DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in **Committee Room 1A** on **Thursday 29 February 2024 at 1.00 pm**

Present:

Councillor A Watson (Chair)

Members of the Committee:
Councillors L Fenwick (Vice-Chair), A Hanson, P Heaviside, B Kellett, D Oliver and T Smith

1 Apologies for absence

Apologies for absence were received from Councillor Richard Ormerod.

2 Minutes

The minutes of the meeting held on 27 November 2023 were agreed as a correct record and signed by the Chair.

3 Declarations of interest

There were no declarations of interest.

4 Looked After Children's Sufficiency Strategy

The Committee received a presentation from the Head of Children's Social Care that provided an overview of the councils Looked after Childrens Sufficiency Strategy, which had been requested by members at a meeting on 29 September 2023, where the Committee were keen to understand the financial pressures being faced within this service and what measures were being put in place to mitigate them (for copy see file of minutes).

R Farnham, Head of Children's Social Care gave the presentation, which highlighted the purpose of the LAC Sufficiency Strategy, and the legal responsibilities and sufficiency duties that were placed on local authorities by The Children Act 1989. She explained what drove the strategy, the cost pressures placed on the budget, the arrangements in place to monitor and manage placements and what was being done by the council to accommodate this.

She noted that corporate parenting was a collective responsibility of the council that this included elected members, all employees and partner agencies to care and safeguard the children in the service. She explained that there were circa 1200 children in the council's care, which was 300 more than at the start of Covid19 pandemic. The biggest contributor to the increased numbers was unaccompanied asylum-seeking children. The numbers in residential care – particularly external residential care placements – were very expensive and was a national issue as the market could not keep up with demand. There was a reported net overspend of £9.05 million expected in 2023/24, which was attributable to overspends on external residential/crisis and secure care placements, supported accommodation, independent fostering agencies and in-house children's homes. Factors affecting the sufficiency and costs included the increased complexity of children's needs, the impact of covid, the lack of care options (market conditions), the increased use of external children's homes (due to a lack of inhouse provision), the regulatory framework and the challenging marketplace for foster carers.

P Darby commented that there were less mental health services throughout the NHS which had contributed to the complexity of conditions the council was dealing with and that previously if children had mental health issues they would have been more likely to committed to mental health wards but were now more likely to be cared for in the community and fall under the councils responsibility.

The Head of Children's Social Care commented that there were lots of universal services that were difficult to recruit to and to retain staff in, which placed strain on the system. The Care Review 2022 had made 80 recommendations on how to transform the system as it was recognised that it was in crisis and intervention was required.

The Government had implemented the 'Stable Homes, Built on Love' strategy to deliver reform to make funding available for pathfinders. She gave examples of case studies that demonstrated the costs involved in placing children in either external children's home or in a DCC children's home depending on the circumstances and needs of the child.

She highlighted what the local authority had done so far by implementing a comprehensive sufficiency strategy with investment plans, expanding the mocking bird hubs from 3 to 4, increased the number of long term children's home to 10, developed a short break strategy, registered internal supported lodgings service with Ofsted and were included in the fostering regional pathfinders to have 31 foster carers assessed and approved by the end of the year.

Councillor A Watson thanked the Head of Children's Social Care for the informative presentation. He understood that it was a statutory requirement to look after children, whilst he was concerned that the service was over budget he was happy that the service was monitored regularly.

P Darby reiterated that the forecasted overspend of £9million was secondary to the needs of vulnerable children. He commented that the Head of Children's Social Care did a great job to keep the overspend as small as possible. He noted that children's social care and adults social care had a huge impact on the council and was saddened that they were not at the forefront of government funding – particularly children's social care, which affected authorities with higher levels of deprivation more than more affluent areas.

R Farnham stated that the Northeast had the highest levels on demand and that Durham was average in the region, but that it bordered Teeside, which was the worst / had the highest level of demand.

Councillor B Kellett asked how places for children were allocated and what happened when there were insufficient places.

R Farnham responded that she would always look at internal provision first either through a Durham owned care home or through foster care that matched up with the care plan for the child. If these options were not feasible, she would then look to make a referral to an external provider. Decisions on whether to accept the placement were out of the local authority's control and because of the market conditions, providers could cherry pick which cases to take, which contributed to driving up costs. She noted that many children were able to be looked after by connected carers and kept within their own families and that this was something the service sought to do first.

Councillor P Heaviside noted the cost of children in care. He queried what the allowance was for a foster carer and if there had been any private providers who tried to poach them. He acknowledged that it was difficult to find locations for new care homes for children as residents did not want them in their vicinity.

R Farnham stated that it was difficult to advise on the allowance for a foster carer as there were different payments depending on the different needs of a child. She did note that an independent foster agency would cost approximately £1,000 per child per week and a foster carer's allowance was less than that. In the future there was to be a review of foster carer allowances. She commented that there was always an issue with the potential poaching of foster parents.

P Darby referred that for an IFA it was approximately £50,000 per child whereas the same care from an inhouse Foster Carer was £30,000.

R Farnham stressed that the outcomes for a child were better if they were looked after inhouse as they were closer, staff could monitor them better and social workers could access them compared to independent care homes which were incredibly difficult to find and were often out of the area. Finding properties to increase in-house provision of residential homes was difficult. It was essential to try to find large properties with big gardens that were in rural locations to prevent any disruption or impact on the community as far as possible and the planning and registration process with OfSted could take a long time.

Mr I Rudd acknowledged that it was better for inhouse care rather than care through a third party as the costs of some of the external placements mentioned were eyewatering. He stated that levels of third-party care had grown by 25% and queried if the rates had now levelled off or was there an assumption they would continue at the same rate.

R Farnham advised that the service look at demand analysis and all information available to it to forecast what cases came in and those who would leave the system at 18 years old. The issues were with younger children if preventative work was unsuccessful it meant they stayed longer. She did not see any signs of the levels plateauing any time soon.

P Darby commented that it was heartbreaking when a child came into a residential home at the age of 8 as they were more than likely to stay there for 10 years until they transitioned into adulthood. He cautioned that Durham was slightly below average in terms of statistics as there was a lot of preventative work ongoing to try to avoid children going into the system.

Councillor L Fenwick asked if kinship parenting was included in the children’s social care figures and if these arrangements were under the remit of children’s social care.

R Farnham confirmed that the kinship carer figures were included in the overall numbers for children in care. There was a big cohort with kinship arrangements with family members like grandparents. These arrangements were within her remit as they did try to get a child cared for by someone within the family. Reg 24 stated that a family carer would be paid as a foster carer as the children would become a looked after child under the remit of the kinship team.

Councillor T Smith mentioned that she had been contacted by an organisation that wanted to buy a 5 bed property to develop a private children's home in her area. She was concerned that these were money making schemes buying up cheap properties.

Mr C Robinson asked if anyone said no to the spending as in terms of external care providers the costs were very expensive and the council should be spending just what was required.

P Darby agreed that external care providers were expensive but they could name their price as it was a statutory requirement for the local authority to provide care that was required to be given so he acknowledged that authorities were most likely being held to ransom.

Mr C Robinson queried if there was an element of deliberately under providing care capacity and whether something could be done differently as the costs were very high for external placements that the local authority should be trying to avoid.

R Farnham stressed that sometimes it was live or die decisions that were made if young people needed to be cared for outside of the County if their life depended on it. She reassured the committee that every option available was explored before the local authority bought in high costed placements as they did their utmost to try to keep children cared for in Durham.

P Darby agreed that the council was undoubtedly being held to ransom, but there was an inability to mitigate this as there was a lack of inhouse care and spaces available so competitors could effectively name their price. There was a need to place children in Ofsted registered care with certain levels of supervision that may be difficult to provide inhouse. External providers were used if there was no alternative for a child where they could not remain in the family or their location as they needed to be placed somewhere. He acknowledged that the market was broken and there was a need for legislation to fix it.

R Farnham advised that there had been a lot of work done and budget provision made in the medium-term financial plan for increasing inhouse provision. Kinship provision was a new strategy introduced by the government but there would always be a need for high-cost placements.

Mr C Robinson understood the clear situation that the local authority had to work with. He noted that being a member of the audit committee he had been keen to know why there had been overspend in the service.

Councillor A Hanson questioned what percentage there was for kinship arrangements.

R. Farnham said she would have to get those figures outside of the meeting.

Postscript: R Farnham has advised that as at 25th March 2024 there were 217 CLA that were looked after in Friends or Family / kinship placements which was 18%.

Councillor A Hanson also mentioned that there was a private facility in her ward that looked after one child that gave 24 hour care who were also looking at other properties in the area. She regretted not having had the facts and figures that had been included in the presentation on how much these facilities cost when she visited the property as she did not realise how expensive they were.

P Darby stated that in the last statistics 230 out of 1200 children were placed with family members.

R Farnham mentioned that there were more foster carers waiting to be assessed to be part of the care system. They did look at family members or foster carers as a first resort before looking at an IFA.

Councillor A Watson did not appreciate that looked after children's costs were so phenomenal and were effectively out of the control of the Council and could get worse dependant on need. He found the presentation to be very informative and thanked R Farnham for attending the committee.

Resolved:

That the presentation be noted.

5 Pension Fund Valuation and General Update

The Committee received a presentation from the Head of Pensions that provided an overview of the pension fund valuation and a general update (for copy see file of minutes).

P Cooper, Head of Pensions gave a presentation that provided an overview of how the pension scheme and the valuation process worked. He explained that the scheme had over 60,000 members and over 100 participating employers, with the money that was invested on their behalf into a diversified portfolio of assets via the Border to Coast Pensions Partnership. There were two sides i) investments and ii) liabilities which were evaluated and assessed to set the contribution rates for 3 years and what impact that would have on the budget.

An annual accountancy exercise was carried out on the markets that set the pension strategy to ensure it stayed on a strong course as the local authority wanted to maintain the scheme. The key considerations were inflation and pay growth, investment returns, mortality rates, climate risk, cashflows and regulations. The Pension Committee set targets for the investment strategy to maintain funding.

Councillor A Watson asked if there was a budget for pensions administration.

P Cooper replied that nothing came from the councils budget for administration as this was dealt with within the finance team and was fully recharged to the Pension Fund. Investment fees overtime had increased with the value of the assets that in turn increased the asset management fee. He noted it was volatile.

P Darby advised that the pension fund assets were managed on behalf of the pension committee. The investment had to achieve the best value of return for the pensioners / participating authorities within the Fund. The Section 151 officer was charged with evaluating this and what was in the best interests of the pension fund.

Mr C Robinson queried if there was pressure to exit investing in fossil fuels to make money to try to change the organisation to invest in something different.

P Cooper acknowledged that was a huge pressure to stop investing in fossil fuels. There was pressure on the group to increase investment elsewhere but there was a challenge as there was a need to make returns. The organisation had a strong investment team that engaged to try to change the company’s behaviour and try to effect change.

P Darby added that the government regulated the company to encourage pension funds and put more and more weight behind the company for more sustainable solutions.

Mr I Rudd asked if the accounts were largely significant and had more reserves in the pension as a positive movement. He added that the Malvern scheme had more pensioners than current employees and questioned if this would preset the problem with the new scheme with current employees.

P Cooper responded that there was an increase in the mature scheme nationally and the pension fund was not the problem but there was always the challenge that more was paid out in pension than contributions received. The pension fund was not supported through a cash investment strategy and was done in a different way like a UK corporation as investment was made in the private market to increase cash flow needs.

P Darby admitted that the accounts often looked strange, with valuation entries that went up and down which could distort the interpretation of the councils underlying financial performance. The challenge was to support the pension fund and make the accounts clear and in line with private sector.

Resolved:

That the presentation be noted.

6 Health, Safety and Wellbeing Performance Report Quarter 3 2023/2024

The Committee received a joint report of the Corporate Director of Regeneration, Economy and Growth and the Corporate Director of Resources that provided an update on the Council's Health, Safety and Wellbeing (HSW) performance for quarter three 2023/24 (for copy see file of minutes).

K Lough highlighted the key areas of the Quarter 3 report that included:

- Number of incidents
- Audit and Inspections
- Employee Health and Wellbeing
- Open Water Safety
- Occupation Health Service
- Radon gas
- RAAC
- Potentially Violent Persons Register

Resolved:

That the report be noted.

7 Changes to the Code of Practice for Local Authority Accounting in the UK for 2023-24

The Committee received a report of the Corporate Director of Resources that provided a summary of the key accounting changes in the latest edition of the Code of Practice for Local Authority Accounting in the UK (the Code) that applied to the 2023/24 Statement of Accounts (for copy see file of minutes).

Resolved:

That the changes detailed in the report and in Appendix 2 be noted that would be considered in the preparation of the 2023/24 statements.

8 Agreement of Accounting Policies for Application in the 2023-24 Financial Statements

The Committee received a report of the Corporate Director of Resources that provided an update on the County Council's accounting policies in the preparation of the 2023/24 Statement of Accounts taking into consideration the potential impact of code amendments regarding materiality (for copy see file of minutes).

Mr I Rudd asked if any other local authorities were taking a different view on the accounting policy.

P Darby was not aware of divergence and that as far as he was aware all had followed the code of practice as this was the path of least resistance and allowed for consistency.

J McMahon stated there was an issue with the different material levels as to what could not be taken out as monetary but had to put through the code to follow the same practice. She noted that these may change but they would be discussed beforehand.

P Darby added that the 2023/24 guidance for external auditors discussed across the board was to roll over and to consider what could technically be done with revenue in a years time and what factored in due to materiality.

Mr I Rudd referred to the supplementary on page 126 of the report and how this measured the amount of capital costs in dismantling and removing the item and restoring it on site on which it was located. He queried if this was included in the cost of the asset.

P Darby responded that the asset would include construction costs and costs to clean the site before construction could take place. The capital element would consider all costs. It would not include any costs to dismantle or remove the asset in the future.

J McMahon explained that to build a new asset all costs would be included to dismantle the old building and clear the site before the construction could begin.

P Darby thought it could be made clearer as the cost of the asset under construction.

Resolved:

i) That the change to IAS1 and its potential effect following initial assessment on the accounting policies regarding materiality be noted.

ii) That the accounting policies (and potential changes under IAS1) outlined in Appendix 2 be reviewed.

iii) That their use based on 2022/23 appropriateness in the preparation of the 2023/24 financial statements be approved.

iv) That the Corporate Director of Resources be authorised to review the accounting policies as necessary, including for materiality, and report any changes to the Audit Committee.

9 Addressing the Local Audit Backlog in England – Proposals published for Consultation

The Committee received a report of the Corporate Director of Resources that provided a summary of the proposals for addressing the Local Audit Backlog in England which had recently been published for consultation (for copy see file of minutes).

Resolved:

That the Addressing the Local Audit backlog proposal consultation, and its considered impact on the Council be noted.

10 Final Accounts Timetable for the Year Ended 31 March 2024

The Committee received a report of the Corporate Director of Resources that provided information regarding the Final Accounts timetable for 2023/24. The timetable detailed the target dates for key actions to complete the Statement of Accounts in line with statutory deadlines (for copy see file of minutes).

Resolved:

That the key dates in the Final Accounts timetable for 2023/24 detailed in Appendix 2 be noted.

11 CIPFA Finance Review

The Committee received a report of the Corporate Director of Resources that gave an update on the outcome of the CIPFA Finance Review, carried out during September and October 2023 (for copy see file of minutes).

Mr I Rudd complimented all staff in having such an iron grip on the finances. He asked within the various recommendations which would be the most challenging to implement.

P Darby informed the committee there were two elements i) the ten year capital strategy and capital programme as there was a lack of a long-term settlement and ii) that full savings list be reduced and published to balance the MTFP which he felt was not necessary as this could be counterproductive in the absence of a long-term finance settlement. It was important that the council had an accurate assessment of the challenges it faced and the ability to balance its budget in a range of scenarios.

P Darby commented in relation to Councillor B Kellett query on culture and sport that the Cabinet had be cognisant of the uncertainty in its financial forecasts in determining its approach to leisure transformation investments. As Section 151 Officer P Darby had recommended to Cabinet and Council not to extend the scope of its borrowing at this time as the financial position could be worse post the General Election and in the absence of a long term financial settlement.

Resolved:

i) That the outcome of the CIPFA Finance Review be noted

ii) That the Action Plan actions, and progress already made against the identified actions as set out in the report be noted.

12 Corporate Governance Review 2023/24- Key Dates

The Committee received a report of the Corporate Director of Resources that provided key dates for the corporate governance review for the 2023/24 financial year (for copy see file of minutes).

Resolved:

That the report be noted.

13 Strategic Risk Management Progress Report for 2023/24 - Review 3: 1 October - 31 December 2023

The Committee received a report of the Corporate Director of Resources that supported the Council's Risk Management Strategy, highlighted the strategic risks facing the Council and provided an insight into the work carried out by the Corporate Risk Management Group between October and December 2023 (for copy see file of minutes).

P Darby informed the committee that two risks had been updated related to the Environmental Health team due to recruitment difficulties and capital budget issues. There were issues in recruiting Environmental Health Officers to inspect food places. There were increased risks with the ICB budget within health and social care with the shortfall and turbulence in the system. The A690 land slip and been down graded as there had been no further movement. There were technical designs in place to commence the work imminently.

Councillor B Kellett passed the A690 everyday and queried if work had commenced as he was concerned that trees had been removed and it was the tree roots that kept the land together.

P Darby confirmed that engineers had determined the technical solutions for the water table underneath the road and that the removal of the trees was part of the planned works.

P Darby updated the committee that there were 5 key risks regarding child safeguarding, government funding, climate change, national shortage of education psychologists and the national shortage of places for looked after children.

Mr I Rudd acknowledged that there were formidable risks identified and queried if climate change was a long term risk and whether the country and the council was on target to achieve its net zero ambitions.

P Darby suggested that an officer from the low carbon team could be asked to come to give a presentation on the Councils Climate Emergency Response Plan, what targets on climate change were and what was being done within the council to meet this. He added that the risks associated with climate change included reputational risks if the council was unable to deliver on its aspirations.   He acknowledged that achieving the councils and the country's ambitions were expensive and that the council did not have resources to make changes as in some cases it would not be feasible without significant technological or legislative change or national investment. The council had started by electrifying some of the fleet which worked well for small vans but was not currently viable for large vehicles such as refuse vehicles.

The Committee agreed that it would be useful to have a presentation from the councils Low Carbon Team.

Mr C Robinson asked about the data breach that had been highlighted and whether it had been on a large or small scale.

P Darby confirmed that was the latter and was based on human error where the wrong envelope containing sensitive information had been sent out to the wrong address. This had been flagged and greater awareness for care and attention had been highlighted with all council employees.

Resolved:

That the report be noted.

14 Risk Management Policy and Strategy

The Committee received a report of the Corporate Director of Resources that considered for approval the Risk Management Policy and Strategy (for copy see file of minutes).

Resolved:

That the Risk Management Policy and Strategy, which is attached as Appendix 2 be approved.

15 Internal Audit Progress Update Report Period Ended 31 December 2023

The Committee received a report of the Corporate Director of Resources that provided an update on the work undertaken by Internal Audit during the period 1 April 2023 to 31 December 2023, as part of the delivery of Internal Audit Plan for 2023/24 agreed by Audit Committee (for copy see file of minutes).

Resolved:

i) That the amendments made to the Internal Audit Plan during quarter Three be noted.

ii) That the work undertaken by Internal Audit during the period ending 31 December 2023 be noted.

iii) That the performance of the Internal Audit Service during the period be noted.

iv) That the progress made by service managers in responding to the work of Internal Audit be noted.

16 Emergent Internal Audit Plan for the period from 1 April 2024 to 31 March 2025

The Committee received a report of the Corporate Director of Resources that provided details of the emergent Internal Audit Plan for the period from 1 April 2024 to 31 March 2025 and to update and engage Members in the development of the Annual Internal Audit Plan 2024/25 (for copy see file of minutes).

Mr I Rudd found the report very useful especially the comparative figures on how appropriate time had been spent compared to last year. He queried why the app had changed for the risk-based audit plans.

T Henderson explained that there were several resources used including day plans. She highlighted that the app nor the use of Gallieo had changed with lot of work being carried out behind the scenes and regular reliance meetings.

Resolved:

That the proposed direction and process for the development of the emergent Internal Audit Plan for 1 April 2024 to 31 March 2025 which was attached at Appendix 2 be approved and brought back to Committee for formal approval in May 2024.

T Henderson wished to formally thank Paul Monaghan on behalf of herself and the committee for all his hard work over the years that had been greatly appreciated as he was retiring from the authority.

17 Exclusion of the Public

Resolved:

That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 12A of the Act.

18 Internal Audit Progress Report period Ended 31 December 2023

The Committee received a report of the Corporate Director of Resources that presented Appendix 6 that was referenced in the Internal Audit Progress report in Part A of the agenda (for copy see file of minutes).

Resolved:

i) That Appendix 6 be noted.

ii) That Appendix 7 be noted.