

# Minutes

## *REGULATORY AND AUDIT COMMITTEE*

**MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON  
WEDNESDAY 9 NOVEMBER 2016 IN MEZZANINE ROOM 2, COUNTY HALL, AYLESBURY,  
COMMENCING AT 9.00 AM AND CONCLUDING AT 10.55 AM.**

### **MEMBERS PRESENT**

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

### **OTHERS IN ATTENDANCE**

Mrs S Ashmead, Director of Strategy and Policy  
Ms J Edwards, Pensions and Investments Manager  
Ms M Gibb, Head of Business Assurance  
Ms A Poole, Trading Standards Manager  
Mr M Preston, Finance Director, Business Services Plus  
Mr R Schmidt, Head of Strategic Finance  
Mr T Slaughter, Executive, Grant Thornton Auditors  
Mr D Watson, Deputy Cabinet Member for Resources  
Mr K Wright, Committee and Governance Adviser

### **1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP**

Apologies were received from Mr P Hardy.

### **2 DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **3 MINUTES**

The minutes of the meeting held on 21<sup>st</sup> September 2016 were agreed and signed as a correct record.

## **4 EXTERNAL AUDIT APPOINTMENTS**

The Chairman welcomed Mr R Schmidt – Head of Strategic Finance to the meeting to present the report.

Mr Schmidt explained that this was an update to previous reports the Committee had considered and explained the following:-

- The individual costs quoted were quite low but assumed non-complex audit arrangements.
- A local approach to appointing external auditors would require some new expertise within the Council to manage this although it was expected that this would not be too onerous and an independent panel would have to be established and maintained for which there would be initial and ongoing costs.
- There would still be a requirement to manage the contract even if the decision was made to join the sector led arrangements
- It was not possible at this stage to say how much the contract was likely to cost although the cost was likely to be lower if joining the sector led arrangements due to economies of scale.

In response to a number of questions, Mr Schmidt explained that:-

- Sector led arrangements would probably be not much different to the current provision.
- The level of scrutiny would be expected to be the same.
- The current audit contract could not be extended further.
- The scale of fees for the sector led arrangement would not be known until March 2018 after the contract had been let by PSAA.

## **RESOLVED**

**The Committee AGREED to recommend to Full Council to opt in to the sector led arrangements offered by Public Sector Audit Appointments Ltd.**

## **5 CONTRACT STANDING ORDERS - EXEMPTIONS / BREACHES**

The Chairman welcomed Mr M Preston – Finance Director to the meeting.

Mr Preston explained that the report covered the period 1<sup>st</sup> April 2016 to 30<sup>th</sup> September 2016 and that the position was similar to the same period last year albeit with a slight increase in the value of exemptions to £760,000; the average length of exemption was 10 months.

Mr Preston went on to outline the two breaches that had occurred during the period and explained that:-

- The Prevention Matters Community Practice Workers contract had ended between March and May 2016 with an exemption put in place to allow extensions to 31<sup>st</sup> December 2016, however there was now a need to extend contracts for a further 6 months until April 2017 whilst decisions about the future of this part of the service were considered.
- The re-commissioning process for the direct payments and advocacy contract with POhWER had been delayed because the initial recommendation to procure the contract from elsewhere had not been supported due to a potential conflict of interest. Further delays had occurred caused by the need to make changes to two business cases supporting re-commissioning. The value of this breach was just over £325,000.

In response to a question about how people are kept up to date on contract regulations and scrutinising breaches, Mr Preston replied that:-

- A dashboard report was provided to officers highlighting contracts coming up for renewal and where the renewal date had passed.
- A report was provided to contract managers detailing those contracts due for renewal within the next 18 months
- Training and learning was being developed which would be particularly useful for those officers not involved in this area work on a regular basis.

## **RESOLVED**

**The Committee NOTED the report.**

## **6 ANNUAL ENFORCEMENT OF THE CHILDREN AND YOUNG PEOPLE (PROTECTION FROM TOBACCO) ACT UPDATE**

The Chairman welcomed Ms A Poole – Trading Standards Manager to the meeting.

Ms Poole explained that under new arrangements the report had also been presented to the Joint Committee for the Joint Trading Standards Service between Buckinghamshire County Council and Surrey County Council.

Ms Poole highlighted the following points from the report.

- Smoking rates in under 18s were falling and there had only been six complaints about under age sales of tobacco between April 2015 and March 2016.
- Trading Standards was now required to show that they had significant intelligence before magistrates would grant permission under the Regulation of Investigatory Powers Act (RIPA) to undertake test purchases from shops thought to be selling tobacco to under 18s.

- Trading Standards was now focussing on the problem of illicit tobacco linked to underage smoking and out of 10 shops investigated, two had been found to be selling illicit tobacco such as counterfeit and where duty had not been paid.
- The service had taken the opportunity of legislation changes about the display of tobacco products to engage with retailers and check compliance which had been found to be high generally.
- There had been no intelligence received to indicate that there were any particular issues with sales of tobacco at school gates, markets or car boot sales.
- In response to a question about mystery shopping, Ms Poole explained that it could still be used but had to be conducted as part of a particular operation or project and undertaken in line with RIPA regulations. Volunteers were still used as “eyes and ears” in the community to report any issues such as underage alcohol sales as well as tobacco sales.

The chairman thanked Ms Poole for her report and commended the work of her team.

## **RESOLVED**

**The Committee NOTED the report.**

## **7 RISK MANAGEMENT GROUP UPDATE**

The Chairman welcomed Ms M Gibb, Head of Business Assurance (and Chief Internal Auditor) to the meeting.

Ms Gibb updated Members on the latest Risk Management Group meeting held on 6<sup>th</sup> September and made the following key points:-

- The group had discussed the Energy From Waste risk register in detail including the appropriateness of mitigating actions and had been told by the Director of Environmental Services that all contract terms were now in force.
- The group had looked at the Business Services Plus, Children’s Social Care & Learning and Communities, Health & Adult Social Care Business Unit risk registers. A full in depth review had been carried out and risks discussed in detail as well as direction of travel, how risks were managed and the escalation process.
- The Headquarters and Transport Economy and Environment Business Unit risk registers would be looked at in detail at the next meeting.

## **RESOLVED**

**The Committee NOTED the report.**

## **8 MONITORING OF THE ANNUAL GOVERNANCE STATEMENT**

Ms M Gibb explained that this was an update for Members on progress against the Annual Governance Statement Action Plan due to be implemented by the end of March 2017 to address weaknesses identified in the statement.

Ms Gibb updated members regarding the progress statements within the Annual Governance Statement Action Plan and went on to explain the following:-

- Actions were being taken in respect of Business Continuity Plans. A status report had been brought to the Committee earlier which identified areas of non-compliance, One Council Board were to receive an updated status report on 16<sup>th</sup> November and there would be a further update to the Committee in February.
- There had been progress in addressing financial control weaknesses identified during 2015/16. The 2016/17 audits of these areas were now progressing and would be reported to the Committee in due course.
- Significant progress had been made in implementing the Assurance Framework and an assurance mapping exercise was being undertaken in the Children's Social Care & Learning and Communities, Health & Adult Social Care Business Units which was due to be completed in December.
- The processes around the quality of data recording and retention of records to show that inspections of plant and equipment had been carried out were being reviewed and would be considered as part of the tendering exercise for the maintenance contract.
- The action in respect of project and programme management had been completed with the introduction of a Project Management Toolkit and a Single View of Change register that captured the detail of all key projects and was reported to One Council Board regularly.

In response to questions from Members, Ms Gibb said the following:-

- In respect of financial controls there had already been confirmation that a number of actions had been implemented and current audit work showed that the situation had improved.
- Good progress was being made in respect of assurance mapping.
- Audit testing of financial controls should be completed by 31<sup>st</sup> March 2017.
- There was no further information about a completion date for the data quality work for plant and equipment maintenance other than 31<sup>st</sup> March 2017 but that more detail on progress would be brought back to the Committee at the next meeting.

**ACTION: Ms M Gibb to provide an update on progress on data quality for plant and equipment maintenance records at the next meeting.**

**RESOLVED**

**The Committee NOTED the report.**

## **9 PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

Ms M Gibb presented the report; explained that the Council was required to have an Internal Audit Charter, the absence of which had been highlighted in the Annual Governance Statement; presented the proposed Internal Audit Charter, and Audit Board Terms of Reference.

In response to Members' questions Ms Gibb explained that:-

- The Internal Audit Charter was based on a standard template document adapted for use by Buckinghamshire County Council.
- Members of the Audit Board would be the Section 151 Officer, the Monitoring Officer and the Chief Internal Auditor who would meet every two months.
- The role of the Audit Board was to oversee the activities of the internal audit function and discuss the prioritisation of resources and audit activity.
- It was an operational board only which reported into the Regulatory and Audit Committee and so there was no requirement for a Cabinet Member to sit on the Board.

### **RESOLVED**

**The Committee APPROVED the Internal Audit Charter and Terms of Reference for the Audit Board.**

## **10 FORWARD PLAN**

Ms M Gibb presented the forward plan of work for the Committee and explained that there was potential to hold an additional meeting of the Committee on 3<sup>rd</sup> January 2017 to reduce the number of items going to the February meeting.

### **RESOLVED**

**The Committee AGREED to hold an additional meeting on 3<sup>rd</sup> January 2017.**

**ACTION: Committee and Governance Adviser to set up the additional meeting on 3<sup>rd</sup> January 2017.**

In answer to a question about the requirement on each Business Unit to report into the Regulatory and Audit Committee, Ms Gibb explained that reports for each Business Unit would come through the Business Assurance Update which was a standing agenda item and the Business Unit responsible for a particular report would come to the Committee to present their response.

### **RESOLVED**

**The Committee NOTED the Forward Plan.**

## 11 TREASURY MANAGEMENT UPDATE

The Chairman welcomed Mr D Watson – County Councillor, Ms J Edwards – Pensions and Investments Manager and Ms E O’Neil – Projects and Financial Accountancy Lead to present the report.

Ms Edwards explained that a key point to note was the reduced cash balance as a result of the payment of £240m in respect of the Energy From Waste Plant.

Ms O’Neil presented the Minimum Revenue Position (MRP) – Revised Policy Statement and explained the following:-

- The MRP was an appropriate amount of money set aside each year to repay debt; it was not the actual amount of money that might be used.
- The MRP was calculated using the underlying need to borrow for capital that was not covered elsewhere e.g. through cash balances or short term borrowing.
- The proposal was to change the MRP policy from the current 4% reducing balance basis to a straight line basis over 50 years in respect of unfunded capital expenditure incurred prior to April 2008 and that the policy change was possible due to changes in regulations and guidance in 2012.
- It would be beneficial to the Council to make the change as it would provide consistency and although from 2033/34 the new policy would become more expensive, it was a more prudent approach as all debt would be repaid in the next 50 years.
- The policy change would not affect the flexibility to repay debt as it related only to the amount of money that had to be set aside to repay debt not the amount that was actually repaid nor would it impact on interest payments which were based on how actual debt was structured.

In response to a question about the use of money from selling capital assets Ms O’Neill explained that there were plans to use capital sales receipts to re-invest rather than pay off debt.

In answer to a question about the impact of on any new unitary authority, Mr R Schmidt said that the accounting policy would have to be re-determined by any new authority in future.

Ms O’Neil went on to discuss the proposed change to increase the authorised boundary for external debt included within the prudential indicators and highlighted the following:-

- The approved capital programme of £254m for 2016/17 had been revised upwards to £311m to take account of around £14m carry forwards and slippage and the £42m property investment programme agreed by Cabinet in September.
- The revised capital programme amount would lead to the Capital Financing Requirement having to be increased from the £319m approved in February to £365m

- The new property investment programme meant that there was a need to increase the authorised borrowing limit to allow for the potential to take advantage of future opportunities: existing projects were already covered in the current limit.
- The capital financing requirement of £365m was the total amount the Council could borrow. Based on all current requirements the projected amount that the Council would need to borrow was £222m which was within the current authorised limit of £250m. However, raising the authorised limit to £275m would give the Council scope to look at other opportunities around its commercial property strategy.
- There was an error noted in column 1 of table 3.2.1 – the figure for “Authorised Limit for Total External Debt” should read £290m not £265m

Mr R Schmidt commented that the authorised borrowing limits were set based on the best judgement at the time but there was no guarantee that they might not need to be adjusted in future.

## **RESOLVED**

**That the Committee AGREED to recommend to Full Council:-**

- 1. The Treasury Management Update Report and the Prudential Indicators for 2016/17 to 2019/20.**
- 2. A change to the authorised boundary for external debt within prudential Indicator 3.2 from £250m to £275m in 2016/17.**
- 3. The proposed change to the MRP policy from a reducing balance basis to a straight line basis over 50 years from 1 April 2016**

## **12 DATE AND TIME OF NEXT MEETING**

The next meeting to be held on 3<sup>rd</sup> January 2017 at 9am in Mezzanine Room 2, New County Offices, Aylesbury.

## **13 EXCLUSION OF THE PRESS AND PUBLIC**

## **RESOLVED**

**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)**

## **14 CONFIDENTIAL MINUTES**

The confidential minutes of the meeting held on 21<sup>st</sup> September were agreed and signed as a correct record.

**CHAIRMAN**