

Audit and Governance Committee

Committee Bulletin – Twelfth Edition

INTRODUCTION

Welcome to the Twelfth Edition of the Audit & Governance Committee Bulletin. The purpose of this bulletin is to keep Members and officers up to date with issues relevant to the Audit & Governance Committee.

UPDATE FROM PREVIOUS COMMITTEES

Comments, compliments and complaints website

The Surrey County Council website has been updated to make it easier for customers to provide feedback on services. The comments, compliments and complaints website now also includes links to quarterly 'customer feedback' digests, the policy on complaints from the public and the Council's strategy against fraud and corruption.

Internal Audit reports on the S-Net

Work is underway to upload internal audit reports to the S-Net. An internal library of reports will be available so that Members can access audit reports easily from their Surrey County Council IT equipment. A link will be sent out to all Members once the library is live.

Trip to the Redhill Data Centre

On 14 November 2012, some Members of the Audit & Governance and Council Overview & Scrutiny Committees took part in a visit to the Redhill Data Centre. Feedback has been positive, with Members commenting that the security levels at the Data Centre were impressive. If other Members are interested in visiting the data centre then please contact Helen Rankin (0208 5419 126) who will coordinate.

INTERNAL AUDIT UPDATE

Current Audits

The following audits are currently in progress:

- Direct Payments follow-up
- Teachers' Pensions
- Superfast Broadband
- Purchase Cards
- Local Sustainable Transport Fund
- Schools Basic Need Capital Programme
- Street Lighting Contract (Illuminated Street Furniture)
- Building Maintenance
- Special Schools
- Corporate Training
- School Fund Compliance

Internal Audit Staffing

One of our Lead Auditors, Bri Luscombe will be leaving us at the end of November for an Internal Audit position in the Home Office.

A small restructure of the team will see one Lead Auditor position deleted and a new IMT Auditor position created with effect from 1 December. As well as undertaking our more technical IMT audit reviews the IMT Auditor will use data interrogation techniques to assist with counter fraud work.

Internal Audit Team Meeting

Members of the Audit and Governance Committee attended an Internal Audit team meeting in October. Areas discussed included:

- examples of where Internal Audit activity has led to improvement
- how Value for Money is assessed
- how the Committee can support the work of Internal Audit
- Internal Audit opinions
- the appointment of Grant Thornton as the External Auditor
- responsiveness of Services to the audit process

It was agreed that half an hour was not long enough to discuss these matters and any future meeting should allow more time to enable a quality debate.

National Fraud Initiative

During October we provided data to the Audit Commission on all Surrey employees, members, vendors and pensioners as part of the National Fraud Initiative. In addition, we also provided data on all insurance claimants, occupants of adult private residential homes, blue badge holders and concessionary bus pass holders. This data will go through a validation process before being matched to data provided by all other local authorities, the NHS, some housing associations and central government departments. Relevant data matches identified through this process will start to be released to us in January 2013 and we will follow-up as necessary.

SOCIAL CARE DEBT UPDATE

The Adult Social Care Select Committee is due to receive an update on Social Care Debt at their meeting on 30 November 2012. The latest debt collection figures were reported as follows:

- Since August 2011 to date care debt collected totalled **£36.56m** compared to **£35.86m** charges raised – showing a **101.95%** collection rate on that billed. Levels collected are consistently over 100% of that billed which continues to reflect the ongoing work to reduce overall debt levels.
- Since the last report total unsecured debt has **increased** from **£7.03m** to **£7.38m**. Secured debt has **increased** from **£6.65m** to **£7.02m** as a number of legal charges against property have been secured.
- The campaign to increase the number of clients paying by Direct Debit as our preferred method of payment continues to show results. The latest figures show

that during September 2012, **64.86%** of payments were received by this method (down 0.61 on the 65.47% August rate reported in October). The target of 65% in the 2012/13 financial year therefore continues to be met. A new target will be set for 2013/14.

- Currently **88.64%** of unsecured social care debt is less than two years old compared to September 2011 when the position stood at **89.92%**. Although the September 2011 position was a little higher, that was still reflecting a specific aged debt exercise carried out around that time. There are always fluctuations during the year as the trend graph below. All teams continue to remain focussed on reducing debt levels.
- We continue to promote awareness and take-up of our 'e' billing option amongst clients who pay by direct debit or electronically (eg by BACS or via the Council's website). Around 22% of clients currently receive their bill by email.

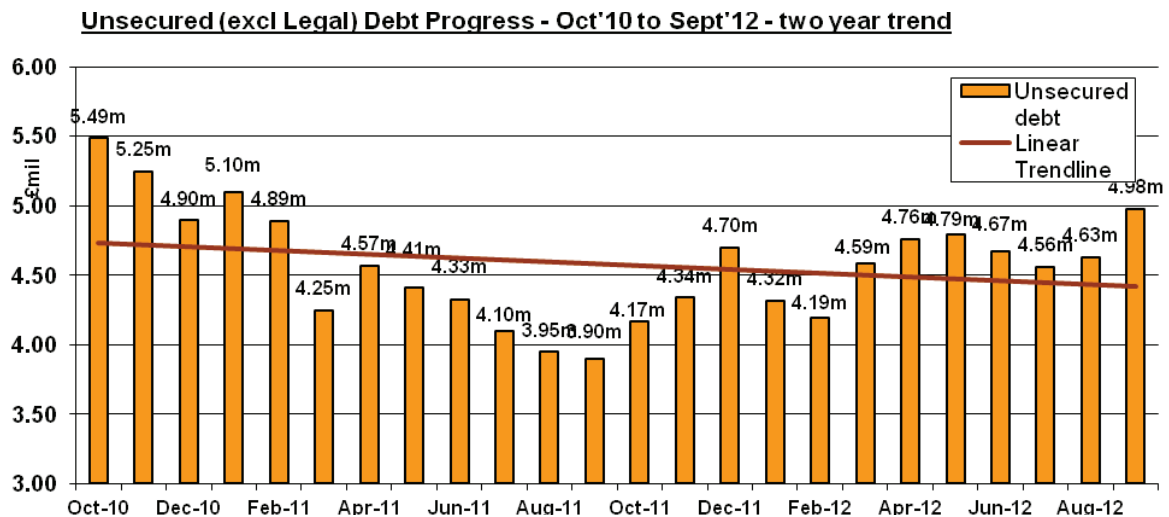
Debt Position

New debt of £3.09m was raised in September. The total debt on the system may be summarised as follows:

	£m
• Less than 30 days old (including new charges raised, not yet overdue, not otherwise covered by this report)	3.03
• Secured debt	7.02
• Unsecured debt	7.38
<u>Total</u>	17.43

Unsecured Social Care Debt currently stands at **£7.38m** of which **£2.40m** is referred to Legal Services and remains as open cases. As at 30 September, 73 accounts (with balances over £75) have been written off with a value of £280,446.

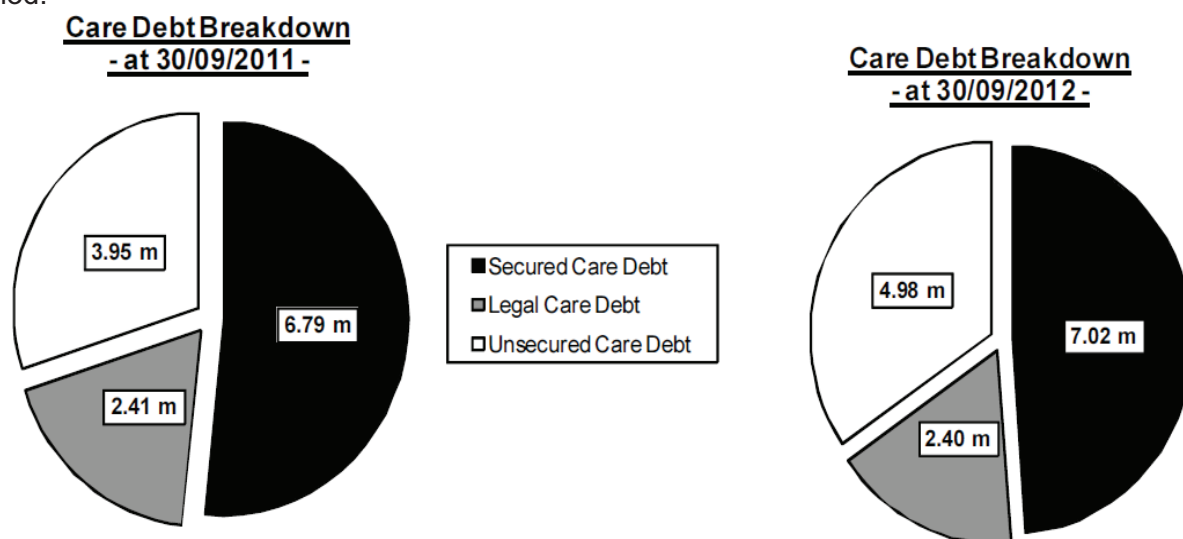
This leaves a further collectable debt of **£4.98m** of which **£4.42m** is less than 2 years old.



- As can be seen from the graph, the position has worsened during September. Whilst this may be linked to external factors, it is also possible that resourcing and system issues in Adult Social Care and Finance Shared Services have contributed to the impact on debt collection figures. Accordingly, officers from both directorates will be working together to identify potential causes and to take the necessary steps to improve the position.
- Of the collectible debt, £0.55m is monitored by the Adults Deputyship Team. This figure has reduced by over £200k from the previous report, following successful applications to the Court of Protection requesting the appointment of a solicitor in respect of 3 cases where a property needs to be sold. A further £70k is pending payment in respect of 2 cases where the team has secured funds. The remainder of the debt is either pending appointment of a Deputy by the Court of Protection, pending an application to the Court or under investigation to identify whether funds are available to settle the debt.
- A further **£7.02m** is currently secured against property.

Debt Profile – September 2011 to September 2012 comparison

The following graph demonstrates how the profile of social care debt has changed over the period.



Legal action cases: update to 30 September 2012

Since May 2008, 178 cases have been referred for legal action amounting to £4.76m at the date of referral. 62 cases are 'open' with a current debt value of £2.40m. £2.08m has been recovered and 'banked' (£1.93m net of costs), with further sums due under instalment arrangements, secured by charging order, or otherwise agreed to be paid and not 'in dispute':

Paid: £000	Due by Instalments £000	Secured by Charging Order £000	Not in dispute: £000	TOTAL (Gross) £000	TOTAL (Net) £000
2,077	68	163	386	2,694	2,546

In summary, £2.69m gross (£2.54m net) has been banked, secured or agreed to be paid.

The full report to the Adult Social Care Select Committee can be found on the Council's [website](#). The minutes of the last Adult Social Care Select Committee where Social Care Debt was discussed, are also now available on the [website](#).

EXTERNAL AUDIT

The Council's external auditors for 2012/13 has been confirmed as Grant Thornton. The key members of the audit team for 2012/13 are as follows:

Andy Mack – Engagement Lead
Kathryn Sharp – Engagement Manager
Lynn Clayton – Pensions Audit Manager
Daniel Woodcock – Audit Executive

Andy Mack and Kathryn Sharp will be attending the Audit & Governance Committee in December to present the Fee letters for 2012/13 and the Annual Audit Letter.

As with previous years, the Council's Annual Audit Letter has been circulated to all Surrey County Councillors for information.

FINANCE UPDATE

Funding Formula for Schools

Lynn McGrady, Finance Manager – Schools & Learning

The Department for Education (DfE) has required all local authorities to re-design their funding formula for schools. In Surrey this has involved replacing 37 formula factors with only 9. The Coalition Government is seeking greater simplicity in funding and more consistency nationally. This compares with the approach of the previous government which required evidence of the formula identifying and targeting funding to meet specific needs – necessarily requiring complex formula mechanisms in a low funded area like Surrey.

The changes create sizeable turbulence at individual school level in Surrey, particularly as we are no longer able to differentially target deprivation funding to schools with particularly high needs, or maintain a small schools factor to support smaller schools. The Schools & Learning Finance team has been active in providing data to the DfE, identifying potential risks to Surrey schools and has assisted the Leader, Surrey MPs and the LGA in their campaigns on this issue.

The Schools & Learning Finance Team has also worked with head teachers, teaching unions, school governors and elected members to produce a detailed consultation paper proposing different options to mitigate the impact on the funding changes on Surrey's most vulnerable schools. A total of 204 Surrey Schools responded to the consultation and the measures proposed – which included transferring an additional £27m from core

schools funding to deprivation targeting – were supported by schools, the Schools Forum and the Cabinet during October.

Recently the Director of the DfE's Education Funding Group has written to all Directors of Children's Services confirming that the Government would review the impact of their proposals during 2013. The Finance Team will continue to model adverse impacts and seek to change national prescriptions where the funding for Surrey and its schools are at risk.

Public Service Pensions Bill

The [Public Service Pensions Bill published in September, delivers final stage in halving cost of pensions.](#)

The Government has published the Public Service Pensions Bill 2013, which will implement changes that are expected to save £65bn over the next 50 years. The reforms set out in the Bill include:

- linking the retirement age for public sector workers to the state pension age;
- changing the basis of defined benefit schemes from final salary to career average earnings;
- setting an employer cost cap to ensure that public service pensions remain affordable and sustainable;
- ensuring changes cannot be made to specific elements of pension schemes for the next 25 years; and
- setting a common legislative framework and improving governance arrangements of public service pension schemes.

Other changes to public sector pensions have already been introduced by the Treasury. These include:

- changing the inflation index used to update pensions from the Retail Prices Index to the lower Consumer Prices Index; and
- increasing contributions for teachers, NHS workers and civil servants by 3.2 percentage points.

The total package of reforms followed the report of the Independent Public Service Pensions Commission in March 2011. The Local Government Pension Scheme will not be affected as changes have already been agreed by trade unions and employers. They will not increase contributions for council workers because the LGPS is funded, unlike many other public sector schemes, and has assets worth £150bn.

CORPORATE GOVERNANCE

The council has been shortlisted in the Corporate Governance category for the LGC Awards 2013. The entry submission detailed how the council's corporate governance arrangements contribute to the achievement of objectives, local challenges, key governance achievement and successes.

The next stage is a presentation to the judging panel at the end of January. The winners will be announced at the awards ceremony on 13 March in London.

USEFUL LINKS & FURTHER INFORMATION

- Local Government Association webpage with information on sector-led improvement regarding audit and inspection:
http://www.local.gov.uk/web/quest/sector-led-improvement-/journal_content/56/10171/3485131/ARTICLE-TEMPLATE
- Local Government Chronicle article regarding deficit reduction targets and the Autumn statement:
<http://www.lgcplus.com/finance/fears-grow-over-reopened-settlement/5049820.article?blocktitle=Latest-Local-Government-News&contentID=2249>
- The Financial Times featured a letter from Cabinet Member for Change & Efficiency, Denise Le Gal about savings made by Surrey County Council:
<http://news.surreycc.gov.uk/2012/10/10/ft-features-letter-from-denise-le-gal/>
- An LGA press release about funds recovered from Icelandic Banks:
http://www.local.gov.uk/web/quest/media-releases-/journal_content/56/10171/3738726/NEWS-TEMPLATE
- The LGA have shared a national map of shared services, showing where 219 councils across the country are engaged in shared service arrangements:
http://www.local.gov.uk/web/quest/productivity-/journal_content/56/10171/3511353/ARTICLE-TEMPLATE
- www.parliament.uk have updated their website to show the progress of the Local Government Finance Act to 2012-13:
<http://services.parliament.uk/bills/2012-13/localgovernmentfinance.html>
- The Guardian website published an article by the Cabinet Member for Assets and Regeneration Programmes on running local government like a plc:
<http://www.guardian.co.uk/local-government-network/2012/oct/31/local-government-public-services-plc>

UPDATE FROM OTHER COMMITTEES

Listed below are a number of committee reports that may be of interest to the Committee, as they cross into the Committee's remit or they relate to matters recently discussed at Audit & Governance Committee, or that the Committee have shown an interest in:

Adult Social Care Select Committee

At the meeting on 30 November 2012, the Committee will consider the following reports:

- [Direct Payment Review Group](#)
- [Social Care Debt Update](#)
- [Completed Internal Audit Reports](#)

Children & Families

The Committee considered the following report shortly after the publication of the Local Safeguarding Boards 2012-13 audit. The audit report was circulated to the Committee ahead of the meeting.

- [Surrey Safeguarding Children Board Annual Report](#)

Environment & Transport Select Committee

At the meeting on 8 November, the Committee considered the following report:

- [Highways Transformation Briefing](#)

People, Performance & Development Committee

At the meeting on 28 November 2012, the Committee will be considering the following report:

- [Local Government Pension Scheme – Introduction of a flexible retirement scheme](#)

UPCOMING AGENDA ITEMS FOR AUDIT & GOVERNANCE COMMITTEE

The next meeting of the Audit & Governance Committee is on 12 December 2012. The following items are on the agenda:

Babcock 4S – Half yearly report
External Audit – Annual Audit Letter and Fee Letters
Finance Update Report
Pension Fund Q2
Treasury Management Mid Year Review
Whistle-blowing
Half year irregularities report
Internal Audit Half Year report
Completed Internal Audit Report
Risk Management half yearly report
Governance Update Report
Energy Purchase Contract

CONTACT DETAILS

For further information on the Audit & Governance Committee please contact:

Helen Rankin – Committee Manager

Please contact on 419126, or helen.rankin@surreycc.gov.uk for committee support.

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