

Minutes of a Meeting of the Audit Committee held in the John Meikle Room, The Deane House, Belvedere Road, Taunton TA1 1HE, on Thursday, 14 December 2023 at 1.00 pm

Present:

Cllr Mike Hewitson (Chair)
Cllr Andy Sully (Vice-Chair)

Cllr Steve Ashton
Cllr Norman Cavill
Cllr Simon Coles
Cllr Tim Kerley

Cllr Lee Baker
Cllr Mandy Chilcott
Cllr Habib Farbahi
Cllr Mike Stanton

In attendance:

Cllr Liz Leyshon

Other Members present remotely:

Cllr Andy Kendall
Cllr Emily Pearlstone
Cllr Ros Wyke

Cllr Sue Osborne
Cllr Rosemary Woods

50 Apologies for Absence - Agenda Item 1

Apologies were received from Cllr Simon Carswell (substituted by Cllr Mike Stanton), Cllr Mike Best (no substitute).

51 Declarations of Interest - Agenda Item 2

There were no declarations of interest made at the meeting.

52 Public Question Time - Agenda Item 3

Public Questions relate to 2024/25 General Fund Revenue Budget & Capital

Programme update - Agenda Item 5 and received from:

Nigel Behan

All questions were considered under the relevant agenda item. The questions and responses provided are attached to the minutes in Annex A.

53 2023/24 General Fund Revenue Budget Monitoring Report - Month 6 Q2 -
Agenda Item 6

The Audit Committee received a presentation from the Service Director – Finance and Procurement, Nicola Hix.

The Service Director – Finance and Procurement, Nicola Hix, presented the report, highlighting: that the Council is projecting an overspend of £18.7m for 2023/24, an improvement of £8.6m from the previous forecast of £27.3m in month five; that the forecast overspend for the year is driven by Adults and Childrens Services; that the report is the first budget monitoring report in the new format using Solver and MS Dynamics; that the report was considered at the 6 December 2023 Executive meeting; summarised the use and operation of the control boards and panel placements in Social Care; the spend control board limit of £100 and the resource pressure; the implementation of a no purchase order, no pay policy and the significant change in process; the continued work to improve reporting, including the formatting of reports, the addition of actuals and the break down of income and expenditure for more clarity to Members; and summarised the RAG status on individual services.

Written questions submitted in advance of the meeting from Audit Committee co-opted member, Lindy Jansen van Vuuren:

Adult Services, the Executive Director - Adult Social Care, Mel Lock, responded in the meeting:

- Clarification of the overspend in commissioning - clarified the overspend in Adult Services Commissioning as £1.1m.
- What is the £5 million saving my life my future that will not be achieved? - that the £5m savings won't be achieved in the first year, with the savings of £10m to be achieved over a two year period and currently on track.
- Direct payments table - $+/1\ 1070 \times \text{£}354 \times 52 = \text{£}19.7\text{m}$ versus full year projection of £14.2m? Difference £5.5 million difference? - that the difference relates to client contribution and income from services following a financial and benefit assessment on individuals and the unspent surplus received back to the

Council.

- What are the four main pressure areas, only three listed areas? Confirmed the four main pressure areas: residential, nursing, supported living and homecare.
- Older People Mental Health (OPMH) nursing placements, table = 185 x £1 144 x 52 = £11 million versus £14.6 million full year projection? Why £3.6 million difference? - provided an explanation of OPMH and the complexities of support provided, with the graph on page 36 of the report showing the average cost, however, due to complexities and the need for 121 support, the total of £14.2m included the additional spend on 121 support.
- Do nursing placements relate to Learning Disabilities? Advised that this does not include mental health or learning disability, there can be changes for older people with dementia and that there can be dual diagnosis.
- Well done on the mitigations listed; however, it would be good to see the financial impact of these mitigations and criteria used to measure the effectiveness. For instance, 'Review all high cost / complex placements' - how many high cost / complex placements were there in the beginning of the year, how many were reviewed in Q1 and Q2, how many are planned to be reviewed in Q3 and Q4? Did we realise any savings from the placements reviewed? For instance, 'Review void costs' - Document a list of void costs, reviews done and outcome? So basically, to see more action-orientated mitigations and its outcome. Are they making a difference in realising savings? - explained the £9.3m mitigations, including the £1.4m complex placements saving and £0.3m void costs and advised of the process of monitoring actions of efficiency and mitigation regarding Adult Social Care spending.

Children Services - the Service Director - Finance and Procurement, Nicola Hix, responded in the meeting:

- The difference in internal fostering projected underspend of £1.3 million and table = £0.7 million in the report - that the difference represented by the £0.6 pressure and calculated and net figure £0.7.
- The difference in the external placements month variance is £11.6m, not £10.4m, which is the difference between gross and net, with £11.6m being the gross pressure and £10.4 being the net pressure.
- Are the Local Authority maintained school's revenue reserves and DSG reserves, are these offset against the expenditure on page 39 of the report? - DSG reserves do not offset the expenditure on page 39, the issue is reported separately.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- Should the minimum level of £100 for the control spend board be set higher, considering the impact on resources following the volume of work? - The Service

Director, Finance and Procurement, Nicola Hix, explained that while the volume of orders was high, patterns of use had been established and could be acted upon in the new year to target relevant areas and provide guidance. The Executive Director Resources and Corporate Services, Jason Vaughan, further added that £100 had been chosen in line with what Commissioners would do if a S114 had been issued, that areas of focus had been identified and the positive impact on the changing behaviours in the Council, with the and spending less money as a result, the ability to readjust the figure going forward.

- The tracking of the challenge or reduction in spend.
- Consider report writing to include explanations of tables in the reports, explanations of the differences in tables and clarity regarding improvements of projected overspends.
- Children's and Adult's budget and outturn information, 2015 – current projected figures.
- That the retrospective report and the potential changes of reporting going forward using the solver budgeting tool and review of the democratic calendar.
- The acknowledgement of the challenges and pressure across the Council and the concern of resilience and numbers of staff.

The Executive Director – Adult Social Care, Mel Lock, responded:

- Home placement, level of care figures and how many people need to be assessed each year – national and local pressure, the high number of outstanding assessments and annual reviews, both nationally and locally, that there is a pressure and challenge as there is not enough social workers or occupational therapist nationally or locally, and the use of trusted assessors to manage the process.
- How does the Council manage self funding and contribution towards care takes place under the relevant Government criteria - explained the review, checking and management process through the financial benefit team and the online system used to manage the process.
- The checks, balances and monitoring process to ensure that people are getting the right amount of support hours and the increase in the number of hours that people are being supported in their own homes from 12 hours average to a rise of 14 hours, with December showing 14.9 hours.
- Queried whether the budget for 2023/24 had been set correctly, with an overspend by month 1? The budget set was tight but achievable, with the dramatic growth of the cost of care and the cost of living challenges impacting the budget, with the look to rebase the budget going forward.
- Does Adult Services have the right level of support from the finance team? – good support, however, there is a risk should the service manager not be available, the team are gaining experience to have the depth to deliver.

The Executive Director, Children, Families and Education, Claire Winter, responded:

- Queried whether the budget for 2023/24 had been set correctly, with an overspend by month 1? The budget set was tight but achievable, with the demography and the landscape of the care market significantly changing due to the increasing complexity of children's needs, partly as a result of the pandemic, the increased costs above CPI - replicated nationally, further advised of the £2m savings delivered through the development of the strategic partnership with the Shaw Trust to deliver children's homes, fostering and therapeutic education provision for the most complex children.
- Does Children Services have the right level of support from the finance team? – that an external consultant for demand modelling had been appointed to support the Children's Finance team and to help them develop their experience and skill sets to better understand demand modelling for the future.

The Executive Director, Resources and Corporate Services, Jason Vaughan, responded:

- Ways in which the Audit Committee can aid the Finance Team to look to provide assurance budget and saving setting and the welcome improved reporting using Solver – to reflect and advise the Audit Committee.
- The visibility of and opportunities for income generation – to look to take an item through the Scrutiny Committee – Corporate and Resources.
- The performance of Transformation savings, delivery of savings and concerns of the level of the budget set for 2023/24 – advised that the profile of the Newton savings within Adult Services affects the forecast, but that £10 to be delivered over two years, the challenges of the LGR savings through restructure, further advised on the expectations that if savings cannot be delivered alternatives and contingencies to be sought, look to improve and strengthen monitoring of savings through Scrutiny Committees.

The Service Director – Finance and Procurement, Nicola Hix, responded:

- Asked for an explanation on overstated income budgets – advised that overstated income budgets from legacy councils had been fed through into the amalgamated budget, particularly in relation to income from the commercial investment portfolio and dividend income from those investments.
- Acknowledgment of the challenge of aligning the five predecessors Council and asked for assurance of the alignment of the budget – advised of the challenges, including the alignment of different structure, and the finance system., in a strong position with further work to continue with each service budget information, appointed our new head of business, partnering is looking at how that can be aligned even further.

The Audit Committee noted the contents of the report considered at the Executive in December 2023.

54 2024/25 General Fund Revenue Budget & Capital Programme update - Agenda Item 8

The Audit Committee received a report from the Executive Director – Resources and Corporate Services, Jason Vaughan.

The Executive Director – Resources and Corporate Services, Jason Vaughan, presented the report, highlighting: the consideration of the report at Scrutiny Committee - Corporate and Resources on 5 December 2023, Executive on 6 December 2023 and Full Council on 20 December 2023; that the Council had been pro-active in writing to the Department for Levelling Up Housing & Communities (DLUHC) outlining the financial challenges and capitalisation direction, and have been assigned a key contact; summarised the recommendations, including the work on the capitalisation programme 2024/25, the public budget consultation – end 22 January 2024; the work and review on reserves; the draft budget revenue and capital and Vision for a sustainable Somerset Council.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- That a key area of focus and risk to the Council is the Adult and Children Services budget situation, with the Audit Committee requiring assurance that budget controls are in place for a deliverable budget - The Chair requested Mel Lock and Claire Winter to attend the 25 January 2024 and 28 March 2024 Audit Committee meetings.
- The consultation and engagement process on the savings proposals identified, the devolution opportunities for the City, Town and Parish Councils and concerns around timelines for precepting and budget setting.
- Opportunities for increasing income and precepts for a good future for Somerset and not operating as a skeletal Council.
- Commercial investment and the capitalisation direction, including sale of assets, borrowing, selling Council assets process, the asset management sub committee role and the process over a period of time to review assets.
- The selling of assets to produce income – capital receipts, capitalisation direction and the cost of new borrowing.

The Executive Director, Children, Families and Education, Claire Winter, responded:

- The 20% increase in the Children Services budget for 2024/25, what is the need for this and is it sustainable moving forward – that the 20% is rise due to the complexity of need, which is both a local and national pressure, and that the level of increase is not predicted in subsequent years due to effective work of homes and horizons project and the work on the in house fostering service to improve the number of in House foster carers.
- The Council's commitment to intervention services in preventing the escalation into statutory services, including family intervention services and early intervention services.

The Executive Director, Adult Social Care, Mel Lock, responded:

- What is the cause for the £69.6m pressures in Adult Services 2024/25 budget? Advised of the Association of Directors of Adult Social Services national survey completed in Autumn 2023 highlighting the complex mix of high inflation, increased needs, complexity of needs and the workforce challenge. Further impacts on the budget include the unfunded increase in living wage (an additional £5m pressure for Somerset Council), the increase for adult social care due to speed of discharge from hospital and the complexity of individuals, the cancellation of the fair cost of care exercise, the overspend of Adult Services in previous years, and the potential changes in April 2024 regarding overseas workforces which could mean the use of agency workers and increase costs further.
 - The large number of outstanding assessments and the process of managing the waiting list.
 - The working partnership of Somerset Council and the Integrated Care Board, including maximising funding and the work on prevention.

The Audit Committee noted the contents of the report considered at the Executive in December 2023.

55 Preventing Failure in Local Government – lessons learned from Grant Thornton's recent national report - Agenda Item 4

The Chair welcomed the Director and PSA Head of Audit Quality - Regulation, Audit Grant Thornton UK LLP, Barrie Morris, and the Director of Local Government Value for Money, Audit Grant Thornton UK LLP, Guy Clifton, for this item.

The Committee received a presentation, which provided a summary of findings from the recently published Grant Thornton's 'Preventing Failure in Local Government' report, drawing on the research on Government, external audit, and other interventions where there has been a financial or governance failure at a Local Authority.

Guy Clifton highlighted the following:

- That Local Authority significant failures remain rare but not as rare as they used to be.
- That the research gone into the report relates to examples of Government intervention auditors' use of these statutory powers and the issuing of S114 or S5 notices to relevant statutory officers;
- The report examines the themes that relate to these issues, the causes, and the good practices and the opportunities for preventing future failures and other local authorities.
- That the act of issuing a S114 notice or S5 notice may not in itself represent failure.
- Summarised key findings, including the causal factors of failure, grouped into themes Structures, Systems and Behaviours and the good practice of function and roles within these themes.
- That the themes can play their part, not necessarily in every single local authority failure, but they often play a part in a number of LA failures.
- In summary, it is believed that most Councils are still well run, and most Councils have avoided significant failures, but there are increasing sector challenges both internally and externally that need to be managed.
- The 2nd report due in January 2024 and will provide a greater level of detail for Local Government regarding the actions they can case studies as well.

The Committee asked a number of questions and made a number of comments, which were responded to at the meeting, as follows:

- The Council tax based on property value is 1991 and the unsustainable way of funding a Council against the demography of a Council, and the expectation and the factors out of the control of for Somerset Council, including Council Tax, Business rates used for to contribute to fund social care the need for a form of the finance system the whole system the report makes it clear the whole system needs reform, the impact of inflationary demands.
- The local and national contributors to the financial situation and the need for Local Government funding reform.
- Case study considerations for Grant Thornton to undertake, including bidding for multiple funding pots and Local Government funding reform.

- The management of Councils within the criteria and good practice within the report, past failures of Councils and the mitigating themes, the issuing of S114 notices retrospectively and looking forward considering the national challenges.
- Transition issues including interim posts and associated organisational challenges.

The Chair thanked Barrie Morris and Guy Clifton for the presentation, and the Audit Committee noted the Grant Thornton presentation - Preventing Failure in Local Government – lessons learned.

56 Financial Emergency Assurance Update - Agenda Item 5

The Committee received a presentation from the Interim Head of Democratic Services and Governance, Scott Wooldridge, Risk Manager, Pam Pursley and the Head of Corporate Finance, Ben Bryant.

The Interim Head of Democratic Services and Governance, Scott Wooldridge, introduced the report and presented the Somerset Council governance and assurance framework via the use of PowerPoint presentation, highlighting the following: the further guidance provided in the report by the Local Government Association and dependencies and the potential helpful questions in section 17 for Audit Committee members to consider when looking at assurance frameworks: how the council operates, roles of officers, member's and committees, what Councils do to assure themselves, how Councils are accountable and the Somerset Council Governance framework.

Risk Manager, Pam Pursley, presented the Risk management framework via use of a PowerPoint Presentation, highlighting the following: the risk management framework, financial emergency risks – currently in place, ongoing and gold strategic coordination risks; the additional work for the financial emergency, the regular meetings with SWAP, the structure of commands set up for the financial emergency with six gold risks and the potential for the list to grow; and the importance of working on equality impact assessments.

The Head of Corporate Finance, Ben Bryant, presented the Finance System Update via PowerPoint presentation, highlighting the following: the 365 functionality and Finance post go live high-level activity timescales for a single system ERP replacement comparison, training and support, systems controls reporting capacities and next steps.

The Committee asked a number of questions and made a number of comments, which were responded to at the meeting, as follows:

- The Audit Committee concerns and required clarity on the changed governance and control environment due to the additional boards and placement panels put in place for the financial emergency - the Executive Director, Resources and Corporate Services, Jason Vaughan, emphasised the provision of assurance and governance framework detailed within earlier reports, will look to provide additional information on the control boards and panel placements
- The importance of presentation circulation before meetings to gain insight and ask relevant questions.
- MS Dynamics: All Member Briefing provision and MS Dynamics reports are to be considered Scrutiny Committee – Corporate and Resources 4 January 2024.
- The Audit Committee member's completion of the CIPFA Audit Committee compliance with best practice Self-Assessment and influence of training for the Audit Committee.
- Whether the training provided for the Audit Committee covers all areas for assurance to be achievable across the whole organisation.

The Audit Committee requested more clarity over the new control measures put in place for the Somerset Council Finance Emergency.

57 SWAP Internal Audit – Financial Assurance work 2023/24 - Agenda Item 7

The Committee received a report from the Assistant Director SWAP Internal Audit Services, Alastair Woodland.

The Committee considered a report and received a report which provided information on Internal Audit – Target Financial Assurance Work 2023-24.

Alastair Woodland highlighted the following:

- That the report was not the usual progress update report, but a report summarising work included in the 2023/24 audit plan.
- The potential use of assurance maps to build an assurance picture across the whole organisation.
- Where SWAP work is taking place to give insight and assurance around financial sustainability given the financial pressures the authorities are facing.
- Strategic risks including, healthy organisation themes and SWAP top ten risk themes to ensure reasonable coverage across the organisation.

- That Corporate risks usually monitor coverage over two years. Due to Somerset Council only being formed on the 1st April 2023, the new corporate risks are covered from that date.
- That to provide an overview structure to SWAP financial assurance reliance is on the key factors identified the CPF's financial management code that support financial resilient 2019.
- Summarised planned audits, assurance work, and targeted reviews and that resources are to be diverted to some of those areas where necessary.
- The assessment of assurance controls around routine financial management is making sure that the routine financial system controls are operating effectively. and the more detailed work around some areas, such as accounts payable and accounts receivable.
- The Audit committee training sessions are to be held in January / February 2024 (generic) and May 2024 (bespoke).
- Audit Committee access to SWAP data, reports and helpful guidance available January 2024.

The Committee asked a number of questions and made a number of comments, which were responded to at the meeting, as follows:

- SWAP to update Financial Systems Control risks report with SC Financial Emergency Emerging risks.
- Audit Committee review of its Annual Report and effectiveness – agenda item for the March Audit Committee (liaise with the Chair and input from the wider Audit Committee).
- Financial control systems required – Alastair Woodland to circulate information to Audit Committee Members.
- The potential risk of not covering ORG0065 inability recruiting and retaining staff – Alastair Woodland responded that SWAP to take forward the discussion to relevant Officers if this is a preferred area of coverage of the Audit Committee.
- That ORG0071 adult social care transformation program does not achieve its financial targets is not covered – the Service Director – Finance and Procurement, Nicola Hix, responded that the Audit to be slightly delayed inline with the Newton savings and confirmed that there is regular scrutiny and oversight on the adult social care transformation program.

The Chair thanked Alastair Woodland for the presentation, and the Audit Committee noted the coverage of audit work around financial controls.

58 Review of the Audit Committee Workplan - Agenda Item 9

The Chair invited the Audit Committee to comment on the Audit Committee Workplan.

The Service Director – Finance and Procurement, Nicola Hix, advised the Audit Committee that the External Audit reports for South Somerset District Council and Sedgemoor District Council are to be moved to the 28 March 2024 Audit Committee and that the external auditors have been given prior notice that it is unlikely, due to capacity and new reporting tools, that the May 2024 statutory deadline for accounts will not be met, with an estimate of September 2024. The Service Director also assured the Audit Committee that recommendations and management responses would be fed into the 2023/24 accounts.

The Chair commented on the extra workload of the Audit Committee and the challenge of oversight of Audits following the transition to a Unitary Council and thanked all for their hard work throughout the year.

The Audit Committee noted the slippage on some reports for the January workplan.

(The meeting ended at Time Not Specified)

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CHAIR