

Minutes

REGULATORY AND AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON WEDNESDAY 24 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 A Stevens

OTHERS IN ATTENDANCE

Mr R Ambrose, Director of Assurance, Service Director, Finance and Commercial Services
Mrs S Ashmead, Director of Strategy and Policy
Ms N Beagle, Committee Assistant
Mr D Bradley, Manager, Public Sector Assurance, Grant Thornton UK LLP
Mr I Dyson, Chief Internal Auditor
Ms J Edwards, Pensions and Investments Manager
Mr R Schmidt, Assistant Service Director (Strategic Finance)
Ms S Turnbull, Head of Member Services

1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies were received from Richard Scott, Peter Hardy and Paul Grady.
In Richard Scott's absence, Tim Butcher chaired the meeting.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 MINUTES

The minutes of the meeting held on 10 June 2015 were agreed as a correct record.

Comments were made as follows:



INVESTOR IN PEOPLE



- Page 3, Attendance; Richard Schmidt advised that his name had been omitted from the attendance sheet, along with his colleague Julie Edwards.
- Page 3, Item 5 – minutes of the previous meeting, Tim Butcher requested that bullet points 2, 4 and 5 reflecting actions to be taken were to be emboldened to highlight that they will be carried over to a future meeting.
- Page 3, Item 5 – minutes of the previous meeting, bullet point 3, Richard Schmidt advised a change in wording of the penultimate sentence to “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 that are **considered for admission** into our pension scheme”.
- Page 6, Question 5, Tim Butcher advised a change in wording of the first sentence to “A member queries how **the** process will work in the future”.
- Page 8, Financial results of the year, Richard Schmidt advised that bullet point 5 “A transfer to the earmarked reserves of £11.5m (has resulted in a decrease of £10m in the general fund), although both of these points are correct, one is not a consequence of the other and therefore they should remain in the minutes, under separate bullet points.
- Page 8, bullet point 8, Richard Schmidt advised a change in wording to “Although we are now finding ourselves in a slightly more **risky** position. It is within acceptable guidelines”.
- Page 8, Question 1, bullet point 3, Richard Schmidt advised a sentence amendment to read “At the end of this financial year **or** the beginning of the next financial year, payment of the £180m is required for the Energy from Waste Plant (EfW), the reserves strategy is in place to reduce the amount we have to borrow”.
- Page 9, Pension Fund Accounts, Question 1, Tim Butcher requested that details of the informative email that had been circulated by Julie Edwards on 23 June be included in the minutes retrospectively.
- Page 11, Draft Risk and Assurance Strategy, Comment 1, Tim Butcher requested that when using acronyms, to include the full title also to make it clear to readers what exactly is being referred to.
- Tim Butcher also made a general request, that full names are used for all Members, officers and attendees in the minutes, rather than just their first names.

4 CONSTITUTIONAL CHANGE DOCUMENT

Sarah Ashmead, Hugh Peart and Sara Turnbull attended the meeting to provide an update on the draft changes relating to the Constitution.

- Sarah Ashmead provided a background to the reasons for the changes being implemented and advised that these reflect the Localism Act and other legal requirements.
- The Constitution document with the tracked changes was discussed in depth by the Committee.
- Sarah Ashmead explained that there were two sets of changes visible in the document;
 1. Those underlined with no bold text which were the minor changes that the Monitoring Officer would make under her delegated powers.
 2. Those highlighted in yellow which were the substantive changes.

- Tim Butcher advised that he wanted the committee to take a look at the changes page by page on the projector screen today in preparation for when the document is taken to full council for agreement.

A Member asked for clarity on the staff members who were referred to as “statutory officers”.

- Sarah Ashmead advised that the 3 statutory officers were:
 - I. Head of Paid Service (Chief Executive)
 - II. S151 Officer (Director of Assurance)
 - III. Monitoring Officer (Director Strategy & Policy)
- Sarah Ashmead advised that following the change in legislation, following any investigation the decision on whether to dismiss either of the above posts from now on will be a Full Council decision.

Comments raised during the discussion in relation to the changes made:

- Article 7- The Executive, item 7.9, “In the absence of a Cabinet Member, a key decision may be taken by a Managing Director or relevant senior officer **in consultation** with the appropriate Deputy Cabinet Member”.
- Article 13 – Finance, Contracts and Legal Matters, item 14.4, It was clarified that following the changes in legislation, any and all contract’s should be made in writing, no matter what their value.
- Article 16- Suspension, Interpretation and Publication of the Constitution, item 16.1, a sentence was removed “unless at least one quarter of the Council is present”. Sarah Ashmead confirmed that this sentence had been removed as it was deemed unnecessary, all meetings are required to be quorate for any motions to be passed, and if a meeting is not quorate then the motion cannot go ahead. This sentence was just a repetition of this point.
- Meetings of the Council, Item 7, Motions of Notice, item 2, discussion took place over the time deadlines for a notice of motion. The sentence had been amended to state “no later than 9.30am on the Monday morning”, however all Committee Members felt this time was unrealistic, and proposed that this be changed to Midday on the Monday. All agreed to this change and Sara Turnbull advised this would be amended. A member also suggested that any other deadlines for members should also reflect the midday deadline, to avoid any confusion. All agreed to this.

ACTION: Sara Turnbull

- Meetings of the Council, Item 15, Summons and Agenda Procedure, a number of members expressed confusion over this point. Sarah Ashmead advised that the original point 2 had been removed and replaced with the subsequent point 3 (now point 2) to avoid repetition.
- 5 days’ Notice Rule – A member queried whether this related to working days only. Sara Turnbull advised 5 clear working days, which is stated higher up in the explanation.
- Meetings of the Council, Item 16, Inspection of Documents, a sentence had been removed which stated “Members of the public may submit comments in writing about any published report, within five days of its publication. Where practicable, such comments will be attached to the report”. Sara Turnbull advised that this had been removed as only specific items require public involvement and when this is the case this is stated in the report.

- Part 5 Codes and Protocols, Allegations on Members Conduct, Sara Ashmead advised that although the detailed wording regarding “How to deal with a complaint regarding members”, had only just been updated, the practice had been enforced since 2007 when the policy was agreed by full council.
- Register of Members’ interest Pro-Forma, the form has now been updated. A member queried the headline paragraph stating “Members must register the interests of their husband or wife, civil partner or any person that they are living with as husband, wife or civil partner, as if they are their own interests, when they know about them”. Many members felt that this was too vague, as it did not extend to adult children that perhaps a member may live with, who may have conflicting interests. Hugh Peart agreed with this however he advised that the text had been extracted directly from the piece of legislation and therefore needed to remain. Sarah Ashmead also confirmed that once the amended constitution had been agreed at Full Council, the new form will be circulated to all Members for completion.
- Lobbying of Councillors/Members’ Procedure’s, item 16, Sarah Ashmead confirmed that there had been a change in the legislation, which had been enforced for some time, advising “Members **can form a view** on any Planning matter”. Following discussion with specific examples given, Hugh Peart advised that if a member is a decision maker within a planning committee, although they are able to form a view, to avoid any conflict of interest they should not take part in any Action Groups within their constituency opposing the scheme. However, if the Member is not a decision maker and is purely reflecting the opinion of their constituents, they are able to take part in any Action Groups. The members requested that this item be widely promoted to all members to confirm that they are able to form a view. Sarah Ashmead agreed and confirmed this would be circulated following Full Council sign off of the Constitution.

ACTION: Sara Turnbull

- Minuting of Reasons for Refusal or Granting Permission, item 32, a sentence has been added to advise “**The committee is required in such circumstance to give reasons for not agreeing to the officer recommendations**”. Hugh Peart advised that although this point is not a statutory change, it is advisable as should a declined decision go to an appeal hearing and there not be sufficient supporting evidence for the refusal, it is very likely that the decision would be overturned. It is therefore best practice to provide detailed reasons for a refusal of a planning matter. This item was challenged by some members, who believed that this point might contradict democratic rights however after further discussion all agreed to the change.

RESOLUTION

After the detailed discussion, all members agreed to the recommendations stated in the officer’s report which were as follows:

- 1. To note the minor changes approved by the Monitoring Officer made under delegated powers from Council. These changes are those which are shown as underlined tracked changes (with no highlighted text in bold) in Appendix 1.**
- 2. To agree to recommend to County Council for approval the proposed tracked changed which are highlighted in yellow in Appendix 1.**

This is subject to the amendment agreed by the Committee that the proposed time for motions and written questions to Full Council is changed to Noon on the Monday before the meeting.

5 ANNUAL GOVERNANCE STATEMENT

Ian Dyson presented the Draft Annual Governance Statement.

- The Annual Governance Statement (AGS) is published alongside the statement of accounts, to promote transparency within the public domain.
- This format is consistent with the proper practice as required under the Accounts and Audit Regulations, 2011.
- The draft reflects the financial year 2014/2015. The processes set out are those that are now in place when approving this statement.
- In April 2014 – the governance framework changed, therefore this Annual Governance Statement reflects the current framework, but also references the government framework in place between 1 April 2014 and 31 March 2015 as that set out in the 2013/14 AGS.
- Appendix 1 is an Action Plan set out for 2015/2016 and should be addressed this financial year. Each point on the action plan was discussed and explained in detail.

Tim Butcher thanked Ian Dyson for the comprehensive report. It was advised that the committee were satisfied with the accurate reflection of the material governance issues set out in this report.

RECOMMENDATION

The Committee is RECOMMENDED to approve the Annual Governance Statement 2014/2014.

All Committee Members agreed to this recommendation

6 INTERNAL AUDIT ANNUAL REPORT AND ACTION TRACKER

Ian Dyson presented this report.

- This report sets out the Chief Auditors opinion on the Council's system of internal control, based on the internal audits undertaken and other available assurance mechanisms.
- Ian Dyson requested that the Committee refer to Appendix 1 the Summary of Audit Outcomes. It was advised that the items in yellow in this report are those where the outcomes of the audit has not previously been reported to the Committee. In particular Business Continuity Management and the AFW Debt Management were highlighted as they had an opinion of Limited Assurance.
- Ian Dyson advised that his overall opinion reflected in the annual report was that of "reasonable assurance". Ian Dyson confirmed that this was a very positive message. It was evident that the organisation sought to correct any weaknesses highlighted within the audit process, which was very positive management assurance.
- Ian Dyson also advised that it was clear and evident that there had been a significant step change as a result of Future Shape. The Risk Management process was now clearly understood and the assurance framework was therefore becoming well embedded within the new process.
- The system of internal control should allow for earlier detection of issues and earlier response.

Business Continuity Management (BCM)

- Tim Butcher advised the committee that the Resilience Manager for BCM would be invited to the September meeting, to provide an update on the actions being put in place in regards to the areas of risk. Ian Dyson confirmed he would invite the Resilience Manager for BCM to the meeting in September 2015.

ACTION: Ian Dyson

Governance & Financial Management Audits: Adults and Family Wellbeing (AFW) data

- Tim Butcher highlighted the report, where it stated that not all staff within the AFW had completed the mandatory data protection E-learning training.
 - This raised the question “Why are mandatory E-learning training courses not set out as DSP objectives?”
 - Ian Dyson advised that unfortunately this change would not be within the Regulatory and Audit Committee’s remit, however we could offer this as a “suggestion” to the Managing Director of the AFW area. All members agreed with this.
 - Ian Dyson also suggested that a report be requested across the organisation on the current E-Learning status as the audit highlighted similar results in other business units.
 - Members requested a report on compliance with E-Learning; and requested a report on compliance with all mandatory training across the council.
1. **Report on E-Learning data protection mandatory module.**
 2. **Report on compliance with all mandatory training across the organisation.**

Ian Dyson to source these reports, to be brought back for discussion at the meeting in November 2015.

ACTION: Ian Dyson

7 RESPONSE TO AUDIT ANNUAL REPORT BY THE CHIEF EXECUTIVE

Richard Ambrose attended on behalf of the Chief Executive, to provide a verbal report.

- Richard Ambrose advised that following the Annual Report, the Chief Executive was confident that the new framework will provide the assurance required.
- In response to the report, the Chief Executive supported its findings and the positive understanding of Risk now within the organisation.
- The need for good governance had been recognised.
- The Chief Executive was pleased with the overall assurance level being “reasonable”, as this was a very positive message.
- Richard Ambrose advised that the “Contract Management Application” and “Business Continuity” programmes would be closely monitored by the One Council Board. It was recognised that there was more to be done with “Business Continuity” and Richard Ambrose advised that he was pleased to hear that this item will be coming back to the September meeting.
- Richard Ambrose also advised that with regards to the AFW Debtors, the Chief Executive was expecting to see actions around this report and will confirm that this will be discussed further at the September meeting.
- Richard Ambrose confirmed that overall the Chief Executive was happy with the report.

8 TREASURY MANAGEMENT ANNUAL REPORT

Julie Edwards attended to provide feedback on the report.

- The report outlined Actions set for 2014/2015.
- The average rate of return on investment was 0.88%, exceeding the weighted average London Interbank Bid (LIBID) for the year by 0.56%.
- The total of these investments at any one time varied between £180m and £280m at interest rates between 0.44% and 1.55%.
- The interest earned and credited to the Council's revenue account was £2.19m.
- Cash balances during the year were higher than expected and the CCLA property investment achieving higher than anticipated returns.

Member Questions/Comments

- A Member queried the figure for 2014/2015 in regards to the Energy for Waste (EfW) technical adjustment.
- Richard Ambrose advised that the Council was committed to making a payment to the EfW upon completion of the project in May 2016. In 2014/2015 we were required to account for the build work that had been completed to date. However, no payment would actually be made until the plant had been completed and had passed the operational tests (likely to be May 2016).
- Richard Ambrose confirmed that this had been evident in the accounts since 2013/2014, with the amounts being proportional to the work undertaken. The total cost to the Council in May 2016 would be £180m.

Capital Financing Requirement

- The Actual amount for 2014/15 is £319.334m, which was higher than the revised estimate for 2014/2015. This had resulted in a decrease in 2015/2016 from £328.189m to £325.887m.

Member Questions/Comments

- A Member queried "as we are moving towards proactive financial management, have we learnt anything and do we liaise with other councils to share knowledge?"
- Julie Edwards advised that a meeting was held twice a year with other councils to discuss treasury management issues.
- Richard Ambrose advised that the council had treasury management advisors who updated the team regularly. Some authorities took bigger risks and therefore made bigger returns on investments, but this was not recommended by the treasury management advisors. Due to the current financial climate, many of our investments are on a short term basis, this approach may be reviewed in a few years' time.
- Tim Butcher queried whether the Authorised Limit for External Debt figure of £400m (on page 76), reflected the figure that was brought to Full Council this time last year?
- Richard Ambrose advised that the Authorised Limit was a requirement however the Operation Boundary Limit was a more realistic figure. The figures in this report reflect those that were brought to Full Council in February 2015.
- The £100m difference in the two figures, relates to the EfW. In total the underlying need to borrow is £130m for this project. At present it was expected that we would borrow

£30m externally and £100m internally. The Authorised Limit allows for flexibility, should we be required to borrow the full £130m.

- The dramatic drop in the 2016/2017 figures related to the EfW technical adjustment and would be flexible depending on the amount actually borrowed.

RECOMMENDATION

The Committee are asked to RECOMMEND to Council the treasury Management Annual Report and the actual Prudential Indicators for 2014/2015.

The Committee are asked to RECOMMEND to Council changes to the estimates of capital expenditure within Prudential Indicator 2.1 to £129.979m in 2015/2016, £53,053 in 2016/2017 and £30.100m in 2017/2018.

The Committee are asked to RECOMMEND to Council changes to the Capital Financing Requirement within Prudential Indicator 2.2 to £325.887 in 2015/2016, £317.505m in 2016/2017 and £307.013m in 2017/2018.

All Committee Members agreed to the recommendations.

9 EXTERNAL AUDIT PROGRESS REPORT

Dominic Bradley attended the meeting to present the report.

- The finalised statements were received by Grant Thornton on 10th June.
- From first indication of initial checks, the set of accounts look good and were accompanied by some good working papers.
- By receiving the figures earlier than in previous years, the audit team had been able to make good progress.
- Issues were arising when asking for further information that was slow to come back, especially where the financial records were from areas outside of the council's control (e.g. schools that are not processed through the council's payroll system). Finance were continuing to try to work with these areas to provide the information, however so far this was proving difficult.

Member Questions/Comments

Question 1

- A Member queried if such problems had been experienced in the past?
- Dominic Bradley confirmed that there had been a problem in the past; however this had been an internal payroll issue which had now been resolved.
- Richard Ambrose confirmed that the biggest problem remaining was around schools where the council was not the provider. The information required so far had not been forthcoming, although it had been promised. There were only a relatively small number of schools that used an outside payroll provider, therefore the risk was small.
- Dominic Bradley advised that Grant Thornton were confident that the information would eventually be received, even if this did not materialise until September 2015.
- Tim Butcher requested that Richard Ambrose investigate this issue outside of this meeting and report back to Richard Scott by the end of next week.
- Richard Ambrose agreed to this action and confirmed that this ongoing issue needed to be investigated.
- Richard Ambrose confirmed that following his investigation he would provide the results to Richard Scott week commencing 29 June 2015.

ACTION: Richard Ambrose

Comment 1

- Tim Butcher requested that the word “austerity” be removed from the first paragraph on page 85 of the report.
- Dominic Bradley confirmed that it was not a political comment and that it was an economic term; however a note would be made.

Question 2

- A Member queried whether the report reflected Bucks County Council (BCC) specifically or if it reflected the national position, as this was not clear.
- Dominic Bradley advised that the report had been based across all survey responses received and therefore was a National Survey, not specific to BCC.
- Ian Dyson advised that this style of report had been a regular reporting tool, to provide a broader view to reflect the national position, which could also highlight potential issues.
- Dominic Bradley thanked all for their comments and confirmed that these would be taken on board. The report would make it clear in future that it is reflecting the national position.

Tim Butcher thanked Grant Thornton for the report.

10 COMPARATIVE INFORMATION REPORT ON PENSION FUNDS

A written report had been provided by Mr Oyerinde from Grant Thornton. Dominic Bradley confirmed he would answer any questions on the report.

Members Questions/Comments

Question 1

- A Member asked what the term “Level 3 Investment” referred to.
- Dominic Bradley advised that these were investments whose fair value cannot be determined by using observable measures, such as market prices or models. Level 3 assets were typically very illiquid, and fair values could only be calculated using estimates or risk-adjusted value range.

Question 2

- A Member queried the 51% of the Bucks Pension Fund’s value of investment, being the Level 3 Investments. Is this figure typical for Pensions Funds such as this?
- Dominic Bradley advised that when the comparison was carried out, there was no correlation or information to suggest that BCC was an outlier. The percentage level of level three investments would be for the organisations management to consider.
- Richard Ambrose advised that the Level 3 Investments were more about risk and whether what is being invested in was advisable. To put a limit on the percentage of Level 3 Investments would be the wrong way to view. Richard Ambrose advised that a further report could be brought to the Pension Committee to clarify, if required.

Question 3

- A Member asked for clarification on the composition that made up the investments:
- Richard Ambrose advised;
 - 50% Level 3 Investments
 - 25% each – equities and bonds –which potentially could be riskier than Level 3 Investments (especially equities).
- The Member suggested that perhaps further breakdown of the composition of Level 3 Investments be presented outside of this meeting, for further clarity.

- Dominic Bradley advised that with the Level 3 Investment the risk reflects in “how they are valued” rather than the number or type of investments they are.
- Tim Butcher queried what steps are taken to ensure continuity with how each investment is valued.
- Dominic Bradley advised that the organisations management team would have an expert that has valued them. Grant Thornton would review the qualifications of this expert and also review the assumptions used and whether there have been any changes have been made with any assumptions that the expert has used, and if so whether these were reasonable changes. Generally though all experts approach the role with the same sort of valuation in the same way year on year and it is fairly rare for any significant issues to be highlighted.

Tim Butcher thanked Grant Thornton for the report.

11 FORWARD PLAN - STANDING ITEM

Additions to the Forward Plan were agreed as follows:

September Meeting

- Feedback on Business Continuity
- Feedback on the AFW Debt Management
- Private closed session with Grant Thornton Auditors
- Private closed session with Ian Dyson

November Meeting

- Report on Data Protection E-Learning
- Report on Mandatory Training across the organisation
- Anti-Fraud and Corruption Policy and Money Laundering Policy (to be moved from the September meeting)

It was agreed that a degree of flexibility would be needed as both of these meetings already have a substantial list of topics and therefore some topics may need to be postponed.

All Committee Members agreed to the Forward Plan.

12 EXCLUSION OF THE PRESS AND PUBLIC

It was confirmed that the press and public be excluded for the following item which is exempt by virtue of Paragraph 3 of part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

13 CONFIDENTIAL MINUTES

The confidential minutes from the meeting on 10th June 2015 were agreed as a correct record.

14 DATE AND TIME OF NEXT MEETING

23 September 2015 09.00 – 11.00am, Mezzanine Room 2. This date was agreed.
Meeting closed 11.05am.

CHAIRMAN

Signature.....

Date.....