference was made to the national review being led by Tony McArdle, as the Chair of the SEND System Leadership Board, and the Council's expected outcomes of the review. It was hoped that the review would identify the need

**AUDIT COMMITTEE
10 FEBRUARY 2020**

for a ring-fenced budget for SEND school funding allocations, rather than a notional budget.

- There was a link between attainment and free school meals. The Council was undertaking targeted work with schools aimed at reducing the attainment gap.
- The Council had introduced a SEND Strategy with an investment of £50-60 million of capital funding to increase capacity. The main aim of the strategy was to meet the needs of children with SEND closer to home and to reduce travel across the county.

NOTE: Ian Haldenby (Independent Added Member) wished it to be noted that he had family members with special needs.

The Committee welcomed the SEND Strategy and the improvements it would introduce to the higher needs offer across Lincolnshire.

Resources

The Executive Director – Resources key messages were detailed on pages 28 – 29 of the agenda pack.

The Executive Director highlighted that corporate oversight of the capital programme would be implemented during 2020-21.

The outcomes of a risk review in 2019 would see improvements in corporate oversight; reporting consistency; and measurable controls.

There had been short term resourcing issues in internal audit. Temporary staffing had provided short term assurance and the recruitment to permanent posts.

The overview and scrutiny function had been identified as a potential area of improvement by the LGA Corporate Peer Review. The outcomes of a scrutiny review currently underway would seek to increase the effectiveness of this function.

The Committee was provided with an opportunity to ask questions, where the following points were noted:

- There was a national shortage of lawyers in the legal childcare area and short term measures had been introduced by the Council, including the use of private practice in maintain provision. It was advised that a key factor was that local government pay structures could not compete with those of private practice, which had made it difficult to recruit to positions on a permanent basis.
- Debtors – there had continued to be poor performance of the recovery of aged debt. It was suggested that this could be an area for overview and scrutiny.
- The Information Assurance Annual Report would include detail on the records management project.
- Work was being undertaken with Internal Audit to improve the processes around starters and leavers of the council.

- It was acknowledged that the changes in risk status was as a result of work being undertaken by the new Executive Directors to review and assess areas of risk in their departments, which had resulted in some movement in risk ratings.

Commercial

The Executive Director – Commercial's key messages were set out on pages 30 – 31 of the agenda pack.

It was highlighted that the new directorate had been formed in April 2019 and comprised of: IMT; Property; Commissioning / Commercial; and Transformation and Performance.

It was advised that the 10% of the risks that had been deemed 'red' equated to six critical activities, with five of these in IMT and one in Commissioning / Commercial. Those in IMT had related to old infrastructure, servers and systems which had become high risk. This was now being addressed and the *Fixing the Basics* programme had focused on urgent upgrades.

The other critical activity had related to resources and capacity in the Commissioning / Commercial Team. Demand in the Team had increased over recent years without a corresponding increase in capacity.

In response to questions, the following points were noted:

- Work was being undertaken to rationalise the County Council's estate. The co-location of the blue light collaboration project was highlighted as a success.
- It was advised that most of the *Fix the Basics* programme should be completed within three months. However, there were some further areas of activity which had been highlighted as part of this project and it was hoped that these would be completed within twelve months.
- It was highlighted that the Council had recently agreed its ten year Corporate Plan, in which property management was a component.
- It was likely IMT would remain as an amber / red risk in future, as it was a complex area, with ever changing circumstances. However, as projects progressed they would move into the green.
- It was confirmed that the Council would support the farm estate tenants through the challenges of the withdrawal from the European Union.

Place

The Executive Director – Place's key messages were outlined on pages 32 – 33.

The Executive Director advised that most services delivered were *universal* services and this had created a high level of customer demand and expectation. The Executive Director was pleased to report there had been a reduction in the number of formal complaints received.

It was recognised that there was a need to improve the flow of information between officers and councillors.

Across all the services there was an element of uncertainty in that external factors could create pressures on service activity. For example, the level of rainfall over the last twelve months had added a significant burden onto the drainage systems across the County and as a consequence a significant rise in Section 19 investigations and resultant identified necessary works.

In response to questions, the following points were noted:

- It was advised that through the new Highways 2020 contract, it was anticipated that councillors would be provided with a user friendly dashboard to enable them to report and track issues within their community. Customers would continue to report faults via the fix my street interface.
- Environment, Resilience and Climate Legacy was likely to remain as an amber risk, as it was an ever changing environment.

Fire, Rescue and Public Protection

The Chief Fire Officer's key messages were detailed on page 34 of the agenda pack.

It was advised that the Directorate was formed in April 2019 and covered: Fire and Rescue; Emergency Planning and the Lincolnshire Local Resilience Forum; Coroner's Service; Birth, Deaths and Marriage Registrations; and Public Protection.

It was highlighted that succession planning had been identified as a red risk, which had primarily related to middle manager levels such as station managers, but also to key specialist areas such as fire protection. Work was underway to consider criteria, progression frameworks and remuneration to make key managerial roles more attractive.

The asset management system project had been identified as a red risk, owing to the high obligations Fire and Rescue had to manage the safety of its critical equipment under regulations such as LOLER [Lifting Operations and Lifting Equipment Regulations 1998] and PUWER [Provision and Use of Work Equipment Regulations 1998]. The Committee was assured this would be completed by June 2020.

Corporate

The Chief Executive's key messages were detailed on page 35.

The Chief Executive highlighted that the directorate's objective was to drive the accomplishment of the Council's Corporate Plan, embedding the *One Council* approach to ensure services were working together more effectively for the people of Lincolnshire. This would be completed through effective communication with residents and partners.

The Chairman thanked the Chief Executive and Executive Directors for their attendance at the meeting.

RESOLVED

That the update be noted.

(NOTE: At this point in proceedings, the Committee adjourned from 12.25pm to 12.40pm.

At this stage, Councillor A J Spencer left for the remainder of the meeting.)

45 EXTERNAL AUDIT PROGRESS REPORT - FEBRUARY 2020

Consideration was given to a report from Mark SurrIDGE (Mazars), which set out progress on the delivery of the Council's and Pension Fund External Audit for 2019/20.

It was stated that the interim report had commenced in February 2020 and the external audit would be completed in July 2020. It was noted that the Committee would receive an update at its meeting scheduled in March 2020 on any matters arising from the interim work.

The Value for Money risk assessment for the County Council audit was in progress and had been focused on the Council's arrangements for sustainable resource deployment and its medium term budget pressures. At this stage, based on their findings to date, Mazars advised that they did not expect to flag these items as a significant risk area for the conclusion.

The Committee was informed that there had been a change in the Engagement Lead for the West Yorkshire Pension Fund.

It was highlighted that it was likely there would be a national consultation on the level of external audit fees in the coming months, which would probably lead to an increase in these fees.

In response to a question, the Committee was assured that the County Council was in regular dialogue with Mazars, and lessons had been learned from previous years.

RESOLVED

That the report be noted.

46 INTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report by Lucy Pledge (Head of Internal Audit and Risk Management), which provided detail of the audit work completed between 1 November 2019 and 13 January 2020; and advised on progress of the 2019/20 plan.

The outcome of the audit work had shown no significant governance issues, with most assurance opinions being high (4) or substantial (3) assurance. There was only one area: settlement agreements, where limited assurance had been given. The Internal Audit Progress Report was attached at Appendix A to the report.

The Committee was advised that details on the audits with limited assurance were outlined in Appendix 4 to the report. It was advised that an internal audit on settlement agreements had been undertaken, as this had not been reviewed for circa five years. This had also been undertaken at the request of the Audit Committee during an informal session.

In response to a question, it was advised that details of any financial settlement agreements were included in the Council's annual budgetary information.

It was highlighted that there were some significant resource changes in progress in the Audit Team, which should have a positive impact on the completion of the audit plan. It was highlighted that there had been an appointment made to the Audit Manager vacancy and to the post of senior auditor. Two temporary senior auditors were scheduled to join the Team in February for six months, to assist support the delivery over the short term and provide capacity during the induction of new staff.

RESOLVED

That the report be noted.

47 GOVERNANCE REVIEW - CULTURE AND VALUES

Consideration was given to a report by Fiona Thompson (Head of Human Resources), which provided information on the progress made to date and the timescales for planned actions being taken by the Council in the light of the 2019 Governance Review of Culture and Values.

A copy of the Governance Review Action Plan was set out at Appendix A to the report, which set out the recommendations and associated actions and progress to date. A range of action had been completed and timescales established for the remaining actions to be completed. A summary of the key points of progress were detailed on pages 84 – 86 of the agenda pack.

During discussion of the report, the following points were noted:

- The *One Council* approach was deemed positive. The Corporate Leadership Team road shows were also welcomed by the Committee as a good opportunity for employees to meet the Chief Executive and Executive Directors.
- It was advised that exit interviews were voluntary and when completed, the content was reviewed by the Head of Human Resources.
- It was suggested that further updates on the progress with the governance review of cultures and values could form part of the annual governance

statement or, alternatively, the Committee could programme a future update under its work programme.

RESOLVED

That the report be noted.

48 RISK MANAGEMENT PROGRESS REPORT - FEBRUARY 2020

Consideration was given to a report by Debbie Bowring (Principal Risk Officer), which invited the Committee to note the current status of the strategic risks facing the Council and to make recommendations on any further scrutiny required.

The strategic risks continued to be monitored with risk owners and assurances had been obtained that the strategic risks were being managed effectively. All directorates, in line with the governance review, were reconfiguring and reconstructing the groups and therefore some had identified their risks and some were being worked through with the Team's support.

The Risk Management Progress Report was detailed at Appendix A to the report, which provided updates on key messages relating to the governance review, strategic and operational risks since the last update to the Committee in September 2019.

It was advised that the current Strategic Risk Register contained ten risks, and a summary of those risks were detailed on page 127 of the Agenda Pack by way of a chart. The chart detailed the likelihood and impact of the risk occurring and also its target score. The direction of travel was shown by way of an arrow.

In response to a question, it was advised that a summary of the direction of travel for each risk was set out in the full Strategic Risk Register, which was detailed on pages 129 – 132 of the Agenda pack.

It was advised that following the Governance Review on Risk Management and Health and Safety arrangements, the overall message from the review and the suggested areas for improvement were outlined on page 99 of the Agenda pack.

Reference was made by a member of the Committee to the Peer Review finding of a *"risk averse culture and behaviours due to fear of failure and this is stifling innovation and creativity"* and a recommendation that the Council *"review and maintain a risk culture that enables risks to be taken – creating confidence in a just culture"*. The Committee was advised that the Peer Review Team had clarified that this related to management oversight, rather than employees feeling stifled by a tightly controlled financial environment. Members of the Committee referred to the importance of empowering the workforce. In response to a question, it was advised that some of the Council's policies and procedures were being reviewed as part of the process of addressing this.

10
AUDIT COMMITTEE
10 FEBRUARY 2020

The Committee was assured that the Council's strategic risks continued to be managed pro-actively. There was a good level of awareness of the current and emerging risks, with positive action being taken where appropriate.

RESOLVED

That the current status of the strategic risks facing the Council be noted.

49 REPORT ON CORPORATE AND STATUTORY COMPLAINTS -
QUARTERS 1&2 2019/2020

Consideration was given to a report by Shay Noreen (Complaints Resolution Manager), which updated on all corporate and statutory complaints, including performance data for the first two quarters of the 2019-20 financial year and actions taken; and provided information since the team's 'insourcing' in April 2019. A full data review of the first two quarters of the financial year 2019/2020 was set out in Appendix A to the report.

Following a review of the complaints function, an additional step had been introduced into the process, whereby customers were offered early resolution on contact before entering the formal process. This new step had seen a significant reduction in the number of customers beginning the formal complaints process. This was being achieved in areas where the Council was able to meeting the customers' desired outcome by liaising with the relevant service area.

The Committee was provided with an opportunity to ask questions, where the following points were noted:

- In quarters one and two of 2019/2020, a total of 335 contacts had been received from the public, unhappy with services that had been provided. Of the 335 contacts, 253 had proceeded to enter the formal complaints process with the remaining 82 being resolved. It was confirmed that all cases, whether resolved informally or formally, were logged on the complaints management system.
- There were certain areas of the Council, for example the highways and transport; and children services departments which were proactive in finding resolutions at an informal stage. However, it was not always possible to achieve this.

(NOTE: At this stage in the meeting, Ian Haldenby (Independent Added Member) left for the remainder of proceedings.

- Further training and support would be provided to service areas on the complaints process.
- A lack of communication was the cause of over a third of all complaints, which were fully or partly substantiated. It had been recommended that service areas develop clear guidelines for staff, as to how often it was expected that contact should be made with individuals receiving their services.

- There had been a limited number of complaints (approximately 1-2) relating to the time it had taken for a call to be answered and therefore that had not been deemed an area of concern.
- It was advised that the Team would need to complete a piece of work to ascertain whether there was a correlation between the number of potholes reported with the number of complaints received.
- The improvements in communication had been attributed to the 47% decline in complaints received by the highways and transport department received in quarter one, compared to the same period on 2018/19.
- There was clear guidance provided to employees on how to deal with vexatious complainants.

RESOLVED

That the report be noted.

50 FORWARD PLAN

A report was considered which provided the Committee with information on the core assurance activities scheduled for 2020 forward plan.

It was agreed that the Audit Committee informal workshop on *Corporate Plan and Assurance Framework* would be rearranged from 18 March to the afternoon of 13 July 2020.

It was suggested that the meeting of the Committee in March 2021, when the Chief Executive and the Executive Directors were scheduled to present the Combined Assurance Reports, would become a one-item agenda to enable the Committee sufficient time to consider the update.

RESOLVED

- (1) That the Audit Committee's informal workshop on *Corporate Plan and Assurance Framework* be rearranged from 18 March to the afternoon of 13 July 2020.
- (2) That the meeting of the Committee scheduled for March 2021, when the Chief Executive and the Executive Directors were scheduled to present the Combined Assurance Reports, become a one-item agenda to enable the Committee sufficient time to consider the update.

51 LGA CORPORATE PEER CHALLENGE - LINCOLNSHIRE COUNTY COUNCIL - FEEDBACK REPORT

A copy of the LGA Corporate Peer Challenge – Lincolnshire County Council – Feedback Report had been circulated with the agenda pack for information.

The meeting closed at 1.45 pm.