



AUDIT COMMITTEE 28 JANUARY 2019

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

Councillors A J Spencer (Vice-Chairman), R B Parker and P A Skinner.

Officers in attendance:-

Debbie Barnes OBE (Head of Paid Service), Rachel Abbott (Audit Team Leader), Debbie Bowring (Principal Risk Officer), David Forbes (County Finance Officer), Glen Garrod (Executive Director of Adult Care and Community Wellbeing), Andy Gutherson (Interim Executive Director of Place), Cheryl Hall (Democratic Services Officer), Pete Moore (Executive Director, Finance and Public Protection), Mike Norman (External Auditor, Mazars), Lucy Pledge (Audit and Risk Manager), Dave Simpson (Technical and Development Finance Manager), Janice Spencer OBE (Interim Director of Children's Services) and Jill Thomas (Principal Auditor).

51 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors P E Coupland, A P Maughan and A N Stokes.

52 DECLARATION OF MEMBERS' INTEREST

There were no declarations of interest.

53 MINUTES OF THE MEETING HELD ON 19 NOVEMBER 2018

RESOLVED

That the minutes of the meeting held on 19 November 2018 be approved as a correct record and signed by the Chairman.

54 COMBINED ASSURANCE REPORTS

Consideration was given to a report which provided the Committee with an insight on the assurances across all the Council's critical services, key risks and projects.

The Head of Paid Service and the Executive Directors were in attendance to present their Combined Assurance report and answer any questions from members of the Committee. Prior to the meeting, the Committee had requested that the senior officers provide information on the three key risks that concerned them the most.

Head of Paid Service

The Head of Paid Service advised the Committee that the following risks were of most concern:

- (1) Future Funding – it was advised that although the County Council was in a good position in the short-term, future funding in the medium to long-term remained uncertain. However, it was highly likely that savings would be required in future. It was confirmed that all changes to the County Council's Budget would be taken through the Council's decision making processes.
- (2) Information, Management and Technology – although significant improvements had been made in recent months with a refresh of individual IT being rolled out, there were improvements to be made to Business World On and on-going updates to cyber security. It was advised that an IMT Board was in the process of being established, which would oversee all IMT projects, and would include both councillors and officers.
- (3) Integration with Health – it was highlighted that further integration with the NHS was a priority for the County Council, particularly for services supporting older people which would bring significant benefits.

Members were provided with an opportunity to ask questions, where the following points were noted: -

- It was acknowledged that the future funding of the authority was out of the control of the County Council; the integration with health was reliant on suitable partnership arrangements; however the required improvements with regard to IMT were within Council's control;
- There was a need to achieve a confident and steady state with core IMT so that IT outages would be a minimum. The rolling out of Windows 365 and new IT equipment would make significant improvements to the IT provision in the Council. Once the IT rollout had been completed, work would be undertaken with departments to ascertain whether there were ways of utilising the digital platform to achieve optimisation of services;
- Improvements in IT would be continuously reviewed, as there were always IT developments which might improve services;
- It was confirmed that cyber security was on the Council's Risk Register and would remain there at this present time. There was a need to improve IT resilience and staff awareness of the risks associated with IT. In addition to the already mentioned improvements to IT, the Council would move to a cloud based system and that greater awareness and training would be rolled out to all employees for completion. There was a clear need to ensure that any cloud based system would store the Council's data safely and securely. It would remain the responsibility of the County Council that its data remained safe and secure and that relevant contingencies were in place. Assurances would be sought during the commercial process to ensure that third party processes were secure;
- It was confirmed that representatives of the Council liaised and visited other local authorities to see what improvements they were making to their IT

provision. However there was a need to focus on the perspective of future IT provision, and not the past. It was advised that an assessment had been carried out by a consultant and their findings could be shared with the Committee.

Executive Director of Adult Care and Community Wellbeing

The Executive Director of Adult Care and Community Wellbeing advised of the following three risks:

- (1) Homecare – The majority of adult care users who were supported received their care at home, which suited with the aspirations of the service user. This amounted to 7,000-8,000 people, receiving 64,000 visits per week which were delivered by twelve prime service providers. Meeting the needs of the service user remained the priority. It was highlighted that travel costs attributed up to 1/3 of the unit price, owing to the rurality of the County. Approximately 45% of all people using home care were self-funders.

It was highlighted that in Lincolnshire, the County Council had developed strong relationships with social care providers and had a relatively stable market, compared to other areas of the country.

- (2) Inability to thrive (Information, Management and Technology) – there was a need to work collectively with the NHS to meet the needs of people. It was highlighted that the Green Paper: Future Funding of Adult Social Care had been delayed, which would outline how adult social care services would be funded going forward and any directives for collaborative working. The NHS Long-Term Plan had recently been published but the needs of adult social care services were essential for the NHS to function effectively.

A digital road map had been produced, which looked at the needs of the service. There was a clear need for a system that could be accessed by a range of partner agencies including the fire brigade, the NHS and adult social care services to ensure effective collaborative working. It was highlighted that Lincolnshire Partnership NHS Foundation Trust also used Mosaic to record data, which was a good example of collaborative working.

- (3) Future Funding – the future of the Better Care Fund remained unknown, which was scheduled to cease from the financial year 2020/21. Without the Better Care Fund, the funding of adult social care services across the country would significantly suffer and most local authorities would be unable to cover the gap in funding. It was hoped that the Green Paper, once published, would address some of these concerns.

It was reiterated that within Lincolnshire there was a good basis on where integrated services could be developed, which would better meet the needs of individuals and better help manage risks, for example with future funding.

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Members were provided with an opportunity to ask questions, where the following points were noted:

- It was advised that medical advances had meant that people were living longer. It was also important that quality of life was ensured, whilst achieving relative independence. Evidence had shown that preventative services worked well with older people. It was highlighted that the County Council currently served approximately the same number of older people as it did 3-4 years ago; and that there was an increase in the number of family carers compared to previous years;
- To ensure quality of service the directorate had an internal quality assurance service, which undertook case file audits; reviewed care packages; and that there was a commercial unit that reviewed the quality of the care visits undertaken by care service providers. The Lincolnshire Care Association, which represented the care home providers, was a strategic partner to the County Council and the Council liaised with the Association in developing training packages for care workers;
- The retention of care workers remained an issue within Lincolnshire, as this role was significantly less well paid compared to health workers. It was an aspiration to merge the two roles to assist with building better career structures and pay spines, which would in-turn help address the issues of retention. However, there was a need for national changes to be introduced for this aspiration to be realised.

Executive Director of Finance and Public Protection

The Executive Director of Finance and Public Protection highlighted the following key issues within his area of responsibility:

- Funding – There were a number of national decisions to be made regarding the future funding of local authorities. Although a timetable had not yet been issued, a Spending Review, to be effective from 2020 onwards, would be carried out in 2019 by Government. The Green Paper: Future Funding of Adult Social Care had been delayed until at least March 2019 and it was anticipated that the green paper would address concerns around funding adult social care services in the absence of the Better Care Fund. It was also highlighted that by autumn of 2019, the outcomes of the Fair Funding and Business Rate Reviews would be known and it was hoped that this would be positive for the County Council.

The Council was currently in a good budgetary position, which was because of the previously emphasised importance of maintaining volatility reserves. However, as mentioned above, there would be a funding gap to fill from 2020 onwards and therefore the Council would be required to make savings via a fundamental budget review. Protocols would be put in place to ensure that the Council would not enter into any 2-3 year contracts that it might not wish to maintain once the outcome of the spending review was known.

Improvements made to the Council's Agresso system had ensured an improvement in the Council's financial management.

There was a need to undertake improvements to the control of the capital programme, in particular post-implementation reviews to ensure that what was set out to be achieved, had been achieved and if not what were the lessons that had been learnt.

- An Inspection of Fire and Rescue Services had recently been carried out and had resulted in a good report. Three key lines of inquiry formed part of the review on Effectiveness, Efficiency and People. The Service had received a *Good* rating for Effectiveness and Efficiency, with People receiving *Requires Improvement*. The report had been considered by the Public Protection and Communities Scrutiny Committee.
- Key partnerships continued to work well.
- Brexit had been red flagged but this was owing to the number of unknowns. The Lincolnshire Resilience Forum had been requested to undertake a Brexit analysis for Lincolnshire and it had been deemed a relatively low risk.

It was highlighted that staff recruitment and retention across health and social care remained a key risk so work was being undertaken with European Union employees, who wished to remain within the UK, to receive settled status as soon as possible.

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

- It was queried why there was a significant percentage of amber relating to substance misuse services on page 51 of the agenda pack. In response, it was highlighted that a contract had recently been retendered for substance misuse services and although the contractor was performing well, it would remain amber until the new contract had settled. It was also highlighted that most of the Public Health contracts had been recently retendered so the same principle applied to those contracts;
- It was hoped that a single programme of work would be developed. It was highlighted that new contracts were taken through an informal commissioning board, which consisted of a mix of officers and executive councillors. It was suggested that if a single programme of work was developed that this should be shared with scrutiny committees to inform work programmes.

Interim Executive Director of Place

The Interim Executive Director of Place highlighted the following three key issues:

- (1) State and condition of the Council's highway – the quality and the approach the maintenance of the highway was influenced by the level of funding that was received.
- (2) Management of individual contracts - For example with the Lincoln Eastern Bypass and the Council's ability to respond to the collapse of a contractor,

which had seen a positive response and had not resulted in a delay in the delivery of the project.

It was also highlighted that there were currently issues with the IT provision in libraries, however there were plans in place to address this issue.

It was noted that work was being undertaken with the Council's Property Team in developing options for the Archives project.

- (3) Other big issues: *Climate Change Agenda*; *Waste* it was anticipated that there would be changes in the way waste was dealt with and therefore it was important to maintain collective working arrangements with partners; *Flooding* – it was essential that the Council continued to maintain working relationships with partner organisations; *Brexit* - there would be a short to medium impact on economies until uncertainty was addressed.

Members were provided with an opportunity to ask questions, where the following points were noted:

- The directorate was future proofing policies and contracts;
- In response to a question relating to the delay in undertaking the review of scrutiny, it was suggested that the Head of Democratic Services and Statutory Scrutiny Officer be requested to bring forward the review, despite the Statutory Guidance from the Secretary of State on Overview and Scrutiny, not yet being available.
- It was confirmed that cash flow was examined as part of any due diligence.

Interim Director of Children's Services

The Interim Director of Children's Services highlighted the following three key issues:

- (1) Narrowing the Gap – It was highlighted that this was a complicated area, as only three of the 55 secondary schools were 'maintained' and the remaining 52 secondary schools were the responsibility of the Secretary of State, as academies. Therefore the County Council's influence over the academies was not as significant as the influence over the three maintained schools. However, it was highlighted that they were Lincolnshire children attending schools in Lincolnshire and it was therefore the responsibility of the County Council to ensure the best outcome for those children. The Council was aware of the data and what the challenges were and at present, the gap had not yet narrowed so it was important to find alternative solutions to address this issue.

It was highlighted that the Interim Director for Education regularly met with schools to discuss ways in which the gap could be narrowed. It was important that collaborative working was further improved to assist in narrowing the gap.

- (2) Integrating health visitors and nurses into the local authority – although initially there were challenges with this integration, it was now beginning to show how effective it had been. However, there were improvements required to the 2.5 years mandated checks.

A recent Inspection of SEND Services had found that the County Council was good at identifying vulnerable children and young people.

The Council had recognised the need for a mixed skills base to deliver assessments and therefore family health practitioners were now assisting with the completion of these assessments.

Health workers were now able to utilise Children Centres in undertaking assessments and reviews. The performance of assessments was now improving.

- (3) Fostering Service – The County Council had a very strong in-house fostering service with 476 children looked after by foster carers. However, the Council had an aging and retiring care service. There was a challenge for the Council in ensuring that people chose to foster for the County Council, rather than fostering for private foster care services which typically paid more to the foster carers. One of the options available to the County Council was to offer a retention payment for long serving foster carers.

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

- In response to a question relating to closing the attainment gap, the Committee was advised that the gap was considerable in Lincolnshire at every stage and Lincolnshire was worse than the national average by approximately 2%. It was difficult for the County Council to ascertain why this was the case as there appeared to be different patterns for different year groups so there was not a clear or consistent reason for the gap. The Committee was assured that this was not as a result of academisation, as the gap was of a similar size prior to the introduction of academies. The Committee was also assured that schools were working collaboratively with the County Council with an aim of reducing the gap.

RESOLVED

That the updates given and points raised be noted.

55 EXTERNAL AUDIT PROGRESS REPORT - JANUARY 2019

Consideration was given to a report by Mike Norman (Mazars), which set out the delivery of the Council's and Pension Fund External Audit for 2018/19. Appended to the report was the External Audit Progress Report for 2018/19.

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It was advised that the interim audit would commence on 28 January 2019 and the final audit conclude in July 2019.

On 10 January 2019 the Pensions Committee and the Pensions Board had received briefings from Mazars on the Pension Fund audit issue for 2018/19 and had been provided with an opportunity to ask questions on Mazars' audit approach.

It was highlighted that Mazars had arranged *Financial Reporting Workshops* to be held in February 2019, which would provide its clients with an update on the latest developments as well as a forum for its clients to discuss emerging issues. The East Midlands event was being held in Nottingham on 12 February 2019 and officers from the Council's finance team had been invited to attend.

It was also highlighted that the draft External Audit Annual Plan 2019/20 would be presented to the Committee at its meeting on 25 March 2019 for consideration.

RESOLVED

That the External Audit Progress Report – January 2019 be noted.

56 INTERNAL AUDIT PROGRESS REPORT

Jill Thomas (Principal Auditor) presented a report which provided details of the audit work during the period 6 November 2018 to 10 January 2019; advice on the progress with the 2018/19 plan; and information on any other matters relevant to the Audit Committee's role.

The Committee was advised that good progress had been made in the delivery of the Internal Audit Plan. During the period, 17 audits had been completed and a further four were at 'draft report' stage. Appendix A to the report provided detailed information on the work completed.

Reference was made to the audit of Capital Receipts, which had received limited assurance. It was advised that in 2016 the Council, together with all other local authorities, had received more flexibility on the use of capital receipts, which allowed capital receipts to be used to fund expenditure on certain projects that were designed to generate on-going revenue savings or transform services to reduce costs. It was highlighted that a fundamental principle of the guidance was that if capital receipts were used on transformational projects then the Council would need to show that this had generated on-going revenue savings or transformed services to reduce costs as a result.

The audit had found that improvements were required on the reporting of the on-going savings or reductions in costs and officers were confident that those improvements would be delivered by including this information in future budget outturn reports.

It was queried how HMRC's *Making Tax Digital* had impacted on the County Council and it was advised that the HMRC's planned digitalisation for local government had

been delayed for a year. Preparations were being made by officers in readiness for the introduction.

RESOLVED

That the Internal Audit Progress Report be noted.

57 RISK MANAGEMENT PROGRESS REPORT - JANUARY 2019

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 make recommendations on any further scrutiny required.

The Committee was advised that as part of the on-going review and oversight of the Strategic Risk Register, a review of the individual strategic risks with risk owners had been undertaken and assurances had been obtained that the strategic risks were being managed effectively. The Risk Management Progress Report was detailed at Appendix A to the report, which provided updates on key messages received since the last update in September 2018.

It was highlighted that Appendix 1 to the progress report had included a summary of each Directorate's *Top 5* risks, which had shown that almost all areas had identified having a tactical risk around *people*; and *budget and lack of resources*. There were no tactical risks requiring escalation to the Strategic Risk Register or Corporate Management Board at this time. *IT Infrastructure* had recently been added to the Strategic Risk Register.

In response to a question, it was advised that Risk 5 – *Ability to deliver our major designated projects* had been assessed through the assurance framework; however this had not yet been recorded. This would be reported to the Committee as part of the next update.

The Committee was assured that the Council's strategic risks continued to be managed pro-actively. This could be demonstrated with the inclusion of a new risk. 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.

58 NORTHAMPTONSHIRE COUNTY COUNCIL BEST VALUE INSPECTION -
LESSONS LEARNED

Consideration was given to a report by Lucy Pledge (Audit and Risk Manager), which provided the Committee with a summary from the 'Lessons Learned Exercise' which had been completed, following the publication of the Northamptonshire County Council and Best Value inspection report.

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It was reiterated that Lincolnshire County Council had set a balanced budget and had a proven track record for the delivery of savings and careful consideration was given to the level of reserves to support the Council's budget.

Officers did not underestimate the complexity of the budget challenges ahead but were satisfied that the appropriate structures, scrutiny and financial management processes were in place to protect the Council from similar issues at Northamptonshire County Council.

However, it was acknowledged that the Council could not afford to be complacent and the report highlighted opportunities for improvement, which covered the following:

- Capital programme reporting;
- Reporting the benefits realised from flexible use of capital receipts;
- Updating financial procedures;
- Better reporting and transparency on delivery of savings targets;
- Better clarity in committee reports;
- Capital strategy;
- Forward financial planning and budget setting for April 2020 onwards;
- Enhanced councillor training;
- More robust scrutiny over reserves by the Overview and Scrutiny Management Board (OSMB); and
- Robust scrutiny over financial risks and risk register by OSMB.

The Committee was assured that an evidenced based comparison of the Council's governance and financial management arrangements against the issues highlighted in the Northamptonshire County Council's Best Value Inspection report had given officers assurance that the risk of similar issues occurring at Lincolnshire County Council was low. However, areas for improvements, as detailed above, had been identified that would further strengthen reporting, scrutiny and transparency.

The proposal to enhance member finance / budget training so that it became mandatory, was discussed, and it was suggested that this should be considered at a future meeting of Group Leaders.

It was suggested that the Overview and Scrutiny Management Board be requested to consider the report and provide the Executive with assurance on financial resilience.

RESOLVED

- (1) That the highlighted areas of improvement, as detailed above and in the report, be supported.
- (2) That the Overview and Scrutiny Management Board be requested to provide the Executive with assurance on financial resilience.

59 WORK PLAN

Consideration was given to a report which provided the Committee with information on the core assurance activities currently scheduled for the 2018/19 work plan.

The Committee was reminded that each year a review of the Committee's effectiveness was undertaken. It was proposed that a workshop would be held during the afternoon of 17 June 2019, following the morning's meeting of the Committee, to undertake this review.

It was suggested that the following items be added to the work plan for the meeting on 25 March 2019:

- Accounting Policies; and
- IMT Governance – Combined Assurance Report.

RESOLVED

- (1) That the work plan be approved, subject to the inclusion of Accounting Policies; and IMT Governance – Combined Assurance Report for the meeting on 25 March 2019.
- (2) That a workshop be held during the afternoon of 17 June 2019, following the morning's meeting of the Committee, to undertake the annual review of the Committee's effectiveness.

The meeting closed at 12.50 pm.

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