

Minutes

REGULATORY AND AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON WEDNESDAY 10 JUNE 2015 IN MEZZANINE ROOM 2, COUNTY HALL, AYLESBURY, COMMENCING AT 9.00 AM AND CONCLUDING AT 11.05 AM.

MEMBERS PRESENT

Mr T Butcher (Vice-Chairman)
Mr W Chapple OBE
Mrs A Davies
Mr D Martin
Mr R Scott
Mr A Stevens

OTHERS IN ATTENDANCE

Mrs S Ashmead, Director of Strategy and Policy
Ms N Beagle, Committee Assistant
Ms A Bulman, Service Director (Service Provision ASC)
Mr I Dyson, Chief Internal Auditor
Ms M Gibb, Risk and Insurance Manager
Mr P Grady, Grant Thornton
Ms M Granat, Head of Innovation and Commercialisation
Ms E O'Neill, Projects and Financial Accountancy Lead
Mrs M Smith, Service Manager Performance
Mr M Ward, Assistant Manager - Audit, Grant Thornton
Mrs S Yapp, Service Director (Commissioning and Service Improvement)

1 ELECTION OF CHAIRMAN

Tim Butcher nominated Richard Scott to be Chairman for the ensuing year, seconded by David Martin. Alan Stevens and the rest of the committee agreed.

2 APPOINTMENT OF VICE CHAIRMAN

Richard Scott appointed Tim Butcher to continue as Vice Chairman.

3 APOLOGIES FOR ABSENCE/ CHANGES IN MEMBERSHIP



INVESTOR IN PEOPLE



Apologies were received from Peter Hardy.

The Chairman confirmed that the new membership details for the committee could be found at the end of the agenda.

4 DECLARATIONS OF INTEREST

There were no declarations of interest for this meeting.

5 MINUTES

The minutes of the meeting held on 15th April 2015 were agreed as a correct record.

Comments were made as follows:

- Page 3 – Richard Schmidt advised that he had been present at this meeting, but this was not recorded under the attendee list.
- Page 4, Item 6 – Action for Ian Dyson to present a paper to the next meeting in June. Ian Dyson confirmed that this item will no longer be an item for the June meeting and instead will rollover to the September meeting.
- Page 5, Item 8 – Action for Richard Schmidt to respond to Mr Whyte regarding the Transport for Buckinghamshire Issue – Richard Schmidt advised has not supplied an update to Mr Warren Whyte but is happy to verbally following this meeting. A verbal update was also supplied to the committee. It was advised that following the incident of TUPE transferred bodies being omitted from the pension fund, lessons have been learnt. It is difficult to say that this will never happen again, as the initial error occurred due to human error rather than an issue with the system. There are now a number of arrangements in place to support such staff transfers, as under TUPE Regulations staff have to have an equivalent scheme when transferring over and if they do not they are automatically put onto our pension scheme. Variations will be made on a case by case basis.
- Page 6, Item 14 – Action – the action plan from the Payments to Providers report to be reported at the 10th June Meeting – is on the agenda for today's meeting.
- Page 7, Item 15 – Action – Lee Ferman del to provide the Chairman with the results of the peer review once available – the review is expected to commence in September 2015

6 CONSTITUTIONAL CHANGES

Sarah Ashmead attended the meeting to advise that a report will presented at the 24th of June meeting advising the amendments to the constitution.

- These changes have come about following the recent changes in legislation, as well as retrospectively following the 2011 Localism Act.
- David Martin requested that the report be circulated a week or two if possible prior to the next meeting to ensure that all members are able to read in time for the meeting.
- Sarah Ashmead confirmed the paper would be circulated in advance.

7 CONTRACT MANAGEMENT APPLICATION

Michelle Granat attended the meeting to provide an update to the Contract Management Application (CMA).

- From 1st April 2015 accountability for the CMA transferred to the Innovation and Commercialisation Team.
- The current status has highlighted significant gaps which need action, in particular regarding compliance and managing of information.
- The team are establishing a work programme for the SRM Lead to follow (Supplier Relationship Manager).
- In May 2015 the technical review was completed for the CMA to determine whether CMA was fit for purpose from an organisation perspective- it was recognised that work needs to be done to improve compliance.
- Although there has been some negativity around the audit findings, contract managers are still actively using the CMA to record contract details. To date: :
 - I. A total of 1650 “Live” contracts have been entered onto the CMA
 - II. The total annual contract value of the remaining 1328 contracts is £289,908,172.
 - III. There are 56 suppliers with an annual contract value of £750,000 or more.
 - IV. Platinum providers, an estimated 60% have been uploaded on the CMA.
- Michelle confirmed that the intention today was to report back on the progress of the CMF and CMA.
- There is a plan in place.
- Historically the SRM Lead has been a challenge to recruit. A workshop is being held today with the Business Unit Leads to identify the needs of the SRM post. The plan is to have this embedded by October 2015.

Members Questions / Comments

Question 1

- A member thanked Michelle for the detailed report.
- On page 11 of the agenda pack (page 3 of the report), regarding the SRM, reference is made to there being “Member involvement in contract and supplier relationships to enable effective knowledge share, support and challenge”. How do the team plan to achieve this?
- Michelle advised that the team have not identified a way how this will be achieved at present, but this is part of the review. Michelle confirmed that the team want to ensure that members are involved but also that they are protected against any commercially sensitive details. This will be a work in progress following the review. The review will be completed by the end of this year and the team will engage with the members throughout the process.

Question 2

- A member asked for clarification on what exactly the “Technical Review” entailed?
- Michelle confirmed that the technical review had been undertaken by James Mansfield Sturgess, Technical Architect within the team. The review has confirmed that functionality is there within the system, however it is not at present being used to its full potential. The review has highlighted significant issues to be rectified to enable better usage of the system;
 - I. Criticality Matrix (outlining suppliers and where they fall in terms of risk and value)

II. At present some business units are overriding this matrix with suppliers being moved into incorrect areas within this matrix – which is potentially presenting an incorrect overall picture.

- Ian Dyson advised members that the Regulatory and Audit Committee are key stakeholders in this review process. The technical review related to the functionality of the programme but also need to enhance and define the reporting. Following the review it is expected that all reports will be accessible by members. Further feedback will be provided to the Regulatory and Audit Committee as the project progresses.

Question 3

- The Chairman asked for clarification on the figures in the report, with 65% being Platinum contracts, how many suppliers will this equate to?
- Michelle advised that originally this equated to 49 suppliers, however a few more have since been added.

Question 4

- Does the one council board support?
- Michelle confirmed that they do.

Question 5

- A member queried how to process will work in the future. There have been instances in the past where contractors have under-performed, however their contracts have still been renewed. Would this new revised process enable the council to re-work or change contracts if the existing suppliers were seen to be under performing?
- Michelle advised that once the data is fit for purpose, performance data will be able to be shared with business units as well as the Regulation and Audit Committee and discussions around under-performing contractors can take place.
- Ian Dyson also advised that the new process should also make the role of the contract manager transparent.
- The system will also flag up when contracts are due to be renewed, which will proactively ensure Business Units are aware of.
- Michelle advised that due to the new EU Regulations we are now in a better position and can score based on past performance.

Comment 1

- A member suggested perhaps a RAG rating / traffic light system would work well to highlight those underperforming.
- Michelle confirmed that a RAG rating status is already in use- the review will help to determine if this is being used correctly.
- A member suggested that it would be helpful for the RAG rating data to be brought back to the Regulatory and Audit Committee on a regular basis for oversight.
- Ian Dyson agreed that although this is not currently on the forward plan, it would be a productive step.
- Members also confirmed that this confidential report, will be helpful if a history on those rated as Red could also be supplied.
- Ian Dyson agreed, and as well as this contracts that are due for renewal and the action that is being taken to renew should be included in the report.

ACTION: Michelle Granat to present the RAG rated status report, highlighting in particular those contracts in RED as well as contracts due for renewal, on a quarterly

basis. Michelle advised that the report capability will need to be tested within members and colleagues to ascertain whether this meets expectations. There are ongoing concerns that information may not drive the reports Members are seeking, however this will form part of the CMA Review. Michelle advised she will bring the first report to the November 2015 meeting.

The chairman thanked Michelle for her detailed report and update.

8 DRAFT STATEMENT OF ACCOUNTS

Members of the finance team attended to present the draft statement of accounts, including the Pension Fund.

- Richard Schmidt passed on the apologies of Richard Ambrose for this meeting.
- Richard Schmidt confirmed that this will have been the earliest point in the year that these reports have even been made available. They had been brought forward in line with changes in the national timetable. By the end of June 2015 Richard Ambrose will have signed off the report in preparation for the report to be sent to the Auditors. *(Following the meeting RA signed off the report 10 June 2015.)*
- The Chairman thanked Richard and the finance team for providing the accounts to the committee at this time.
- Richard Schmidt also confirmed that the government are intending on bringing forward the account deadline within the next 2 years, so we are now working ahead of this plan which is good practice.

A detailed discussion took place regarding the account papers presented. A further report outlining updated figures (balance sheet etc) was distributed at the meeting (these figures had not previously been available before today).

Schools Assets

- There has been a recent change in guidance. Voluntary Controlled schools have been removed and Foundation schools have been added, which has had an implication on the accounts, as outlined on the balance sheet.
- With regard to academy schools, those academy schools that are on council land, the land remains in our balance sheet but the buildings themselves do not.

Valuations of Property, Plant and Equipment

- Not compliant with the 2014/15 code of practice
- Rolling programme of asset valuations, under the Code should look at each class of asset in any given year
- The rolling programme looks at 20% of all classes of assets each year over 5 years, which we believe gives a better reflection
- CIPFA are about to change the 2015/16 code to reflect this practice

Outstanding Information

- A further account information sheet relating to the third balance sheet was distributed, to include the previous year comparative table.
- The assessment with foundation schools on the balance sheet, and voluntary controlled schools off the balance sheet was £2.6m less as at 1 April 2013 which is reflected in the reserves.
- Changes impact on the income & expenditure statement total.

- Elspeth O’Neil advised the members that the finance team can circulate a fresh full set of accounts showing the adjustments if required.
- Richard Schmidt advised that to reflect the adjustment there will be a technical restatement of the previous year, which the auditors are aware of as they have been included on the discussions throughout.
- Paul Grady from Grant Thornton confirmed that they have been aware of this adjustment and agreed with the treatment.

Financial results for the year

- The Movement in Reserves statement, records a loss of £42m this year on an accounting basis.
- A £47m credit, then reflects items charged to income & expenditure statement relating to capital items which are adjusted under statute to get to the surplus or deficit chargeable to Council tax.
- The overall surplus against the General Fund is £4.5m
- Of the £4.5m increase, £3m relates to schools.
- A transfer to the earmarked reserves of £11.5m (has resulted in a decrease of £10m in the general fund).
- General Fund balance is now £21m
- Richard Schmidt confirmed the level of reserves, are in line with guidance and will continue to be reviewed.
- Although we are now finding ourselves in a slightly more risk position, it is within acceptable guidelines.

Member Questions / Comments

Question 1

- A member asked, will there be a plan to stop moving funds from the general fund reserve, the current contribution having been £10m.
- Richard Schmidt confirmed that there may be a reduction in future contributions.
- The main contribution relates to money being set aside to fund the Energy from Waste Plant. At the end of this financial year and the beginning of next financial year, payment of £180m is required for the Energy from Waste Plant, the reserves strategy is in place to reduce the amount we have to borrow. Figures can be flexible if need be.

Question 2

- A member had a query around the earmarked reserves. Are these reserves ever looked at in detail, as a huge amount has been earmarked, is this amount balanced or unbalanced?
- Richard Schmidt confirmed that the reserves do have a review, some are more necessary than others. There is no perfect answer as to whether the balance is correct or not. However having a large reserve does allow us more flexibility.
- The members agreed however that a careful look at the earmarked reserves would not do any harm.
- The Chairman suggested that perhaps the details of the reserve funds should go to One Council Board or Cabinet for oversight.
- Richard Schmidt advised that he is not aware that these figures go to One Council Board however Richard Ambrose does circulate the details to all Directors.

- Ian Dyson also advised that within the new structure, each Business Unit has a Finance Director who will have regular meetings with RS and RA and so therefore should be able to flag up any issues.
- The Chairman suggested that a formal review of the reserve fund should still be brought back to this committee at a future meeting.
- The Chairman thanked the finance team for their comprehensive report and complex, detailed accounts.

Pension Fund Accounts – Julie Edwards

- Attention of the committee was drawn to the table of accounts on P 86 of the report.
- Showed the net assets of the Fund are £2.2bn, an increase of £264m
- £112m contributions from scheme employers and members
- £102m benefits/ staff leavers
- £269m net return on investments

Member Questions/Comments

Question 1

- A member thanked the finance team for the report. Referring to the Scheme membership table, the member asked why has the number of contributors gone up?
- Julie advised that this could be due to staff turnover, possibly more part time staff.
- The Chairman suggested that it could also be due to compulsory enrolment into the system, which Julie agreed with.
- The Chairman asked for clarification of this figure to be circulated to the committee following the meeting, which Julie confirmed would do.

Question 2

- A member asked how often are fund managers reviewed and how can easily can they be changed?
- Julie advised fund managers' performance is reviewed every quarter; the fund manager contracts have a one month termination clause. Appointing new managers is subject to European tendering processes and can be a long process.

Recommendation: To review the Statement of Accounts for Buckinghamshire County Council and Pension Fund for the year ended 31 March 2015 and to note the timing and requirements for completion and authorisation of the draft and final Statement of Accounts.

Recommendation was Agreed by all members of the Committee.

9 DRAFT RISK AND ASSURANCE STRATEGY - FOR APPROVAL

Maggie Gibb attended to discuss the Draft Risk and Assurance Strategy (the full report had been included in the papers circulated prior to the meeting).

- The draft strategy supports the new operating framework.
- It focusses on a creating a robust assurance framework across the organisation.
- Reports advising its effectiveness and compliance will be brought back to this committee regularly.

Members Questions/Comments

Question 1

- The Chairman thanked Maggie for the very comprehensive report. He also queried whether there are major changes to the previous structure or does it work on the same principles?
- Maggie confirmed that this assurance framework is a new element that is being built into the risk management framework .
- Regular updates will be brought to this committee.
- Risk Management Group will continue to be review and challenge key risks and report to this committee

Question 2

- A member advised that the Risk Register throughout the previous year had been up for a lot of scrutiny. It appeared that some departments were putting items on the Risk Register under the Red RAG rating in error, at others were putting items as Green in error. The member asked what type of “triaging”, if any, is done regarding the Risk Register?
- Maggie advised that previous comments have been taken on board regarding this issue. It is difficult as there are so many complex services, and each feel that their risk is a major one.
- A programme of training is carried out, and once this strategy is launched further training will be offered.
- This will also continue to develop as we move forward.
- The training will be rolled out to officers as well as members as there is a need for uniformity of knowledge.
- Details of the strategy once launched will also be publicised online.
- Ian Dyson also advised that the strategy will merely be the tool, and although as much training can be offered as possible, it is then up to each officer and member to take back to their area and implement. We are only able to provide the information and training.

Question 3

- A member thanked Maggie for the comprehensive report, however wanted further assurance that this report was not just a very well written document and how would the principles be implemented?
- Maggie advised that this will be part of the Business Assurance Team’s roll to ensure the document is implemented. Also there will be regular reviews of the process and Risk Registers, compliance monitoring and a more detailed procedure document written to support the implementation.
- Ian Dyson also commended the report, as it brings alive the fundamental new way of monitoring assurance which BCC are keen to implement. Ian advised that this committee are ultimately responsible for holding to account Ian and the Director of Assurance to insure that the principles are being implemented.
- Ian confirmed that the team have begun to meet with various business leads, including TEE to ensure that the organisation is buying into this new way of monitoring assurance. Once the strategy is implemented this committee will then receive regular assurance reports. If more detailed information is then required this needs to be flagged

up by the committee, as this committee is the ultimate control for the assurance framework being embedded.

- The new framework also makes managers more accountable.

Question 4

- A member asked whether potentially, if this framework had been in place previously, would the issue around children services earlier on in the year have been highlighted sooner?
- Ian advised that it was difficult to say, however potentially yes.
- Ian also advised that the area of children's services inherently has been high on the risk register and it is likely it will remain high for some time, however the assurance framework in part is checking the internal processes and mechanisms of the risk register so that issues are flagged in advance.
- The framework will be developing once launched and over the next 12 months.

Comment 1

- A member suggested that the training and development programme be updated also alongside this.
- Maggie confirmed that the team have been meeting with the OD team to identify needs. Once the framework has been launched the team will also be developing an E-learning programme with the OD team to build into the training.
- 1-1 training on the new system will be offered.
- The programme will be comprehensive.
- Contract Managers will also be made aware of the new framework, with workshops being offered, ongoing drop in sessions, review of actual risks being captured.
- The team will also ensure that people in new posts will also be offered training.

**Recommendation: That the draft strategy be approved.
The Recommendation was agreed by the committee.**

10 FORWARD PLAN - STANDING ITEM

The draft Forward Plan was presented to the committee by Ian Dyson.

- 18th November 2015 Meeting – 1 item to be added following today's meeting, Contract Management Application Performance Report to be supplied by Michelle Granat.
- Dates for 2016 to be confirmed – Ian wanted to advise the committee that the timings of the meetings are likely to change. From 2017 the required dates for submitting accounts are being brought forward to 31st May and 31st July, which will require the dates for this meeting to change to approve the accounts in time for the deadlines. This has been discussed with Richard Ambrose and the plan is to bring forward all the dates from 2016.
- **Therefore there will be a meeting at the end of May 2016 for the submission of accounts and a meeting at the end of July 2016 to receive the final accounts and the Audit report.**

11 EXCLUSION OF THE PRESS & PUBLIC

12 CONFIDENTIAL MINUTES

13 AFW PAYMENTS REPORT

14 DATE AND TIME OF NEXT MEETING

The details of the next meeting were confirmed and agreed, 24th June 2015, 9am Mezzanine Room 2.

CHAIRMAN