

## AUDIT, BEST VALUE AND COMMUNITY SERVICES SCRUTINY COMMITTEE

MINUTES of a meeting of the Audit, Best Value and Community Services Scrutiny Committee held at Committee Room, County Hall, Lewes on 27 September 2016.

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PRESENT Councillors Mike Blanch (Chair) Councillors John Barnes (Vice Chair), Laurence Keeley, Carolyn Lambert, Peter Pragnell, Bob Standley and Trevor Webb

LEAD MEMBERS Councillor David Elkin

ALSO PRESENT Kevin Foster, Chief Operating Officer  
Russell Banks, Head of Assurance  
Simon Pollock, Head of Business Operations  
Marion Kelly, Chief Finance Officer  
Phil Hall, Interim Chief Finance Officer  
Philip Baker, Assistant Chief Executive  
Warwick Smith, Head of Communications  
Tina Glen, Head of Property Operations  
Adrian Stockbridge, Orbis Programme Manager  
Martin Jenks, Senior Democratic Services Advisor

Councillor Michael Pursglove

### 17 MINUTES OF THE MEETING HELD ON 15 JULY 2016

17.1 The Committee agreed to amend the minutes of the last meetings so that they read as follows:

Minute 12.3 The Chief Operating Officer confirmed that the community transfer of the St Anne's site was no longer viable, even to previous bidders, and that alternatives were being considered *including Community Asset Transfer*.

Minute 13.7 RESOLVED *Further to investigate* the development of a property investment strategy to generate income to continue delivery of the Council's priority of encouraging economic growth. Officers were encouraged to be ambitious while maintaining consciousness of being guardians of tax payers' money.

17.2 The Committee RESOLVED to approve as a correct record the minutes of the meeting held on 15 July 2016, subject to the amendments outlined in 17.1 above.

### 18 CHAIR'S ANNOUNCEMENTS

18.1 The Committee recorded a vote of thanks and appreciation to Marion Kelly, Chief Finance Officer, for her work as the Section 151 Officer in advising the Committee and her significant work in Treasury Management and Income Generation. Marion is leaving the authority at the end of September. Phil Hall, Interim Chief Finance Officer, was introduced to the Committee, who will take up the role of Section 151 Officer.

## 19 APOLOGIES FOR ABSENCE

19.1 There were none.

## 20 DISCLOSURES OF INTERESTS

20.1 Councillor Standley declared a personal, non-prejudicial interest in agenda item 5 as he is member of the Pensions Committee. Councillor Barnes declared a personal non-prejudicial interest in item 5 as he is the Chair of the Music Management Committee. Councillor Webb and Councillor Lambert declared a personal non-prejudicial interest in item 5 as they are members of the East Sussex Local Government Pension Scheme.

## 21 URGENT ITEMS

21.1 There were none.

## 22 REPORTS

22.1 Reports referred to in the minutes below are contained in the minute book.

## 23 INTERNAL AUDIT 2016/17 PROGRESS REPORT - QUARTER 1

23.1 The Committee considered a report by the Chief Operating Officer which provided a summary of the major findings from the audit reviews completed during first quarter of 2016/17.

23.2 The Head of Assurance summarised the audit results in the first quarter. There were only two schools audits completed in this quarter. This is because there is a gap between the two phases of the school audit work being undertaken by Mazars. The Committee noted that poor audit results from schools is a continuing theme.

23.3 The Head of Assurance outlined that one of the Audit Team's performance indicators is amber, due to the small number of questionnaires received following audits. He is confident this performance indicator will be green by the end of the year.

23.4 The Chair explained that the Committee do not normally review in any detail partial assurance audit opinions. However, the follow up audit judgements for Pension Fund Processes and Systems, and Direct Payments in Adult Social Care (ASC) have not improved since the last audit and warrant further discussion. The Committee asked the Head of Business Operations to outline the background to the audit outcomes and the measures that have been put in place to address the recommendations of the audits.

### Pension Fund Processes and Systems

23.5 The Head of Business Operations explained that the first audit was carried out in 2014/15 at a time when the Pension Team were having problems and were missing targets for Key Performance Indicators (KPI's). This was due largely to having weaknesses in the processes and technology being used, as well as having some team members in the wrong roles. To address these issues, the department launched a two year project to change the Pensions Team, its processes and computer systems.

23.6 The recent audit was an opportunity to get an independent view of the project progress and which identified the need for further improvement. The Pensions Team has now put in place an action plan to implement the recommendations of the recent audit and has been successful in issuing the Annual Pensions Statements and undertaking the triannual revaluation on time. The Pensions Team have continued to improve since the audit.

23.7 The Committee asked a number of questions about work backlogs, the computer system and reconciliation of information with the finance system (SAP), and sought the necessary assurance that these matters had been addressed from the Head of Business Operations.

23.8 The Head of Assurance confirmed that he was happy with proposals that have been made to implement the recommendations from the audit. The Internal Audit Team is involved with providing advice on the introduction of the new computer system and will be auditing new system in the third or fourth quarter this year which will include a further follow up of previous audit recommendations.

#### Direct Payments (ASC)

23.9 The Head of Business Operations outlined that there are some overlapping concerns between the two audits that had been undertaken, but there were also some new issues that have been identified as part of the most recent audit. Prior to 2014 direct payments went into client's bank accounts and there was little information available on how the money is spent. The direct payments system has now moved to using pre-paid cards where it is easier to see how the money is spent. So some issues are therefore coming to light for the first time. The department has worked with suppliers (who are external organisations who manage direct payments on behalf of clients) to recover £208,000 of unspent money from client's accounts.

23.10 In the first audit there were indications that the two departments (Business Services and Adult Social Care) were not working well together. Since that time the Teams have been working very hard together and regularly exchange information. The Head of Assurance confirmed that from the information he has available to him, the teams are working better together.

23.11 The Committee asked if there is any way of monitoring the effectiveness of the Direct Payments system in providing the appropriate care needed. The Head of Business Operations replied that it is difficult to assess if the nature of care expenditure is appropriate to the client's needs without being social care professional. Business services can monitor expenditure and what the money is being spent on, but cannot monitor the effectiveness of that spending to meet identified needs. The Committee agreed to refer this issue to the Adult Social Care and Community Safety Scrutiny Committee.

23.12 The Head of Assurance confirmed that he was happy with the proposals that had been made to implement the recommendations of the audit. A follow up to the audit is planned in fourth quarter of the year.

#### Other Audit Work

23.13 The Committee discussed a number of other issues arising from the first quarter Internal Audit report.

- ContrOCC System. The Committee noted from the audit of the ContrOCC system that there had been problems with providers failing to inform ESCC of the deaths of clients, and a register is now being kept of these providers. The Committee asked officers to note their concern about this issue and provide further information on this when it is next reviewed.

- Property Work pre-contract checks. It was clarified that the improvements in pre-contract financial soundness checks of contractors applied to minor works and not to major contracts. The Chief Operating Officer confirmed that Officers across Orbis are working to resolve this compliance weakness.
- Design and Build Contracts. A member of the Committee raised concerns about the use of design and build contracts, where ESCC might be vulnerable to not achieving contract compliance and value for money. The Chief Operating Officer explained that this approach requires effective client arrangements and relationship management of the contract. The department is addressing this issue via a delivery review and will make note to provide feedback to the Committee. The Committee asked Internal Audit to make a note of this issue for incorporation into future audit plan risk assessments.

23.14 RESOLVED to (1) agree that there are no actions that need to be taken in response to the issues raised in the audits carried out during quarter 1; and

(2) confirm that there are no new or emerging risks for inclusion in the internal audit plan; and

(3) welcome progress so far on the Internal Audit Plan and refer issue of effectiveness of Direct Payment expenditure to the Adult Social Care and Community Safety Scrutiny Committee.

## 24 STRATEGIC RISK MONITORING 2016/17 - QUARTER 1

24.1 The Committee considered a report by the Chief Operating Officer which provided an update on the current strategic risks faced by the Council, their status and the risk controls or responses.

24.2 The Committee RESOLVED to note the current strategic risks and the risk controls or responses being proposed and implemented by Chief Officers.

## 25 RECONCILING POLICY, PERFORMANCE AND RESOURCES (RPPR) 2017/18

25.1 The Committee considered a report by the Chief Executive which provided an overview of the council's business and financial planning process (RPPR) and the Committee's ongoing role in this process.

### Capital Programme

25.2 The Committee discussed the Capital Programme and made the following comments.

- The Committee asked for further information on the New Homes Bonus as ESCC will have some future funding from this source and it would be helpful to have more clarity on the amount of funding. The Chief Finance Officer responded that historically figures have only been added for the next year, due to the uncertainty of this source of funding.
- The Committee requested further clarity about the Section 106 balances and money from Community Infrastructure Levy (CIL) developer contributions in the Capital Programme. The Chief Finance Officer informed the Committee that the officer capital board looks in more detail at Section 106 commitments to ensure the money is spent within the five year time limit. The Chief Operating Officer added that updates on the capital programme take place every three months and the Communities, Economy and

Environment department are making sure Section 106 money is spent against commitments. The amount of money shown against Section 106 contributions may reduce in future years as the use of CIL becomes more widespread and replaces Section 106 Planning agreements.

25.3 The Chief Finance Officer commented that the Council is coming to the end of current five year Capital Programme. Planning has started for the new Capital Programme which estimates that around £100million will be needed for the future capital programme. The Chief Operating Officer added next Capital Programme will mainly be comprised of core needs (e.g. programmes for schools, highways, IT etc.) and will be mainly funded by borrowing and grants. Once the Programme is agreed it will be analysed to determine what is short term (e.g. short term IT projects) or longer term need, which may influence the way it is funded.

25.4 Committee agreed that they would like more information on the current Capital Programme and its funding to be presented at the RPPR Board in December, including an outline of intentions for next capital programme.

#### Savings Plan (Appendix 3)

25.5 The Committee discussed the lines of enquiry and further information it required for consideration at the RPPR Board.

##### Public Health

- The Committee asked for further information about the ring fencing of the Public Health grant; to what extent year on year underspends are taken into account in budget planning and; further information on the Creating Healthy Communities and Smoking Cessation programmes.

##### Business Services

- As Orbis determines most of the savings in this area, the Committee requested further information on proposals for savings or increasing income generation. At present the description of the savings proposals is for the whole of Orbis and the Committee requested a service by service break down of savings. The Chief Operating Officer confirmed that this information is available for the Orbis partners on service by service basis.
- The Committee requested further information on the Income Generation Programme work; the Property Investment Strategy and; the Apprenticeship levy funding situation, including the rate of drawing down funds and the extent this may offset Human Resources costs. The Chief Operating Officer responded that the Apprenticeship work was something that was being carried out jointly by Communities, Economy and Transport and the Children's Services departments.

##### Community Services

- The Chair outlined that a separate Board had been set up to look at the next stages of the Libraries' Transformation programme. The Committee asked for an update on Registration Services at the RPPR Board including information on costs, fees and other income.

##### Governance

- The Committee requested further information on Orbis Public Law and on the savings plans for Senior Management and Organisational Development (SMOD), which includes Member Services. The Committee also noted that the savings plan for these services does not show gross budget figures and asked if they could be provided.

25.6 The Committee agreed that the RPPR Board would be made up of Councillors Blanch, Barnes, Standley and Webb. Councillors Keely, Lambert and Pragnell were invited to attend the RPPR Board if they are able. The Committee also agreed the proposed meeting date of the RPPR Board, which will be held on Monday 5 December 2016, starting at 1.00pm

25.7 RESOLVED to (1) agree the key areas of interest/lines of enquiry for scrutiny as being:

i) Capital Programme.

- Further information on the funding of the capital programme and information on the impact on the revenue budget.
- Further clarity on the amount of the contributions from the New Homes Bonus and Section 106/Community Infrastructure Levy (CIL) for future years.
- An indication of the sources of future funding for the new capital programme and the likely impact on revenue.

ii) Business Services.

- A breakdown of the savings achieved under Orbis on a service by service basis.
- Further information on the outcomes from the Income Generation Programme.
- An update on the Property Investment Strategy.
- An update on the Apprenticeship Levy funding, including the rate of draw down and the extent to which this can be offset against Human Resources costs.

iii) Community Services.

- An update on the Registration Service, to include information on costs, fees and other income.

iv) Governance Services.

- Further information (including gross budget figures) on:
  - Orbis Public Law
  - Senior Management and Organisation Development (including Member Services).

v) Public Health.

- Clarity about the future ring fencing arrangements of Public Health budgets;
- Assurances about the future management of year on year underspends;
- Further information on the delivery of programmes for Smoking Cessation and Creating Healthy Communities.

(2) establish a scrutiny review board consisting of Councillor Barnes, Councillor Blanch, Councillor Standley and Councillor Webb, to consider the developing portfolio plans and savings proposals as they emerge in December and to submit scrutiny's final comments on them to Cabinet in January 2017; and

(3) note the proposed RPPR Board date of Monday 5 December 2016.

## 26 PROPERTY POLICIES UPDATE

26.1 The Committee considered a report by the Chief Operating Officer which provided an update to the suite of Property Policies with a focus on the changes that have been made to the Disposals Policy following a recommendation by the Lead Member for Resources.

26.2 The Committee commented that the report does not address a draft Meanwhile Use policy and how the SPACES programme fits into these policies. ESCC could be missing opportunities for income generation and the Disposal Policy does not clearly articulate that ESCC is not simply disposing of assets. The pledge outlined in paragraph 2.3 is not going to work unless it is set in a transparent and easy to understand policy framework, that gives confidence to community groups.

26.3 Councillor Keeley described how empty properties could be used for Meanwhile or Community use to address homelessness, housing, domestic violence refuges and other local needs. The Committee noted that Meanwhile Use could be applied to under-utilised assets, as well as those subject to disposal. It also asked how ESCC encourage Meanwhile Use in relation to the pledge in paragraph 2.3.

26.4 The Chief Operating Officer responded that our policies do allow for the Meanwhile Use of assets and the department will look at how Business Services does this to see if there is anything missing from our policies. The Council is entering into Meanwhile Use agreements for some of its assets, but may not have specifically referred to it as "Meanwhile Use".

26.5 The Chief Operating Officer added that ESCC will use its assets for Community use where this aligns with the Council's priorities and the needs of the County overall. At each meeting of the SPACES programme there is a discussion of the spaces vacant and the spaces needed.

26.6 The Committee asked a number of further questions about property disposals.

- The Chief Operating Officer confirmed that the department does have list of empty properties that can be made available to the Committee.
- The Property Asset Management System (PAMS) has information about property utilisation, and ESCC may be holding some properties vacant due to the state of the property market.
- Progress is monitored once the decision to dispose of a property has been taken. The department does have a monitoring system and Tina Glen will provide further information to the Committee.
- The Property Team meet regularly to monitor surplus properties. There is a detailed process for declaring a property surplus, which includes informing the Local Member at an early stage. There is also a check made that the Local Member has been informed before a report goes to the Lead Member meeting.

26.7 The Committee requested the development of a more formal Meanwhile Use policy. The Committee also noted that property issues will be coming back to the Committee regarding the SPACES programme and an update on Property Asset Management System in due course.

26.8 RESOLVED to: (1) note the update to the suite of property policies; (2) note that further reports on property issues will be presented to the Committee in due course; and (3) request the development of a more formal Meanwhile Use policy.

## 27 ORBIS PROGRAMME UPDATE

27.1 The Committee considered a report by the Chief Operating Officer which provided a progress update in relation to the Orbis Partnership.

27.2 The Chief Operating Officer introduced Adrian Stockbridge to the Committee who is the Orbis Programme Manager. The Orbis Programme Manager introduced the report which addresses the key areas of the implementation of the Orbis programme. With regard to Brighton and Hove City Council (BHCC) joining the Orbis Partnership, a report will be going to the BHCC Policy, Resources and Growth Committee on 13 October 2016 to recommend that BHCC join the Partnership following the completion of the due diligence process. BHCC will join as a founding partner and discussions with them have been on this basis.

27.3 The Committee asked for more detailed information on the additional savings proposals. The Chief Operating Officer outlined that the department had carried out a rating of the current savings proposals and are assessing further savings requirements from each partner as part of RPPR process. This is in response to Medium Term Financial Plan (MTFP) planning process and RPPR process of the respective partners. The work has examined 'managed on behalf of' (MoBo) budgets as well as joint budgets. An indication of areas of search for further savings will be presented to Cabinet as part of the RPPR report.

27.4 The Chair indicated that the Committee would have preferred to have had a discussion about the areas of search, prior to them being presented to Cabinet. The Chief Operating Officer explained that Cabinet report will have financial details of possible additional savings. Achieving additional savings is difficult and challenging and it is more likely savings can be made in 'managed on behalf of' budgets (such as Facilities Management type budgets) than making significant savings in the costs of Orbis. The department can give clarity on the savings for ESCC that will be delivered as part of the Partnership.

27.5 The Committee asked for an updated chart of savings (shown in appendix 1 of the report) to reconcile the figures with those in the business plan and for further information on how they affected the various ESCC services. The Committee also asked for an update to be provided on the Procurement Service savings.

27.6 The Committee noted that the payback period for the investment in Orbis is 2018/19 and indicated that the RPPR Board will want to know if this has changed to be sure of the return on the investment in service changes.

### Scrutiny Of Orbis

27.7 The Chair sought the views of the Committee on the options for the scrutiny of Orbis presented in the report. The Committee supported option 2, where the scrutiny work of the East Sussex County Council, Audit Best Value and Community Services Scrutiny Committee and Surrey County Council's, Council Overview Board are co-ordinated so that the same topics and reports are prioritised by agreement between the Chairs for consideration at each authority's scrutiny body. The Committee also suggested the addition of an annual meeting for the members of the two bodies to meet and discuss issues of common interest.

27.8 RESOLVED to (1) note the report and its appendices to review progress in delivering the Orbis Business Plan;  
(2) request further information on the savings plans for Orbis as detailed in minutes 27.4, 27.5 and 27.6 above; and  
(3) recommend that future scrutiny of the Orbis programme should be by way of option 2, outlined in the report, plus an annual meeting of representatives of the two committees.

## 28 SCRUTINY COMMITTEE FUTURE WORK PROGRAMME

28.1 The Committee considered the Work Programme. The Treasury Management report will be added to the Work Programme for the Committee meeting to be held on 8 November 2016.

28.2 The Committee RESOLVED to note the Work Programme.



29 FORWARD PLAN

29.1 The Committee considered the Forward Plan of executive decisions.

29.2 The Committee RESOLVED to note the Forward Plan.

30 ANY OTHER ITEMS PREVIOUSLY NOTIFIED UNDER AGENDA ITEM 4

30.1 There were none.

The meeting ended at 12.13 pm.

Councillor Mike Blanch (Chair)  
Chair