Buckinghamshire County Council
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Agenda

REGULATORY AND AUDIT COMMITTEE

Date: Wednesday 8 February 2017

Time: 9.00 am

Venue: Large Dining Room, Judges Lodgings, Aylesbury

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Agenda Item		Time	Page No
1	**APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP**	**09:00**	
2	**DECLARATIONS OF INTEREST** To disclose any Personal or Disclosable Pecuniary Interests		
3	**MINUTES** To confirm the minutes of the meeting held on 3rd January 2017 as a correct record.		**5 - 10**
4	**EFFECTIVENESS OF THE DEBT MANAGEMENT STRATEGY** To be presented by Mr Matt Strevens, Corporate Finance Business Partner.	**09:05**	**11 - 18**

5	**TREASURY MANAGEMENT ANNUAL STRATEGY** To be presented by • Ms Julie Edwards, Pensions and Investment Manager. • Ms Elspeth O'Neill, Financial Accountancy Lead	**09:20**	**19 - 52**
6	**QUALITY ASSURANCE FRAMEWORK** To be presented by Ms Joanna Sage, Head of Insight and Business Improvement.	**09:40**	**53 - 84**
7	**BUSINESS ASSURANCE UPDATE AND AUDIT ACTION TRACKER** To be presented by Ms Maggie Gibb, Chief Internal Auditor.	**09:50**	**85 - 100**
8	**FORWARD PLAN** Standing item to be presented by Ms Maggie Gibb, Chief Internal Auditor.	**10:05**	**To Follow**
9	**DATE AND TIME OF NEXT MEETING** 26th April 2017, 09:00, Mezzanine Room 1, New County Offices, Aylesbury.	**10:10**	
10	**EXCLUSION OF THE PRESS AND PUBLIC** **To resolve to exclude the press and public as the following item 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)**		
11	**CONTRACT MANAGEMENT APPLICATION UPDATE** To be presented by Mr Neil Gibson, Managing Director - Transport, Economy and Environment Business Unit and Mr Tony Fish, SRM Lead	**10:10**	**101 - 112**
12	**TRANSPORT FOR BUCKS STREET LANTERN REPLACEMENT AUDIT - UPDATE REPORT** To be presented by Mr Mark Averill, Head of Highways.	**10:25**	**113 - 120**
13	**CONFIDENTIAL MINUTES** To agree the confidential minutes of the meeting held on 3rd January 2017.	**10:40**	**121 - 124**

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For further information please contact: Kevin Wright on 01296 387832, email: kwright@buckscc.gov.uk

Members

Mr T Butcher (VC)	Mr P Hardy
Mr W Chapple OBE	Mr D Martin (C)
Mrs A Davies	Mr R Scott
Mr T Egleton	Mr A Stevens

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Minutes

REGULATORY AND AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON TUESDAY 3 JANUARY 2017 IN MEZZANINE ROOM 2, COUNTY HALL, AYLESBURY, COMMENCING AT 9.01 AM AND CONCLUDING AT 11.33 AM.

MEMBERS PRESENT

Mr W Chapple OBE
Mrs A Davies
Mr P Hardy
Mr D Martin (Chairman)
Mr R Scott
Mr A Stevens

OTHERS IN ATTENDANCE

Mrs S Ashmead, Assistant Chief Executive
Ms A Bulman, Service Director (ASC Operations)
Ms M Gibb, Head of Business Assurance
Mr A Isaacs, BU Finance Director
Ms M Moore, Statutory Complaints Officer
Ms K Reed, Corporate Complaints Manager
Mr R Schmidt, Head of Strategic Finance
Ms C Scholes, Complaints Officer
Mr T Slaughter, Executive, Grant Thornton Auditors
Mr K Wright, Committee and Governance Adviser

1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies were received from Mr T Butcher.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 MINUTES

The minutes of the meeting held on 9th November 2016 were agreed and signed as a correct record.

4 ANNUAL REPORT - FEEDBACK AND COMPLAINTS

The Chairman welcomed Ms K Reed, Corporate Complaints Manager and Ms C Scholes, Complaints Officer to the meeting.

Ms Reed presented part 1 of the report, summarised a number of the key performance items and explained the following key points:

- The report covered all corporate complaints other than those in relation to social care.
- There had been a change from a 3 stage to a 2 stage process for complaints during the reporting period but it was too early to gauge the impact of this on the numbers being received.
- The report provided trend data for the past 3 years.
- There had been a drop in the number of compliments received in 2015/16 compared to the previous year and the service was looking at ways to understand and improve this.
- The report included information on enquiries where the complaints team had facilitated a reply. Enquiries were contacts from people who were unhappy with the service they had received but wanted to provide feedback rather than complain or where the contact was outside the jurisdiction of the complaints process.
- The complaints team would normally contact the person making an enquiry to check whether or not they wanted to make a formal complaint.
- Around 60% of stage 1 complaints were about Transport for Buckinghamshire (TfB) and this was consistent with previous years.
- The main area that people complained about was communication issues. The complaints team was working with individual service areas to help address this.

Ms Scholes went onto address part 2 of the report and explained that:

- Sixty complaints had been referred to the Local Government Ombudsmen (LGO), 5 of which had been upheld.
- The numbers being referred to the LGO varied each year sometimes because something new had been introduced or new issues had come to light that people were not happy about.
- There was an increasing trend in social care and special educational needs complaints going onto the final stage or to the LGO.
- Once a complaint had been considered by the LGO then it would be closed and not re-opened or reconsidered.

In response to a question about benchmarking complaints information with other Councils, Ms Reed explained that this was difficult to do given the differing complaints procedures each Council had in place. However the Service was in touch with other local authorities to share information and if it could be shown that comparator data was useful and reliable this would be included in future complaints reports.

Ms Reed explained that the corporate complaints team would ensure that they clearly differentiated between enquires and complaints in respect of Transport for Bucks (TfB).

There was a further discussion about providing more detail of TfB complaints in subsequent reports and whether the Cabinet Member for Transportation and an officer from TfB should attend the Committee during the discussion.

RESOLVED
The Committee NOTED the report and AGREED that further detail of TfB complaints be discussed in future and that the Cabinet Member for Transportation and a representative from TfB be present for the discussion.

5 FEEDBACK AND COMPLAINTS - ANNUAL REPORT - ADULT SOCIAL CARE

Ms K Reed summarised the report and explained that adult social care generally received more compliments than other areas of the Council.

Ms Reed informed the Committee that the majority of complaints were about the outcome of needs assessments and domiciliary care and came from older people or their representatives.

RESOLVED
The Committee NOTED the report

6 FEEDBACK AND COMPLAINTS - ANNUAL REPORT - CHILDREN'S SOCIAL CARE

The Chairman welcomed Ms M Moore to the meeting.

Ms Moore presented the report, summarised the performance information and informed the Committee of the following key points:

- There had been a fall in the number of statutory complaints and an increase in compliments.
- Enquiries, which were not classed as complaints were dealt with in the same way as in the corporate complaints process, with the complaints team facilitating a response.
- There were 6 complaints that had been progressed to stage 2 which was an extremely detailed, independent investigation. It was important to ensure that complaints were dealt with as fully and effectively as possible at stage 1 as complaints which escalated to stage 2 or 3 could take up to 12 months to complete.
- The majority of statutory complaints came from parents of children rather than children themselves and there was no overall theme. The main issues were disagreement with outcomes, quality, general conduct and failure to keep informed.
- There was a system in place to learn from complaints and the corporate team offered training to help officers provide a better quality response at stage 1. It was recognised that there had been some positive improvements in children’s social care.

RESOLVED
The Committee NOTED the report

7 MANAGING VEXATIOUS AND PERSISTENT COMPLAINANTS

Ms Reed introduced the report and highlighted the following points:

- There had been an increase in the number of persistent complainants and so a policy was needed to help support officers manage these situations.
- The decision as to when someone was deemed to be a vexatious complainant would ultimately sit with the Monitoring Officer.

There was a further discussion amongst Members about:

- whether there should be one policy for vexatious complainants and a separate one for dealing with abuse.
- ensuring that the policy was shared widely with partners
- reviewing other public sector organisations' protocols to identify good practice in this area.
- ensuring it was made more explicit that the policy was also to help Members deal with vexatious and persistent complainants as well as helping staff.

RESOLVED
The Committee AGREED the policy and asked officers to consider the points raised.

8 BUSINESS ASSURANCE UPDATE AND AUDIT ACTION TRACKER

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

Ms Gibb outlined the following key issues:

- The Assurance and Risk Strategy was being reviewed and would be brought to the next meeting in February.
- Internal Audit had finalised 5 reports since the last update and there were 2 reports at draft stage.
- The new Internal Audit Board had met in December for the first time and reviewed the internal audit plan. Members of the Committee would be able to have the notes of the Audit Board meetings if they wished.
- The Council was part of the London Audit Framework and as such was able to call on additional internal audit resources to provide specialist, flexible support to the in-house internal audit team.

- The policies and procedures for managing the Council's purchasing cards had been found to be working correctly on the sample that had been tested.
- A new audit had been added to the plan to provide assurance over whether the escalation processes within each business unit were working correctly so that any major risks or issues would be identified in good time and escalated from the Business Unit through to One Council Board and to Members. The audit would aim to identify where there might be any problems with the process.

RESOLVED
The Committee NOTED the report.

9 RISK MANAGEMENT GROUP UPDATE

Ms Gibb updated Members on the latest Risk Management Group meeting held on 29th November and made the following key points:

- The Group had looked at the risks around the Energy From Waste Contract and the mitigations. As a result of this, there had been a wider detailed briefing session held with Members to gain a better understanding of the risks relating to the contract.
- There was a detailed discussion on the HQ and Transport, Economy and Environment Business Unit risk registers which had been reviewed and updated to include information on the direction of travel of risks.
- The Group was told of the new risk management system which would be going live during January 2017.

RESOLVED
The Committee NOTED the report

10 FORWARD PLAN

Members noted the forward plan.

11 DATE AND TIME OF NEXT MEETING

The next meeting to be held on 8th February 2017 at 9am in the Large Dining Room, Judges Lodgings, Aylesbury.

12 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)

13 BUSINESS ASSURANCE UPDATE - LIMITED ASSURANCE INTERNAL AUDIT REPORTS & FRAUD UPDATE (TO STATUTORY OFFICERS)

There was a discussion about limited assurance internal audit reports.

14 BUCKS CARE AUDIT

There was a discussion about the Buckinghamshire Care limited assurance audit.

CHAIRMAN

Buckinghamshire County Council

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Regulatory and Audit Committee

Title:	Effectiveness of Debt Management Strategy Update
Date:	Wednesday 8 February 2017
Author:	Director of Assurance
Contact officer:	Matt Strevens – Corporate Finance Business Partner (ext. 3181)
Local members affected:	All

For press enquiries concerning this report, please contact the media office on 01296 382444

Summary

Since the effectiveness of the Debt Management Strategy was last reviewed by the committee in July 2016 the profile of outstanding debt has been significantly raised within the organisation. The revised reporting format, showing outstanding unsecured debt as a percentage of annual sales has raised management's awareness of the high levels of debt, and a greater focus has been applied to this area at both Business Unit Boards and at One Council Board.

In addition corporate and system process improvements continue to be developed to better meet the needs of budget holders, who are fundamentally responsible for the debts within their cost centres, and for management teams, who hold the wider responsibility to ensure debts are appropriately managed within their Business Units.

At the request of One Council Board a Task and Finish Group has recently been set up to drive the improvements in this area with more pace. Terms of Reference have been agreed (see appendix 1) and the project team is currently being formed. This group will be reporting on progress to One Council Board in March.

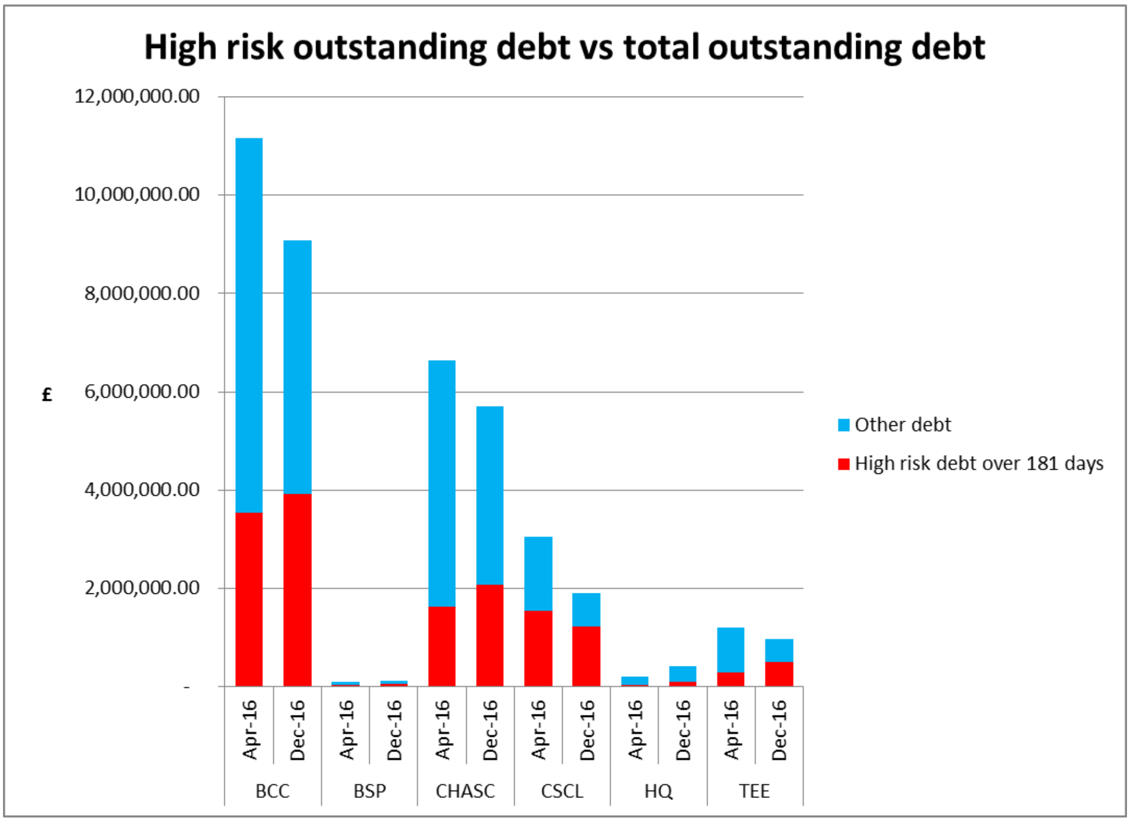
There is evidence that current practice in relation to recent debts is improving, and that fewer debts are becoming significantly overdue, however there is also significant evidence that the more historic debts are not being addressed either through effective recovery action or recognition that they are uncollectable and writing them off.

<u>Current outstanding debt levels</u>

The table below shows the total outstanding debt both for the organisation and for each Business Unit, and the proportion which is over 180 overdue and considered high risk (i.e. not secured). It is clear that the total level of outstanding debt has reduced between April 2016 and December 2016, however the level of high risk debt overdue by more than 180 days has increase in this timeframe.

Further investigation of the underlying data has identified that the level of very old debt (> 2 years overdue) within the high risk category has hardly changed, however the overall reduction in debt appears to be due to more recent debts being collected either by the service or by the Finance Operations Team in a more timely fashion.

Whilst this suggests that current behaviour regarding collection of outstanding amounts is reflective of the desired position, it also identifies that very old debt is not being addressed, either by effectively pursuing payment where possible, or in recognising that payment is unlikely and writing-off these debts.



Outstanding Debt Task and Finish Group

The Outstanding Debt Task & Finish Group is being overseen by the BSP Director of Operations, who has responsibility for both the Finance Operations Team and Corporate Business Support, and the Corporate Finance Business Partner.

- To reduce the levels of outstanding debt to an appropriate level for each Business Unit
- The organisation is confident that all outstanding debt is valid for collection
- All Business Units clearly understand their roles and responsibilities within the process
- Business Units are suitably supported to deliver their roles and responsibilities
- All new debts are created with the best possible chance of recovering them
- The systems and processes supporting the process are fit for purpose and reflect best practice in line with all relevant policies, strategies an guidance
- Management information is provided / available for Business Units to understand their outstanding debt and make appropriate decisions in relation to this debt

The full Terms of Reference for this group, including a comprehensive list of deliverable, can be found in Appendix 1.

Update on developments and Improvements

Corporate reporting of aged debt

The revised management reporting of Outstanding Debt reported to the committee in July is now fully embedded within both Business Units and One Council Board reports.

Reporting of aged debt to Business Units

All Business Unit Finance teams receive a monthly download of all outstanding debt for their Business Unit. This is then used to target budget holders who hold significant or particularly old debts to ensure action is being taken to pursue and recover the outstanding amounts.

3 of the 5 Business Units are currently using the outstanding debt data provided to them to automatically e-mail budget holders with outstanding debts, detailing the debts outstanding and requiring an update on progress. This will be superseded by SAP automated workflow messaging in February.

In addition to this the Finance Operations Team are providing a monthly report to each Business Unit Finance Director on the progress they are making in recovering outstanding debts. This includes recommendations to continue their pursuit of the debt, instigate Legal recovery processes or write-off the debt which is deemed unrecoverable.

Review of historic aged debt and unallocated income

A review of unallocated income and customer account's has identified that the current levels of outstanding debt are overstated, as payments have been received from the customer, and applied to the customer's account without matching the payment to the invoice. As such the individual invoices report as outstanding despite having been paid.

The Finance Operations Team, who are responsible for the matching of payments to both customer accounts and invoices, are currently reviewing all accounts with unapplied payments to ensure these are matched to invoices as appropriate. This action should result in a reduction in the levels of outstanding debt reported.

As part of the Task and Finish Group remit Business Units have been tasked with reviewing all the outstanding debt under their management which relates to the period prior to the implementation of the current Debt Management Strategy. There is an expectation that this will identify significantly overdue debt of which there is little likelihood of recovery action being successful, and that it will be necessary to write this debt off. Within this review it will also be necessary to ensure that all debt recoded as secured actually has a legal basis securing it, and that the likelihood of eventual recovery remains high.

Corporate process improvements to support effective debt management

The Finance Operations Team within BSP continues to work with Business Units to improve their processes to ensure debt more than 90 days overdue is recovered. A number of relevant debts are still retained by Business Units for a number of justifiable reasons.

Since July 2015 the BSP Finance Operations Team has recovered £2.2m of outstanding debt which had become more than 90 days overdue. This has been at a cost of approximately £69k.

The Finance Operations Team has identified the opportunity to convert Adult Social Care clients who pay by invoice to move to Direct Debit payment. To date the percentage paying by Direct Debit has increased from 39.7% in April 2016 to 58.2% in December 2016. Work continues to engage with the remainder of clients who do not pay by Direct Debit in order to increase this percentage further.

Previously the Finance Operations Team were unable to take payments directly when they contacted a customer with an outstanding debt. They now have this facility and are taking a significant number of payments at the first point of contact with customers with outstanding debt.

There is currently a SAP development in process to produce invoices and reminder letters via e-mail. This has been proposed as research suggests that this is both a cheaper option for us, but that it also results in a slight increase in the payment of invoices.

Recommendations

That the Committee invites Business Units to present their local debt management issues, approaches and performance.

That a further report is brought to this Committee after the completion of the Task & Finish group project.

Resource implications

The Task and Finish groups work plan will place burdens across Business Units in reviewing and checking all outstanding debt, and both the Finance Operations Team and the SAP support team in order to deliver process, documentation and system improvements. This activity has been prioritised by One Council Board and resource constraints are currently being identified.

Activity to review outstanding debt may result in significant write-offs of outstanding debt. This may impact on the currently forecast outturn position reported to Cabinet, but it is not expected that this would move the authority into an overspend position.

Legal implications

None

Other implications/issues

None

Feedback from consultation, Local Area Forums and Local Member views (if relevant)

None

Background Papers
Appendix I contains the Terms of reference for the Outstanding Debt Task & Finish Group.

Outstanding Debt Task & Finish group

Draft Terms of Reference

Project Scope

The scope of the project shall encompass the end-to-end process relating to the billing of customers, receipt and allocation of payments and all aspects of the pursuit of outstanding debt, up to and including the writing off of unrecoverable debt. It is necessary that the scope is this broad, as the actions at the very start of the process directly impact on both the efficiency and effectiveness of the following steps in the process.

The nature of our business is such that a number of different systems and processes can result in an invoice being raised, and hence a debt existing. This project will not initially expect to review the operation of any third party systems, but will be constrained to the operation of the corporate finance system SAP. Where issues are identified which stem from third party systems there is an expectation that the responsible Business Unit will address these issues in support of the corporate outcomes sought.

Outcomes sought

Below are the high-level outcomes identified as the deliverables of the project;

1. To reduce the levels of outstanding debt to an appropriate level for each Business Unit
2. The organisation is confident that all outstanding debt is valid for collection
3. All Business Units clearly understand their roles and responsibilities within the process
4. Business Units are suitably supported to deliver their roles and responsibilities
5. All new debts are created with the best possible chance of recovering them
6. The systems and processes supporting the process are fit for purpose and reflect best practice in line with all relevant policies, strategies an guidance
7. Management information is provided / available for Business Units to understand their outstanding debt and make appropriate decisions in relation to this debt

Key Stakeholders

The following represents an initial proposal on the key stakeholder roles required to ensure the project can deliver the outcomes identified above;

Role	Function	Proposed officer
Task & Finish group lead	To deliver the role of Project Sponsor, and have overall responsibility for the delivery of the outcomes above	Lloyd Jeffries
Corporate Finance lead	To ensure that corporate financial policies and procedures are fully considered within the project, and to manage any changes required as a result of the group's activities	Matt Strevens (Corporate Finance Business Partner)
Business Assurance lead	To provide challenge to proposals from a Business Assurance perspective that changes contribute positively to the financial control and risk management activities of the authority	Maggie Gibb to provide
Accounts Receivable / Debt recovery lead	To ensure that proposals relating to corporate AP functions are delivered within the Finance Operations Team	Clare Bradshaw to provide
SAP technical support lead	To provide technical expertise on the SAP AR functionality and deliver required systems enhancements	Adrian Clark to provide
Business Unit representatives	To provide the interface between the project team and the Business Unit, both at an operational level and to Business Unit Boards	BU's to provide
Corporate Business Support representative	To represent CBS (who raise a significant volume of invoices) and ensure that changes agreed are implemented within the service	CBS to provide
Business Unit Board	To provide support to the project and ensure Business Unit activities are delivered in line with the projects requirements	

Resource requirement

At present it is difficult to understand the resource requirements to deliver these objectives. This is especially true within Business Units, where the potential scale of any activity is likely to change as the project progresses and issues are better understood.

It is however clear that delivering this project will either require the reprioritisation of some existing planned activities and/or some as yet undefined additional resource in order to deliver the defined outcomes. This requirement will depend significantly on the pace with which the planned interventions are to be delivered.

Specific activities to be completed by the Task & Finish Group

1. End-to-end process review and customer journey for corporate process
    a. Recording sales in SAP
    b. Quality of data on invoice
    c. Receipt of payment
    d. Matching of payment to invoice
    e. Ongoing management of outstanding debt
    f. Classification of debt
    g. Business Unit debt recovery process
    h. FOT debt recovery process
    i. Legal debt recovery process
    j. Customer care process in debt recovery
2. Review of best practice in completion of billing documents
3. Development of process improvements to address identified issues
4. Compare third party systems inputs to best practice
5. Identification of opportunities to transfer billing to up-front payment processes
6. Identification of Business Unit specific reporting / management requirements
7. Review of options to deliver BU requirements for management of debt
8. Review / rationalisation / refocus of Dunning codes
9. Update to training materials
10. Update to online support materials
11. Redefinition of roles & responsibilities
12. Communication of changes required
13. Review of existing overdue debt to ensure correctly classified
14. Review of existing Debt management policies, procedures and strategies

Buckinghamshire County Council

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Regulatory and Audit Committee

Title:	Treasury Management Strategy 2017/18
Date:	Wednesday 8 February 2017
Author:	Director of Assurance
Lead Member:	Cllr David Watson
Contact Officer:	Julie Edwards, Pensions & Investments Manager

Local members affected:

For press enquiries concerning this report, please contact the media office on 01296 382444

Summary

The purpose of this report is for the Regulatory and Audit Committee to consider the Council's Annual Treasury Management Policy Statement, Treasury Management Strategy Statement, Annual Investment Strategy and the Minimum Revenue Provision Policy Statement for 2017/18, together with the Prudential Indicators for the next four years before it is submitted to Council at its meeting on 16 February 2017.

Recommendation

The Committee are asked to RECOMMEND to Council the Treasury Management Policy Statement, Treasury Management Strategy Statement, Annual Investment Strategy and the Minimum Revenue Provision Policy Statement for 2017/18, together with the Prudential Indicators for the next four years.

Supporting information to include the following if a decision is being requested:

Resource implications

There are no additional costs associated with the recommendation, the aim is to maximise returns within a Strategy which is affordable, prudent and sustainable.

Legal implications

The publication of the outturn position and treasury management policy and associated schedules conform to best practice as required by the CIPFA Code of Practice.

Other implications/issues

1. The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management Code of Practice 2011 edition (the CIPFA Code) on 1 April 2012, the Code defines Treasury Management as:

   the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of the optimum performance consistent with those risks.

2. The Code requires the Council to approve a treasury management strategy before the start of each financial year. In addition, Department for Communities and Local Government (DCLG) Guidance on Local Authority Investments requires the Council to approve an investment strategy before the start of each financial year. In accordance with best practice the Council combines the Annual Investment Strategy with its Treasury Management Strategy Statement. The general policy objective is to ensure that surplus funds held on behalf of the Council are invested prudently.

3. Guidance on Minimum Revenue Provision under section 21(1A) of the Local Government Act 2003 also requires an annual statement on the Council's debt repayment policy: its Minimum Revenue Provision is submitted to the full Council for approval before the start of the financial year to which the provision will relate. Minimum Revenue Provision is defined as being the contribution from revenue to cover the unfinanced borrowing that has been undertaken to support the capital programme. At its meeting on 24 November 2016 the Council agreed a change in the MRP policy from a reducing balance basis to a straight line basis over 50 years from 1 April 2016.

4. The Treasury Management Policy Statement, Treasury Management Strategy Statement, Annual Investment Strategy and the Minimum Revenue Provision Policy Statement for 2017/18, are attached as Appendix 1. The approved investment counterparties and investments limits tables are included in the Investment Strategy.

5. The proposed Strategy for 2017/18 is to continue the Strategy adopted in 2016/17 following the payment of the Energy from Waste bullet payment. During the forthcoming 12 months, the Council's average investment balance is expected to range from £5m to approximately £30m, as the Council maintains minimum cash levels for operational purposes.

6. The table below summarises the proposed investment limits for 2017/18 which are the same as the current strategy for 2016/17.

	Cash limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£30m per broker
AAA sovereign rated foreign countries	£20m per country

AA+ sovereign rated foreign countries	£10m per country
Unsecured investments with Building Societies	£10m in total
Money Market Funds	£50m in total

7. In accordance with the Local Government Act 2003 the Council is required to agree a range of indicators to demonstrate that its investment plans are affordable, prudent and sustainable. The indicators, based on 2017/18 to 2020/21 capital programme form part of this strategy, are attached as Appendix 2. Progress against the Indicators is reported to the Regulatory & Audit Committee and County Council in the mid-year and annual activity reports.

Feedback from consultation, Local Area Forums and Local Member views (if relevant)

Not applicable.

Background Papers

Treasury Management Strategy Report to County Council 18 February 2016
http://moderngov/documents/g6704/Public%20reports%20pack%2018th-Feb-2016%2009.30%20County%20Council.pdf?T=10

Treasury Management Annual Summary Report to County Council 26 May 2016
http://moderngov/documents/g6706/Public%20reports%20pack%2026th-May-2016%2009.30%20County%20Council.pdf?T=10

Treasury Management Mid-Year Report to County Council 24 November 2016
http://moderngov/documents/g6709/Public%20reports%20pack%2024th-Nov-2016%2009.30%20County%20Council.pdf?T=10

Appendix 1

BUCKINGHAMSHIRE COUNTY COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT, TREASURY MANAGEMENT STRATEGY STATEMENT, ANNUAL INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY STATEMENT FOR 2017/18

Treasury Management Policy Statement

1 Buckinghamshire County Council defines its treasury management activities as:

- The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

- The County Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

- This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

- The investment policy objective for this Council is the prudent investment of its treasury balances. The Council's investment priorities are the security of capital and liquidity of its investments so that funds are available for expenditure when needed. Both the CIPFA Code and Department for Communities and Local Government (DCLG) guidance requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The generation of investment income to support the provision of local authority services is an important, but secondary, objective.

- The Council's borrowing objectives are to minimise the revenue costs of debt whilst maintaining a balanced loan portfolio. The Council will set an affordable borrowing limit each year in compliance with the Local Government Act 2003, and will have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities when setting that limit.

Treasury Management Strategy Statement

Introduction

2 The Treasury Management Strategy details the expected activities of the treasury function in the forthcoming year 2017/18. The publication of the strategy is a statutory requirement.

3 The Treasury Management Strategy Statement and Annual Investment Strategy are underpinned by the CIPFA Code of Practice and Treasury Management Practices (TMPs) which provide prescriptive information as to how the treasury management function should be carried out.

Current Portfolio Position

4 The Council's treasury portfolio position as at 31 December comprised:

	31 Dec 2015	31 Dec 2016
Borrowing	**£172.5m**	**£203.2m**
Investing		
In House Investments:		
Call accounts	**£20.0m**	**£0.0m**
Money market funds	**£59.3m**	**£4.1m**
Term deposits<1 year	**£99.5m**	**£10.0m**
Certificates of deposit<1 year	**£15.0m**	**£0.0m**
Term deposits>1 year	**£20.0m**	**£0.0m**
Property fund	**£5.0m**	**£5.0m**
Gross Investments	**£218.8m**	**£19.1m**
Net Investments	**£46.3m**	**-£184.1m**

5 In 2016/17 the Council financed much of the Energy from Waste plant through a combination of earmarked reserves and cash investments. Therefore, the Council's average investment balance reduced from £200m to approximately £30m. The Council is maintaining minimum cash levels for operational purposes. The Council's Annual Investment Strategy changed during 2016/17 following payment for the Energy for Waste plant. In order to maintain a diversified portfolio sovereign limits and counterparty limits were reduced compared to current limits. It is proposed that the strategy with the same cash limits as per the table below is retained during 2017/18:

	Cash limit
Any single organisation, except the UK Central Government	**£10m each**
UK Central Government	**unlimited**
Any group of pooled funds under the same management	**£25m per manager**

AAA sovereign rated foreign countries	**£20m per country**
AA+ sovereign rated foreign countries	**£10m per country**
Money Market Funds	**£50m in total**

Prospects for Interest Rates

6 The Council's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.25% during 2017/18**.** The Bank of England has, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further falls in the Bank Rate look less likely. Negative Bank Rate is currently perceived by some policymakers to be counterproductive but, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union.

Borrowing Strategy

7 The Council's borrowing objectives are:

- To minimise the revenue costs of debt whilst maintaining a balanced loan portfolio.
- To manage the Council's debt maturity profile, leaving no one future year with a disproportionate level of repayments.
- To maintain a view on current and possible future interest rate movements and borrow accordingly.
- To monitor and review the balance between fixed and variable rate loans against the background of interest rate levels and the Prudential Indicators.

8 The Council may borrow in advance of spending need, where this is expected to provide the best long term value for money. Where gross debt is greater than the capital financing requirement the reasons for this should be clearly stated in the annual treasury management strategy. The Council is intending to continue to arrange short term loans to meet its borrowing requirements. The Council will be repaying £10m of PWLB borrowing on 14 February 2017, a further £11.732m PWLB borrowing will be repaid during 2017/18.

9 The Council may borrow short term loans, normally for up to one month, to cover unexpected cash flow shortages.

10 ~~Local Capital Finance Company~~ UK Municipal Bonds Agency was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three reasons:

borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will be the subject of a separate report to the Council.

Investment Strategy

11 This Council maintains investments that are placed with reference to cash flow requirements. Investment of the Council's funds is in accordance with the Annual Investment Strategy.

Debt Rescheduling

12 The potential for debt rescheduling is monitored in light of interest rate movements. Any rescheduling will be in accordance with the borrowing strategy. The reasons for rescheduling include:

- The generation of cash savings at minimum risk.
- Fulfilment of the borrowing strategy.
- Enhancement of the maturity profile of the borrowing portfolio.

13 All rescheduling will be reported retrospectively as part of the Treasury Management Update Reports to the Regulatory and Audit Committee and County Council.

CIPFA Treasury Management Code of Practice

14 CIPFA recommends that all public service organisations adopt the following four clauses.

15 This Council will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives, approach to risk management of its treasury management activities, borrowing policies and investment policies.
- Suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

16 This Council will receive reports on its treasury management policies and activities, including an annual strategy and plan in advance of the year, a mid year review and an annual report after its close, in the form prescribed in its TMPs.

17 This Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Regulatory and Audit Committee, and for the execution and administration of treasury management decisions to the Director of

Assurance, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

18 This Council nominates the Regulatory and Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Annual Investment Strategy

Introduction

19 This Council has regard to the DCLG's revised Guidance on Local Government Investments and CIPFA's Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes.

20 The Annual Investment Strategy states which investments, specified and non-specified, the Council may use for the prudent management of its treasury balances during the financial year.

21 This strategy sets out this Council's policies for managing its investments and for giving priority to the security of capital and liquidity of those investments.

Investment Objectives

22 The general policy objective for this Council is the prudent investment of its treasury balances. The Council's investment priorities are the **security** of capital and **liquidity** of its investments so that funds are available for expenditure when needed. Both the CIPFA Code and DCLG guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The generation of investment income to support the provision of local authority services is an important, but secondary, objective. The effective management and control of risk are prime objectives of the Council's treasury management activities. Investment of the Council's funds will be in accordance with the Treasury Management Strategy and Policy. All investments will be in sterling to mitigate the impact of currency risk.

23 The Council's investments, agreed lending list and strategy are reviewed on a monthly basis by the Treasury Management Group.

24 The Council's treasury management ensures it has sufficient cash to meet its needs, balancing achieving value for money with the security of its investments (achieving a balance between security, liquidity and yield). Performance is monitored against its treasury management strategy and outcomes matched against benchmarks. The Council meets any tax and prompt payment legislation (Late Payment of Commercial Debts (Interest) Act 1998).

25 The DCLG maintains that the borrowing of monies purely to invest or lend on and make a return is unlawful and this Council will not engage in such activity.

26 Through various mechanisms identified in this strategy, the Council ensures that investment risks are effectively mitigated. The Council will ensure that an appropriate balance is found between maximising investment income to the Council within a prudent, transparent and logical investment strategy. The security of the principal sum shall be the Council's prime risk factor.

Approved Counterparties

27 A country is assigned a sovereign rating which signifies a country's ability to provide a secure investment environment which reflects factors such as economic status, political stability and foreign currency reserves. The strongest sovereign rating that can be achieved is "AAA", "AA+" is the next strongest. The Council invests in the UK or specified AAA and AA+ sovereign rated countries, the total maximum that can be invested in an individual AAA sovereign rated country is £20m and the total maximum that can be invested in an individual AA+ sovereign rated country is £10m. Countries that are currently AAA sovereign rated are Australia, Canada, Denmark, Germany, Luxembourg, Netherlands, Norway, Singapore, Sweden and Switzerland. Austria, Finland, United Kingdom and the USA are currently AA+ sovereign rated. Santander UK plc is deemed to be a UK institution, although their parent bank is based in Spain, it has extensive UK operations. Sovereign credit rating criteria and foreign country limits will not apply to investments in multilateral development banks (e.g. the European Investment Bank and the World Bank) or other supranational organisations (e.g. the European Union).

28 The Authority may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown below

Cash limits (per counterparty)			
Credit Rating	**Banks Unsecured**	**Banks Secured**	**Government**
UK Govt	n/a	n/a	£ Unlimited 50 years
AAA	£5m 5 years	£10m 20 years	£10m 50 years
AA+	£5m 5 years	£10m 10 years	£10m 25 years
AA	£5m 4 years	£10m 5 years	£10m 15 years
AA-	£5m 3 years	£10m 4 years	£10m 10 years
A+	£5m 2 years	£10m 3 years	£5m 5 years
A	£5m 13 months	£10m 2 years	£5m 5 years
A-	£5m 6 months	£10m 13 months	£5m 5 years
BBB+	£3m 100 days	£3m 6 months	£3m 2 years
BBB	£3m next day only	£3m 100 days	n/a
None	£3m 6 months	n/a	£10m 25 years
Pooled funds	£25m per fund		

These tables must be read in conjunction with the following notes:

29 **Credit Rating:** Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

30 **Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Authority's current account bank Lloyds plc.

31 **Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

32 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

33 **Pooled Funds:** Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

34 Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Credit Watch / Outlook

35 From time to time an institution will be placed on negative watch or negative outlook, indicating that a downgrade is either likely or possible in the future. Watches are considered short term actions, whereas outlooks are considered over a longer time horizon. If an institution is on negative watch so that it is likely to fall below the above criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced.

Credit Default Swaps (CDS)

36 Credit rating agencies lag market events and therefore do not provide investors with an up to date picture of the credit quality of a particular institution. A CDS is a financial instrument which insures against the risk of a counterparty defaulting on its credit. When the cost of this insurance is highest, then it is more likely that the market considers a credit event will occur. Each month Arlingclose provides CDS spreads information enabling the Treasury Team to monitor short, medium and long term trends of CDS spreads. If there is a spike in the values of CDS's due to adverse market conditions, then Arlingclose alert the Treasury Team immediately.

Specified Investments

37 Specified investments offer relatively high security and high liquidity. These investments can be used with minimal procedural formalities. The DCLG Guidance defines specified investments as those denominated in sterling, with a maturity of no more than a year and invested with one of the UK Government, a UK local authority, parish council or community council or a body or investment scheme of “high credit quality”.

38 The Council defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

Non-Specified Investments

39 Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor with any low credit quality bodies.

40 Non-specified investments will therefore be limited to long-term investments i.e. those that are due to mature 12 months or longer from the date of arrangement, unrated funds and unrated organisations.

41 The majority of the Council’s investments will be made for relatively short periods and in highly credit rated investments, giving priority to security and liquidity ahead of yield.

42 Limits on non-specified investments are shown in the table below.

	Cash limit
Total long-term investments	£25m
Total investments without credit ratings or rated below A- (includes other local authorities)	£50m
Total non-specified investments	£75m

43 The table below sets out investment limits

	Cash limit
Any single organisation, except the UK Central Government	**£10m each**
UK Central Government	**unlimited**
Any group of organisations under the same ownership	**£10m per group**

Any group of pooled funds under the same management	**£25m per manager**
Negotiable instruments held in a broker's nominee account	**£30m per broker**
AAA sovereign rated foreign countries	**£20m per country**
AA+ sovereign rated foreign countries	**£10m per country**
Unsecured investments with Building Societies	**£10m in total**
Money Market Funds	**£50m in total**

Security of Capital: The use of Credit Ratings

44 This Council relies on credit ratings published by the ratings agencies Fitch, Moodys and Standard and Poors to establish the credit quality of counterparties and investment schemes. The lowest available credit rating will be used to determine credit quality. Credit rated institutions are selected using criteria based on the country, also known as sovereign rating if the institution is not UK.

Monitoring of credit ratings:

- The Council has access to Fitch, Moodys and Standard & Poors credit ratings and is alerted to changes through e-mail updates.
- The Council invests in UK or specified AAA / AA+ sovereign rated countries, to improve the potential for diversification and also to optimise access to investments in the world's highest rated institutions the total maximum that can be invested in a AAA sovereign rated individual country is £20m and £10m individual country maximum for AA+ sovereign rated.
- If a counterparty or investment scheme's rating is downgraded with the result that it no longer meets the Council's minimum criteria, the further use of that counterparty/investment scheme as a new investment will be withdrawn immediately.
- If a counterparty is upgraded so that it fulfils the Council's criteria, its inclusion on the lending list will be considered and put to the Director of Assurance for approval.
- From time to time an institution will be placed on negative watch or negative outlook, indicating that a downgrade is either likely or possible in the future. Watches are considered short term actions, whereas outlooks are considered over a longer time horizon. If an institution is on negative watch so that it is likely to fall below the above criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced.

Use of Specified and Non-Specified Investments

45 The use of specified and non-specified investments is limited to those set out above. The Director of Assurance will keep the use of such investments under continuous review in the light of risk, liquidity and return. No additions will be made without the approval of the Council, following appropriate consultation.

Investment balances / Liquidity of investments

46 Based on its cash flow forecasts, the Council anticipates its fund balances in 2017/18 to range between £0m and £30m. A prime consideration in the investment of fund balances is liquidity and the Council's forecast cash flow. Investments are made in accordance with this Annual Investment Strategy and the investment strategies approved by the Director of Assurance during the year.

Policy on Use of Financial Derivatives

47 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits).

48 The general power of competence in section 1 of the Localism Bill 2011 removes much of the uncertain legal position over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.

49 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they represent will be managed in line with the overall treasury risk management strategy. This Council used swaps to hedge against currency and interest rates fluctuations for the Energy for Waste project.

Provisions for Credit-related losses

50 If any of the Council's investments appear at risk of loss due to default the Council will make revenue provision of an appropriate amount; although, the Council will make all reasonable attempts to secure any potential defaults prior to such an occurrence.

Reporting & Governance Arrangements

51 The treasury strategy, six monthly review and annual activity reports are presented to the Regulatory and Audit Committee. The Council's investments, agreed lending list and strategy are reviewed on a monthly basis by the Treasury Management Group which includes the Cabinet Member for Resources, the Deputy Cabinet Member for Resources, the Director of Assurance and other key officers; the Prudential Indicators are reviewed quarterly at this meeting.

Training

52 Member and officer training is essential in terms of understanding roles and keeping up to date with changes. It is an essential component of the CIPFA Treasury Management Code of Practice; to address this training need, training will be provided to all members of the Regulatory & Audit Committee and key officers attend relevant courses / seminars on treasury management.

Treasury Management Advisers

53 The Council has appointed Arlingclose as treasury management advisers and receives specific advice on investment, debt and capital finance issues. However, responsibility for final decision making remains with the Council and its officers. The services received include advice and guidance on relevant policies, strategies and reports, advice on investment decisions, notification of credit ratings and changes, other information on credit quality, advice on debt management decisions, accounting advice, reports on treasury performance, forecasts of interest rates and training courses for officers and members.

54 The quality of this service is reviewed by participating in CIPFA's treasury management benchmarking and monitoring investment performance against a weighted average LIBID.

Investment of Money Borrowed in Advance of Need

55 The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

56 The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

Minimum Revenue Provision Policy Statement

57 Prior to 2008/09, the Council in accordance with legislation made a contribution from revenue to cover 4% of the unfinanced borrowing that has been undertaken to support the capital programme. This contribution is called the Minimum Revenue Provision (MRP).

58 The Secretary of State under section 21(1A) of the Local Government Act 2003 issued guidance on the calculation of MRP in February 2008, with further guidance provided by the DCLG document, Capital Finance Guidance on Minimum Revenue Provision (February 2012) giving Council's the flexibility to change their MRP provisions provided they could demonstrate that they remain a prudent basis over which to repay debt. The Council has chosen to take advantage of this flexibility.

59 Where capital expenditure was incurred before 1 April 2008 MRP will be charged on a straight line basis over 50 years in accordance with the guidance. For capital expenditure incurred on or after 1 April 2008 and funded through borrowing, the Council will calculate MRP using a more complex calculation called the asset life annuity method. Using this method MRP is calculated in a similar way as calculating the capital repayment element of a fixed rate repayment mortgage.

60 In accordance with provisions in the guidance, MRP will be first charged in the year following the date that an asset becomes operational.

61 The asset life annuity method calculation requires estimated useful lives of assets to be input in to the calculations. These life periods will be determined under delegated powers to the Director of Assurance, with regard to the statutory guidance.

62 However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the asset life annuity method would not be appropriate.

63 As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

Background Papers

CIPFA Code of Practice on Treasury Management in the Public Service revised 2011
DCLG Guidance on Local Government Investments revised in 2010
Communities and Local Government Guidance on MRP February 2008.

Director of Assurance
8 February 2017

Appendix 2

PRUDENTIAL INDICATORS FOR MTP 2017/18 to 2020/21

1. BACKGROUND

1.1. The prudential framework for local authority capital investment was introduced through the Local Government Act 2003. The key objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. A further objective is to ensure that treasury management decisions are taken in accordance with good professional practice.

1.2. Local Authorities are required to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003. To demonstrate compliance the Code sets prudential indicators designed to support and record local decision making.

1.3. The purpose of this report is to update and revise the indicators approved by Council last year contained within the proposed MTP for 2017/18 to 2020/21. The report describes the purpose of each of the indicators and the proposed values and parameters for Buckinghamshire County Council. Monitoring of the Prudential Indicators takes place throughout the year and a mid-year and annual report are reported to Regulatory & Audit Committee and Council.

2. CAPITAL EXPENDITURE INDICATORS

2.1. CAPITAL EXPENDITURE

This indicator is required to inform the Council of capital spending plans for the next four years. It is the duty of a local authority to determine and keep under review the amount that it can afford to allocate to capital expenditure.

The estimates of gross capital expenditure to be incurred for the current and future years is summarised below:

Table 2.1.1 Capital Expenditure 2017/18-2020/21

Indicator	Unit	Revised Estimate 2016/17	2017/18	2018/19	2019/20	2020/21
Estimates of capital expenditure	£000	**305,986**	82,680	124,909	69,553	46,860
EfW technical adjustment*	£000	**-159,691**	-	-	-	-
Estimates of capital expenditure	£000	**146,295**	82,680	124,909	69,553	46,860

*Actual expenditure is presented after a technical adjustment for the EfW plant as an asset under construction. As a result the estimate of capital expenditure is different to the Council approved capital programme which incorporates the EfW plant on the basis of when payment falls due. £36,057k (2013/14), £79,314k (2014/15) and £44,061 (2015/16) have previously been capitalised giving an overall total of £159,691m in respect of the EfW plant prior to 2016/17.

The 2016/17 estimates reflect the forecast gross capital expenditure against the revised budgets to the end of January 2017 including proposed slippage. The forecast outturn is for an anticipated £7.3m (2.3%) underspend on the revised capital expenditure budget for the year. This represents around £5m of slippage and £2.3m of other underspends which could be utilised to accelerate other projects.

The estimate of capital expenditure for 2017/18 to 2020/21 reflects the draft capital programme within the MTP excluding slippage.

Table 2.1.1 Capital Expenditure 2016/17-2019/20 approved by Council on 18 February 2016

Indicator	Unit	2016/17	2017/18	2018/19	2019/20
Estimates of capital expenditure	£000	254,726	90,585	65,484	48,216

EfW technical adjustment*	£000	-180,000	-	-	-
Estimates of capital expenditure	£000	74,726	90,585	65,484	48,216

*Actual expenditure and future year's budgets are presented after a technical adjustment for the EfW plant as an asset under construction. As a result the estimate of capital expenditure is different to the Council approved capital programme which incorporates the EfW plant on the basis of when payment falls due. It was estimated that the total of £180m would have been incurred prior to 1 April 2016; however due to a slight delay in the construction of the plant and transfer stations, only £159m was in fact completed by 31 March 2016.

The Approved estimate of capital expenditure for 2016/17 was been updated during the year for carry forwards as agreed by Cabinet and the Property Investment Programme as reported to Regulatory & Audit Committee on 9 November 2016.

The estimate of capital expenditure for 2017/18 to 2019/20 has now been updated to reflect the proposed new Capital Programme as part of the 2017/18 MTP process. The main change from the programme approved in Feb 2016 being an increase of £40m in the investment in Primary and Secondary School Places over 2017/18 to 2018/19 and a re-phasing to 2018/19.

The Capital programme is subject to approval by full Council on 16 February 2017.

2.2. CAPITAL FINANCING REQUIREMENT

The Capital Financing Requirement measures the Council's underlying need to borrow for capital purposes. This is essentially the Council's outstanding debt, necessary to finance the Council's capital expenditure. The actual debt is dependent on the type and maturity of the borrowing undertaken as well as seeking the optimal cashflow situation (see 5.3). Estimates of the end of year Capital Financing Requirement for the Council for the current and future years, net of repayments are:

Table 2.2.1 Capital Financing Requirement 2017/18 – 2020/21

Indicator	Unit	Revised Estimate 2016/17	2017/18	2018/19	2019/20	2020/21
Estimates of capital financing requirement (CFR)	£000	**364,569**	359,424	355,980	354,326	351,672

Authorities can finance schemes in a variety of ways these include;

- The application of useable capital receipts
- A direct charge to revenue
- Application of a capital grant
- Contributions received from another party
- Borrowing

It is only the latter method that increases the Capital Financing Requirement (CFR) of the Council.

During 2016/17 the revised estimate for 2016/17 was updated as follows:

- Final cost of the EfW plant was £181.479m; as a result the total Prudential borrowing has been increased to £131.479m
- Three new Commercial properties have been acquired during 2016/17 through prudential borrowing: Liscombe Park £1.672m, Knaves Beech £22.8m; Aylesbury Retail Park £16.2m.
- Update to the smaller projects to take account of slippage in forecast capital expenditure (funded from borrowing) and include new schemes within the programme such as the redevelopment of High Wycombe Library.
- Change to the MRP policy for pre 2008 debt to straight-line basis over 50 years.

The approved profile (table 2.2.2) below reflects the original estimate of prudential borrowing as follows:

- A total of £130m in respect of the Energy from Waste (EfW) Project;
- £2.1m in 2016/17, £2.1m in 2017/18, £2.0m in 2018/19 and £4.5m in 2019/20 in relation to a number of smaller projects including Orchard House, Aylesbury Library, Winslow Car Park and Business Centre; where the business case indicates a return on investment after taking into account borrowing costs.

Table 2.2.2 Capital Financing Requirement 2016/17 – 2019/20 approved by Council on 18 February 2016

Indicator	Unit	2016/17	2017/18	2018/19	2019/20
Estimates of capital financing requirement (CFR)	£000	319,777	310,565	301,549	297,047

AFFORDABILITY INDICATORS

2.3. RATIO OF FINANCING COSTS TO NET REVENUE STREAM

Purpose of the Indicator

This indicator measures the proportion of the revenue budget that is being allocated to finance capital expenditure. For the General Fund this is the ratio of financing costs of borrowing against net expenditure financed by government grant and local taxpayers.

Estimates of the ratio of financing costs to net revenue stream for the current and future years are:

Table 2.3.1 Ratio of Financing Cost to Net Revenue Stream 2017/18 – 2020/21

Indicator	Unit	Revised Estimate 2016/17	2017/18	2018/19	2019/20	2020/21
Estimates of ratio of financing costs to net revenue stream	%	4.6%	4.9%	4.8%	4.5%	4.3%

The indicator reflects the change to the MRP policy agreed by Council on 26 November; the draft MTP and the forecast outturn on interest payable and interest receivable.

Table 2.3.2 Ratio of Financing Cost to Net Revenue Stream 2016/17 – 2019/20 approved by Council on 18 February 2016

Indicator	Unit	2016/17	2017/18	2018/19	2019/20
Estimates of ratio of financing costs to net revenue stream	%	5.7%	6.0%	5.6%	5.2%

The reduction in the ratio of financing costs for 2016/17 and 2017/18 is due primarily to the change in the MRP policy.

2.4. ESTIMATES OF INCREMENTAL IMPACT OF NEW CAPITAL INVESTMENT DECISIONS ON COUNCIL TAX

This is a key affordability indicator that demonstrates the incremental effect of planned capital expenditure and hence any increased or decreased borrowing, on Council Tax.

Table 2.4.1 Incremental impact of new Capital investment on Council Tax 2017/18 – 2020/21

Indicator	Unit	Revised Estimate 2016/17	2017/18	2018/19	2019/20	2020/21
Estimates of the incremental impact of capital investment decisions on Council Tax	£	-£12.38	-£9.25	-£0.81	-£2.14	-£0.44
	%	-1.07%	-0.76%	-0.06%	-0.16%	0.03%

The revised estimate for 2016/17 has been increased due to the investment in new Commercial properties detailed above. This is anticipated to provide additional revenue income in 2016/17 with the full year effect in 2017/18.

Table 2.4.2 Incremental impact of new Capital investment on Council Tax 2016/17 – 2019/20 approved by Council on 18 February 2016

Indicator	Unit	2016/17	2017/18	2018/19	2019/20
Estimates of the incremental impact of capital investment decisions on Council Tax	£	-£8.75	-£8.06	-£0.43	-£2.26
	%	-0.75%	-0.67%	-0.03%	-0.17%

3. FINANCIAL PRUDENCE INDICATOR

3.1. GROSS DEBT AND THE CAPITAL FINANCING REQUIREMENT ('CFR')

This indicator records the extent that gross external borrowing is less than the capital financing requirement (2.2 above).

This is a key indicator of the Council's prudence in managing its capital expenditure and is designed to ensure that, over the medium term, external borrowing is only for capital purposes. The Council should ensure that gross debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. The values are measured at the end of the financial year.

Where gross debt is greater than the capital financing requirement the reasons for this should be clearly stated in the annual treasury management strategy. The figures for 2016/17 onwards are based on estimates:

Table 3.1.1 Gross Debt and the CFR 2017/18 – 2020/21

Indicator	**Unit**	**Revised Estimate 2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Gross Borrowing	£000	222,000	340,000	330,000	320,000	310,000
Capital Financing Requirement	£000	**364,569**	359,424	355,980	354,326	351,672

Completion of the EfW plant and investment in the Commercial properties has required additional borrowing during the year. The approved estimate assumed £40m medium term borrowing and £20m short term borrowing to support cash flow, plus £10m of current PWLB loans which will be repaid each year from 2016/17 to 2020/21. A further increase in gross borrowing is proposed for 2017/18 to allow greater headroom for the Council to invest in commercial properties. The authorised limit for 2018/19 onwards has been reduced to reflect the fact that it is anticipated that the Council will not need to replace debt repaid.

On 31 December, the Council had £52.5m of temporary loans in place. During the current financial year £11.7m of debt will be repaid relating to the PWLB and it is estimated that £70m temporary borrowing will be required as at 31 March 2017. The forecast external borrowing as at 31 March 2017 is £222m which includes £1.3m accrued interest.

Table 3.1.2 Gross Debt and the CFR 2016/17 – 2019/20 approved by Council on 18 February 2016

Indicator	Unit	2016/17	2017/18	2018/19	2019/20
Gross Borrowing	£000	215,000	205,000	195,000	185,000
Capital Financing Requirement	£000	319,777	310,565	301,549	297,047

3 TREASURY AND EXTERNAL DEBT INDICATORS

3.2. AUTHORISED LIMIT FOR EXTERNAL DEBT

The authorised limit for external debt is required to separately identify external borrowing (gross of investments) and other long term liabilities such as covenant repayments and finance lease obligations. The limit provides a maximum figure that the Council could borrow at any given point during each financial year.

Table 3.2.1 Authorised limit for external debt 2016/17 – 2019/20

Indicator	Unit	Revised Estimate 2016/17	2017/18	2018/19	2019/20	2020/21
Authorised limit (for borrowing) *	£000	**275,000**	350,000	340,000	330,000	330,000
Authorised limit (for other long term liabilities) *	£000	**15,000**	9,000	10,000	10,000	10,000
Authorised limit (for total external debt) *	£000	**290,000**	359,000	350,000	340,000	340,000

* These limits can only be changed with the approval of the full Council

The authorised limits are consistent with approved capital investment plans and the Council's Treasury Management Policy and Practice documents, but allow sufficient headroom for unanticipated cash movements. The limit will be reviewed on an on-going basis during the year. If the authorised limit is liable to be breached at any time, the Director of Assurance will either take measures to ensure the limit is not breached, or seek approval from the Council to raise the authorised limit.

An increase in the authorised limit from £250m to £275m in 2016/17 was agreed by full Council to enable the Council to further invest in Commercial properties to provide additional revenue income in 2016/17 with the full year effect in 2017/18.

A further increase in the authorised limit is proposed for 2017/18 to £350m to allow greater headroom for the Council to invest in commercial properties. The authorised limit for 2018/19 onwards has been reduced to reflect the fact that it is anticipated that the Council will not need to replace debt repaid.

Table 3.2.2 Authorised limit for external debt 2016/17 – 2019/20 approved by Council on 18 February 2016

Indicator	Unit	2016/17	2017/18	2018/19	2019/20
Authorised limit (for borrowing) *	£000	250,000	240,000	230,000	230,000
Authorised limit (for other long term liabilities) *	£000	15,000	15,000	15,000	15,000
Authorised limit (for total external debt) *	£000	265,000	255,000	245,000	245,000

3.3. OPERATIONAL BOUNDARY FOR EXTERNAL DEBT

This is a key management tool for in-year monitoring and is lower than the Authorised Limit as it is based on an estimate of the most likely level of external borrowing at any point in the year. In comparison, the authorised limit is the maximum allowable level of borrowing.

Table 3.3.1 Operational Boundary for External Debt 2017/18 – 2020/21

Indicator	Unit	Revised Estimate 2016/17	2017/18	2018/19	2019/20	2020/21
Operational boundary (for borrowing)	£000	**230,000**	320,000	310,000	300,000	300,000
Operational boundary (for other long term liabilities)	£000	**7,500**	7,500	7,500	7,500	7,500
Operational boundary (for total external debt)	£000	**237,500**	327,500	317,500	307,500	307,500

This indicator is consistent with the Council's plans for capital expenditure and financing and with its Treasury Management Policy and Practice document. It will be reviewed on an on-going basis, the operational boundary allows the Council to borrow up to invest in new assets which will generate an income stream in excess of any borrowing costs.

In May 2016 Council agreed an increase in the operational borrowing for external debt. Modelling the Council's cash balances at that time indicated that the Council needed to borrow £70m for the £180m plus £36m VAT bullet payment relating to the Energy from Waste plant. After about 5 weeks the Council was reimbursed the £36m VAT payment which reduced the external debt accordingly. The strategy was to take several temporary loans. The operational boundary has been increased for 2017/18 to reflect the strategy to invest in Commercial properties.

Table 3.3.2 Operational Boundary for External Debt 2016/17 – 2019/20 approved by Council on 18 February 2016

Indicator	Unit	2016/17	2017/18	2018/19	2019/20
Operational boundary (for borrowing)	£000	230,000	220,000	210,000	200,000
Operational boundary (for other long term liabilities)	£000	7,500	7,500	7,500	7,500
Operational boundary (for total external debt)	£000	237,500	227,500	217,500	207,500

3.4. ACTUAL EXTERNAL DEBT

This is a factual indicator showing actual external debt for the previous financial year.

The actual external borrowing as at 31 March 2016 was £163.8m which includes £1.4m accrued interest. During the current financial year £11.7m of debt will be repaid to the PWLB and it is estimated that £70m temporary borrowing will be required as at 31 March 2017. The forecast external borrowing as at 31 March 2017 is £222m which includes £1.3m accrued interest.

5 TREASURY MANAGEMENT INDICATORS

The prudential code links with the existing CIPFA Code of Practice for Treasury Management in the Public Services.

The Treasury Management indicators consist of five elements that are intended to demonstrate good professional practice is being followed with regard to Treasury Management. The proposed values and parameters provide sufficient flexibility in undertaking operational Treasury Management.

5.1 SECURITY AVERAGE CREDIT RATING

The Council is asked to adopt a voluntary measure of its exposure to credit risk by monitoring the weighted average rating of its investment portfolio.

Table 5.1.1 Security Average Credit Rating 2017/18

Security Average Credit Rating	Target
Portfolio Average Credit Rating	A+ or above

For the purpose of this indicator, local authorities which are unrated are assumed to hold an AAA rating.

Table 5.1.2 Security Average Credit Rating 2016/17 approved by Council on 18 February 2016

Security Average Credit Rating	Target
Portfolio Average Credit Rating	A+ or above

5.2 HAS THE COUNCIL ADOPTED THE CIPFA TREASURY MANAGEMENT CODE?

The Council has adopted the Code. In line with the Code the Treasury Strategy for 2016/17 is reported to Regulatory and Audit Committee and Council.

Table 5.2.1 The CIPFA Treasury Management Code 2017/18 – 2020/21

Indicator	Unit	Revised Estimate 2016/17	2017/18	2018/19	2019/20	2020/21
Adoption of the CIPFA Code of Practice for Treasury Management in the Public Services	N/A	Yes	Yes	Yes	Yes	Yes

Table 5.2.2 The CIPFA Treasury Management Code 2016/17 – 2019/20 approved by Council on 18 February 2016

Indicator	Unit	2016/17	2017/18	2018/19	2019/20
Adoption of the CIPFA Code of Practice for Treasury Management in the Public Services	N/A	Yes	Yes	Yes	Yes

5.3 UPPER LIMIT OF FIXED RATE BORROWING FOR THE 4 YEARS TO 2020/21

This indicator is set to control the Council's exposure to interest rate risk and the rate is set for the whole financial year. The upper limits on fixed interest rate exposures expressed as an amount will be:

Table 5.3.1 Upper Limit of Fixed Rate Borrowing 2017/18 – 2020/21

Indicator	Unit	Revised Estimate 2016/17	2017/18	2018/19	2019/20	2020/21
Fixed interest rate exposure - upper limit *	£000	230,000	350,000	340,000	330,000	330,000

* Any breach of these limits will be reported to the full Council

Table 5.3.2 Upper Limit of Fixed Rate Borrowing 2016/17 – 2019/20 approved by Council on 18 February 2016

Indicator	Unit	Revised Estimate 2015/16	2016/17	2017/18	2018/19	2019/20
Fixed interest rate exposure - upper limit *	£000	230,000	270,000	270,000	270,000	270,000

5.4 UPPER LIMIT OF VARIABLE RATE BORROWING FOR THE 4 YEARS TO 2020/21

This indicator is set to control the Council's exposure to interest rate risk. Here instruments that mature during the year are classed as variable, this includes the Council's Lender Option Borrower Option (LOBO) loans. For LOBO loans, on specified call dates, the lender has the option to increase the interest rate paid on the loan. If the lender exercises this option, then the borrower can agree to pay the revised interest rate or repay the loan immediately. The upper limits on variable interest rate exposures expressed as an amount will be:

Table 5.4.1 Upper Limit of Variable Rate Borrowing 2017/18 – 2020/21

Indicator	Unit	Revised Estimate 2016/17	2017/18	2018/19	2019/20	2020/21
Variable interest rate exposure - upper limit *	£000	140,000	225,000	160,000	170,000	160,000

* Any breach of these limits will be reported to the full Council

In May 2016 Arlingclose, the Council's treasury advisor, advised that with short-term interest rates much lower than long-term rates, it was likely to be more cost effective in the short-term to borrow short-term loans instead of long-term loans. Instruments that mature during the year are classed as variable, therefore an increase in the variable fixed rate of borrowing to £140,000 for 2016/17 was approved by County Council on 26 May 2016.

Table 5.4.4 Upper Limit of Variable Rate Borrowing 2016/17 – 2019/20 approved by Council on 18 February 2016

Indicator	Unit	2016/17	2017/18	2018/19	2019/20
Variable interest rate exposure - upper limit *	£000	100,000	95,000	82,000	90,000

5.5 MATURITY STRUCTURE OF FIXED RATE BORROWING

This Indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of the fixed borrowing will be:

Table 5.5.1 Maturity Structure of Fixed Rate Borrowing to 2017/18

Maturity Structure of Fixed Rate Borrowing	**Revised Estimate 2016/17**		**2017/18**	
Period	Upper Limit	Lower Limit	Upper Limit	Lower Limit
Under 12 months	45%	0%	50%	0%
12 months and within 24 months	50%	0%	55%	0%
24 months and within 5 years	55%	0%	60%	0%
5 years and within 10 years	60%	0%	60%	0%
10 years and above	100%	20%	100%	20%

These parameters control the extent to which the Council will have large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Table 5.5.2 Maturity Structure of Fixed Rate Borrowing for 2016/17 approved by Council on 18 February 2016

Maturity Structure of Fixed Rate Borrowing	**2016/17**	
Period	Upper Limit	Lower Limit
Under 12 months	45%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	55%	0%
5 years and within 10 years	60%	0%
10 years and above	100%	20%

5.6 TOTAL PRINCIPAL SUMS INVESTED FOR PERIODS LONGER THAN 364 DAYS

The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments.

Table 5.6.1 Total Principal Sums Invested for Periods Longer than 364 Days 2017/18 to 2020/21

Indicator	Unit	Revised Estimate 2016/17	2017/18	2018/19	2019/20	2020/21
Total principal sums invested for periods longer than 364 days	£0m	£10m	£10m	£20m	£20m	£20m

With regard to longer term investments the recommendation is to limit sums for periods longer than 364 days to no more than £10m in 2017/18 and £20m in 2018/19 to 2020/21. Cash balances are anticipated to be low due to financing the EfW project.

Table 5.6.2 Total Principal Sums Invested for Periods Longer than 364 Days 2016/17 to 2019/20 approved by Council on 18 February 2016

Indicator	Unit	2016/17	2017/18	2018/19	2019/20
Total principal sums invested for periods longer than 364 days	£0m	£25m	£25m	£25m	£25m

6 CONCLUSION

In approving, and subsequently monitoring, the above prudential indicators the Council is fulfilling its duty to ensure that spending plans are affordable, prudent and sustainable.

Buckinghamshire County Council
Visit **democracy.buckscc.gov.uk** for councillor information and email alerts for local meetings

Regulatory and Audit Committee

Title:	Quality Assurance Framework
Date:	Wednesday 8th January 2017
Author:	Jo Sage (Head of Insight and Business Improvement)
Contact officer:	Jo Sage x.3767
Local members affected:	n/a

For press enquiries concerning this report, please contact the media office on 01296 382444

Summary

What is the QAF (Appendix 1) ?
- A framework for assuring the priority outcomes set out in the Strategic Plan are delivered.
- It presents a quality assurance model for the Council (the Analyse, Plan, Do, Review cycle), and sets out our high level quality assurance processes around this

Why do we need it?
- The Children's Services Improvement Plan identifies the need for an over-arching Quality Assurance Framework for the Council, which clearly links to the Children's Social Care Quality Assurance and Learning Framework.
- To make our high-level quality assurance processes clearer and more visible to staff and members.
- To strengthen assurance around the delivery of the Council's priority outcomes (as set out in the Strategic Plan)

Who is it for?
- Officers – information and guidance on our high-level quality assurance processes
- Members – assurance around processes in place to ensure the priority outcomes set out in the Strategic Plan are delivered.

Recommendation

That the Committee AGREES the Quality Assurance Framework as a Council policy

Resource implications

n/a

Legal implications

n/a

Other implications/issues

n/a

Feedback from consultation, Local Area Forums and Local Member views (if relevant)

n/a

Background Papers

n/a

Buckinghamshire County Council Quality Assurance Framework

January 2017

Version control

Version number	Date	Notes
1	14-9-16	First draft
2	26-9-16	BI Business Partner comments/ revisions
3	4-10-16	SA comments re: scope/ structure
4	24-10-16	With contributions from QAF working group
5	25-10-16	Circulated to BU colleagues for comments
6	9-11-16	With BU comments, submitted to OCB
7	20-1-17	With OCB comments, submitted to Reg & Audit

1. Background and purpose

On 5th April 2015 Buckinghamshire County Council launched a new Strategic Plan, which sets out our vision, values, and priority outcomes for the two-year period to 2017. These priorities were set by Members, with residents, and commit us to delivering a range of outcomes.

At the same time the Council adopted a new operating model – the Future Shape. This forward-thinking model commits the Council to delivering these priorities through stronger outcomes-based commissioning and performance management. Our Operating Framework document sets out for staff how we will work to achieve this.

This document complements the Operating Framework by setting out an over-arching framework for assuring the priority outcomes set out in the Strategic Plan are delivered. It aims to provide information and guidance for Officers on our high-level quality assurance processes, and to provide assurance to Members.

The Council's Business Assurance Framework sits beneath the overarching Quality Assurance Framework and provides structured and reliable evidence to Members and Officers to support the continuous effectiveness of operations and key activities. The Business Assurance Framework will inform the Combined Assurance reports for the Business Units and the Council's Annual Governance Statement.

There are a number of other, more specific, quality assurance frameworks operating within the Council that focus on ensuring high quality service delivery in specialised areas – including the Children's Social Care Quality Assurance and Learning Framework. This document complements the service-specific documents; providing an organisation-wide framework and set of principles to support quality assurance activities across the Council.

2. Principles of quality assurance

Flowing from our Future Shape operating model, the key principles of quality assurance in Buckinghamshire within the context of achieving our priority outcomes are:

- We have a greater focus on outcomes and value for money – with an outcomes-based approach to planning and commissioning
- We set clear accountability for performance;
- A robust framework of activities is in place to monitor performance, plan performance to meet targets and ensure quality
- We focus on insight-led improvement, not just reporting data;
- The right information is made available to the right audience
- We use this information to drive improvement planning, and monitor the delivery of this

Principle	How is this achieved?
We have a greater focus on outcomes and value-for-money	Our Strategic Plan is based on a set of outcomes – which drive our commissioning, key projects, strategies and plans. Strategic Options Appraisals' give capacity, tools and support to Business Units/ Commissioners around achieving the best value for money and improving outcomes.
Set clear accountability for performance	We have a clear performance framework, with measures and targets set for all Business Units, agreed reporting schedules and governance. The framework results in a clear understanding of why performance is good or below expected levels and identifies areas for service improvement.
A focus on insight-led improvement, not just reporting data	Challenging and driving improvement through deeper analysis of the drivers of performance, and using insight and intelligence to underpin business improvement and planning.
Information is relevant, quality assured, and made available to the appropriate audience	The right performance information is provided to the right part of the Council for assurance, decision making or action. Quality assurance processes are in place to ensure it is robust.
Improvement planning/ delivery	Services are clear on areas they want to improve, and improvement planning/ monitoring are explicit parts of the performance management framework/ cycle.

3. Quality assurance model

The model adopted in Buckinghamshire is based on the 'analyse, plan, do, review & revise' model (see Fig. 1 below), reflecting the stages of our commissioning model. In practice these activities overlap rather than being linear stages in a process, but the distinctions help to draw out the features of quality assurance.

- **Analyse:** using insight and engagement to better understand the needs, preferences, experiences and priorities of service users and residents. Using the findings to identify our priority outcomes, and underpin our service planning, commissioning, and improvement activities
- **Plan:** planning and prioritising our activity to achieve our priority outcomes
- **Do:** taking action through service delivery and managing risk
- **Review & Revise:** monitoring delivery and auditing, reviewing performance and identifying areas for improvement. Further analysis to understand the drivers of performance and inform improvement reviews. Using this information to revise and plan future action to make improvements.

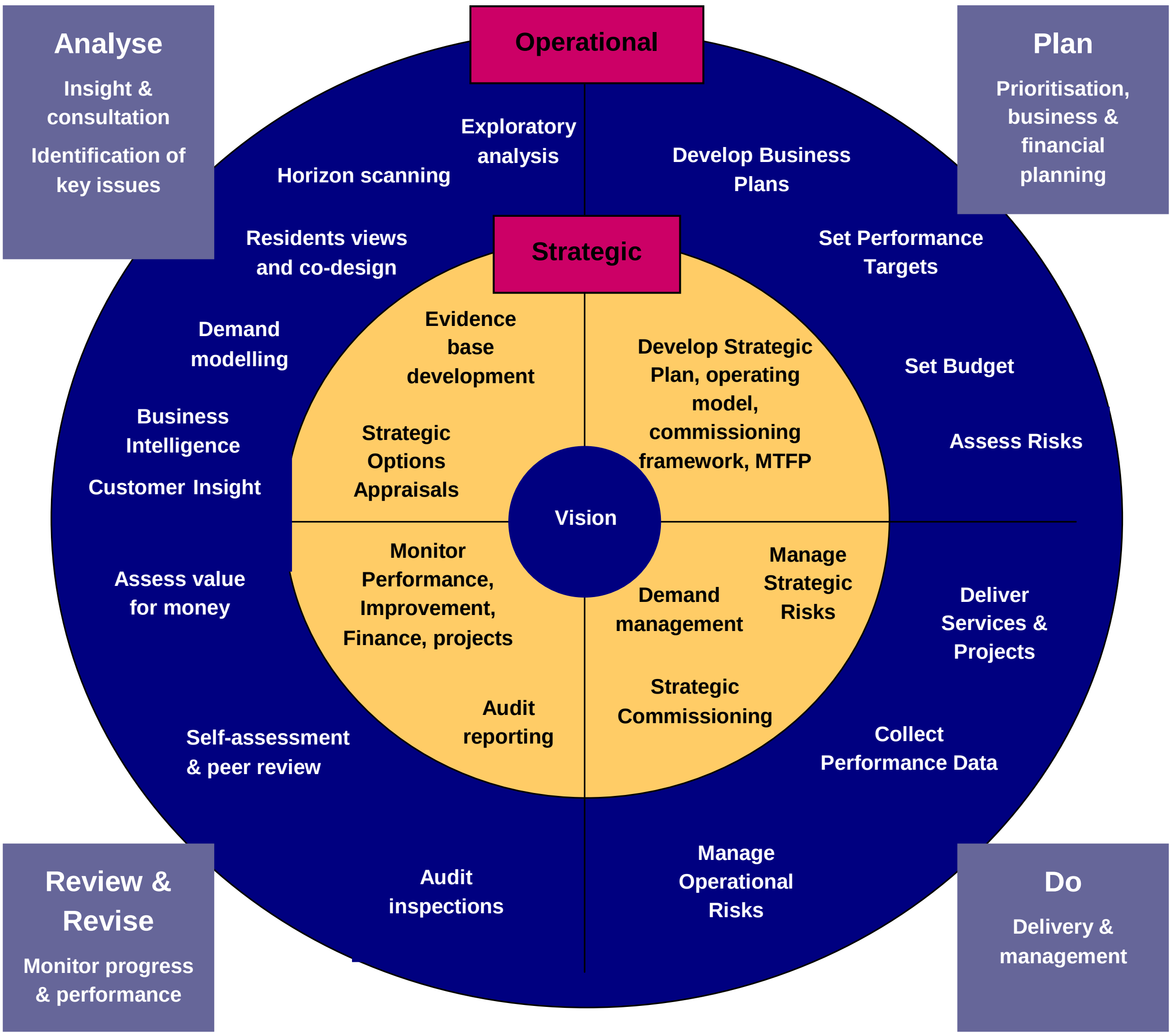

Fig 1 – Bucks quality assurance model

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4. Analyse

Business intelligence and insight will be used to improve outcomes for local people and communities by

- Ensuring that decisions, policies, plans and strategies are evidence-based.
- Informing service planning and transform services to improve outcomes for local people.
- Shaping how resources are used so that they are focused on the areas of highest need or where the impact will be the greatest.
- Identifying and communicating what is working well and what needs improving, and support service redesign.

There are three types of product that support this:

1) Regular reports and evidence to understand how well council services are performing and delivering against the strategic plan and Business Unit plans. Providing evidence to shape service delivery
2) Insight products that help the council understand issues affecting how services are being delivered and how services can be improved
3) Developing and collecting the information we hold and providing this to teams to enable services to be run or to government for statutory returns

4.1 Horizon scanning

To enable the council to identify and focus on the key issues that it needs to address internal and external horizon scanning will take place. Internally these include an understanding of the key issues affecting BUs (Performance, Operational, HR, Finance), externally these include identifying and understanding the key impact of government policy changes, changes to finances, factors that affect the outlook of the local/national economy, key environmental issues, legislative issues and factors affecting society and how people live (PESTL).

4.2 Plans

The council undertakes a range of analysis to understand current need in the population and to understand the key issues that it needs to plan for in the future. These products take the form of a range of needs assessments and plans to develop council policy (JSNA, Transport Plan, Council Plan, BU Plans, etc) and includes analysis that understand levels of need in the population, profiles and benchmarks this against other areas and models future demand based on population or other service demand information.

Understanding residents and stakeholder views on council services and ensuring these are fed into council decisions affecting their services to deliver the most important services in an effective way to residents is a fundamental part of what the council does. The council involves residents in decisions affecting services through consulting on budget and overall issues affecting the council as well as when considering how specific services could be improved through co-design research with stakeholders, surveys, focus groups and interviews.

4.3 Exploratory Insight

Where performance issues are identified and improvements are required the reason for underperformance needs to be better understood. In some cases service managers will already know what has caused underperformance from running the service (e.g. lack of staffing, contract issues, low service take up etc), but where this is not known the council will undertake exploratory research to understanding the causes of this to help inform how the service could be improved. This analysis can take a range of quantitative or qualitative forms to help answer initial questions and pin down key questions that need answering to improve services e.g. profiling of service users to identify specific groups that relate to the underperformance, understanding the impact of staffing on performance or understanding the root causes of issues that would need to be addressed.

4.4 Targeting, reach and evaluation

In addition to exploratory insight, where the council is looking to improve specific services, a range of information to understand how well services are reaching specific population groups and evaluating how well services support the achievement of the council's outcomes can be analysed.

4.5 Understanding demand

To enable the council to commission specific services a detailed accurate understanding of current demand is needed. This enables services to be commissioned (what service is delivered where and to what level) with a financial commitment to this. For many services, an understanding of how demand may change in the future is required to plan for the infrastructure, staffing and budgets required (e.g. pupil places for schools).

Where the council is looking at longer-term options on what types of services should be considered a less detailed understanding of future demand may be required to enable cost-benefit analysis of different service models to be considered and inform longer term strategic decision making on the types of services required for the future.

5. Plan

Once the nature and the scale of the local challenges have been agreed, priorities can be set and resources such as finance, workforce and facilities can be identified. The planning stage involves working with stakeholders to decide how to address the identified needs effectively, efficiently, equitably and in a sustainable way. Where relevant, involving partners such as the NHS and District Councils is vital at this stage.

The table below sets out the planning activity undertaken in a strategic and operational context. It is important that this involves co-design and participation from relevant key stakeholders, including Members, Business Units and HQ to design, implement and embed the plans:

Strategic Planning	Operational Planning
The Strategic Plan	Commercial Business Unit Plans
Operating Framework	Set Performance Targets
Commissioning Framework	Set Budgets
MTFP	Assess Risks

5.1. Strategic Planning

5.1.1. The Strategic Plan

On 5th April 2015 Buckinghamshire County Council launched a new Strategic Plan, which sets out our vision, values, and priority outcomes for the two-year period to 2017. These priorities were set by Members, with residents, and commit us to delivering a range of outcomes.

5.1.2. One Council Performance Plan

This is a new plan which will sit alongside the Strategic Plan, setting out the Level 1 and 2 performance measures we will use to assure we are delivering the priority outcomes. This plan will be refreshed annually as part of the planning cycle.

5.1.3. Operating Framework

The Operating Framework covers key topic areas that matter in running the business to achieve a one Council approach; as well as where it is helpful to set out clear expectations on standards, roles, accountabilities and responsibilities across the organisation, particularly on the respective roles of the Council's Headquarters,, Business Services Plus and other Business Units.

Members (County Councillors) sit above the Council officer structures, providing the democratic leadership for the Council in their strategic roles as decision-makers, scrutineers (via the Council's Select Committees) and in carrying out their local roles as community leaders.

The purpose of the Operating Framework is to:

- Enable Council employees to understand the different accountabilities and responsibilities of HQ and BUs and how the two parts work together to deliver a one Council approach.
- To ensure a one Council approach in our governance system, providing robust organisational assurance.

HQ Assurance takes the lead in overseeing the implementation of the Operating Framework, including overseeing the following assurance processes:

- The Regulatory and Audit Committee will monitor compliance with the Operating Framework through the Annual Governance Statement and audit processes.

- The One Council Board will receive quarterly exception reports on the Operating Framework.
- Managing Directors and BU Boards will conduct a compliance self-assessment report at least annually, and implement an annual local action plan to address any areas of action needed.
- There will be professional lead officers with oversight roles of specific aspects of the Operating Framework who will be responsible for providing quarterly information on compliance

5.1.4. Commissioning Framework

This framework is designed to complement the Council's Operating Framework. The purpose of the framework is to:

- Create an outcomes commissioning environment that can secure value for money through better relationships with other bodies: public, private and voluntary.
- Promote responsible commissioning in terms of addressing social, economic and environmental issues, equality and diversity.
- Help deliver a shared understanding of the commissioning process between commissioners, members and wider stakeholders, defining the basic principles that should underpin all commissioning decisions.
- Ensure openness, transparency and value for money, at all times, through the application of consistent commissioning standards and approaches across the Council's Business Units.

The framework is reviewed annually.

5.1.5. Medium Term Financial Plan

This covers the next 4 financial years and identifies resources likely to be needed to finance our service priorities and meet spending pressures. It also determines the resources (ie Council Tax income, fees, charges, Government funding and other grants) likely to be available over the same period.

It aims to:

- ensure the sustainability of our budget
- facilitate proactive, strategic management of the budget to ensure investments and disinvestments flow from our corporate priorities
- guarantee responsiveness to an ever-changing and uncertain financial climate

The process is Member led in conjunction with their Portfolio teams. Work starts in late spring each year and ends when Council agrees it in February each year. This is the same time the annual budget and Council Tax is set

5.2. Operational Planning

5.2.1. Commercial Business Unit Plans

The Commercial Business Unit Planning is an integral part of the quality assurance framework, it provide residents with an understanding of the BU's commercial vision, priorities, challenges and opportunities. It provides assurances to Members, employees, partners and residents that income and savings targets are recognised by the BU and there is a plan in place to achieve them.

The strategic planning cycle sets out the outcomes each Business Unit works towards in order to meet the needs of our residents and businesses. BU's plan to deliver or commission goods / services based on these outcomes.

5.2.2. Setting Performance Targets

Level 3 performance targets are set by BU's within the Commercial Business Unit Plans, which are translated into individual team planning to ensure the golden thread of outcomes and performance is maintained throughout the organisation.

5.2.3. Setting Budgets

Budgets are set through the strategic planning process and translated by Managing Directors and Financial Directors into Business Units and cascaded though to individual teams. The quality of budget setting at all levels is assured through Finance Directors.

5.2.4. Assess Risks

Strategic and organisational risks are monitored via Assurance, however each Managing Director and Head of Services is accountable for identifying, monitoring and managing risk within their own teams.

5.3. Planning Framework

See figure 2 below.

5.4. Business planning timetable

Business planning usually takes place between September and March. It starts with a review of existing plans and preparation for the next financial year, taking into account changing Government agendas and other external influences and the Council's budget.

1. The high level priorities for the Council are set by Members through the Strategic Plan. The Plan includes strategic objectives. It is underpinned by the Medium Term Financial Plan and the Implementation Plan, which includes outcome measures and activity measures for each of the strategic objectives.

2. The strategic objectives and supporting measures are cascaded down to a set of Portfolio Plans, which are prepared and agreed by individual Cabinet Members. It is worth noting that the Strategic Plan does not represent *all* of the activities undertaken by individual portfolio/services, and the Portfolio Plan will therefore include additional objectives to the Strategic Plan.

3. Service Directors are responsible for cascading the Portfolio Plan objectives down to their service plans and/or team plans, according to their particular business needs.

4. At an individual level, each employee has a set of personal objectives agreed through the 'Delivering Successful Performance' process.

Figure 2: Business planning framework

6. Do

6.1. Programmes/ projects

Within project management there are essentially two levels of assurance – Project Assurance and Quality assurance.

	Project Assurance	Quality assurance
What they do	Provide assurance to the project's stakeholders that the project is being conducted appropriately and properly.	Provide assurance to the wider corporate organisation that the project is being conducted appropriately, properly and complies with relevant corporate standards and policies.
How they differ	Responsibility of the Project Board, therefore undertaken from	Responsibility of the corporate organisation, therefore **external to the**

	within the project. Nb. This must be independent of the Project Manager, Project Support and project teams.	**project** (i.e. not a member of the project management team).

Once a project has been planned, the project management team should put in place the system to provide and confirm assurances that the project activities have been carried out in line with the corporate standards and policies.

The Project Management toolkit sets out the documented standards and best practices for delivering projects across Buckinghamshire County Council.

A summary of the key controls that support Project Assurance is shown below:

Item / Activity	Control Document
Business Case	The **Business Case** establishes whether a project is viable and worthwhile. The Business Case should be referred to throughout to ensure the ongoing viability of the project. All Business Cases must be approved by the Project Sponsor and where applicable, by the respective Business Unit Board or the One Council Board to obtain approval to proceed. The Outline Business Case should outline the range of delivery options being considered, whereas the Full Business Case should focus on delivery of the recommended option. Nb. Business Cases are also produced through the Medium Term Financial Planning (MTFP) process, which is subject to a process of review and challenge before being agreed by Full Council.
Baseline	The **Project Initiation Document (PID)** acts as a baseline against which progress, ongoing viability and ultimately overall success of the project can be assessed and measured throughout the lifecycle. The PID is used to obtain management commitment to the project and should be approved by the Project Sponsor and/or Project Board.
Risks	All identified project risks should be recorded on the project **Risk Register** and managed effectively. Risks are given three scores: Untreated, Current and Target. The use of all three enables risk owners to see the movement of a risk from its inherent or untreated score through to a tolerable or target score. The target score should represent the level of impact we are willing to accept. The current score is then used as a marker to show movement; once mitigating actions have been implemented, from the untreated to the target score. Risks should be reviewed by the Project Manager / Risk Owner(s) and updated on a regular basis with clear details about the actions being taken i.e. mitigating actions.

	Any significant project risks that could have a wider impact (i.e. outside the project) should be escalated for consideration and inclusion in the strategic risk register for the respective Business Unit.
Issues	All project issues should be recorded on the **Issue Register** with clear details about how they are being dealt with. Any significant issues should be included in the Highlight Report and notified to the Project Sponsor immediately.
Change Control	All requests for change should be documented in the **Change Log** to enable the progress of each change to be tracked through to closure. This can also be used to help monitor and control the effect of changes on the project.
Benefits	A **Benefits Review Plan** should define how and when the achievement of the projects benefits can be measured. At or after closure of the project a **Post Completion Review** should be undertaken to check that the project has delivered all of the business benefits identified in the Business Case. Ultimately, the Project Sponsor is responsible for ensuring that business benefits are delivered.
Project Progress	A **Highlight Report** is produced regularly (e.g. monthly) to provide the Project Sponsor (and other key stakeholders) with regular information on project progress against the key deliverables contained in the PID. This should include any key risks and issues for the Project Sponsor to consider. An **Exception Report** is produced to notify the Project Sponsor when a project is forecast to exceed agreed tolerance levels – these should be clearly expressed in the PID. This enables them to make informed decisions on the best way to resolve the situation / problem. A decision may be made to close the project early if it is felt that it is failing to meet the Business Case. This should be brought to the attention of the Project Sponsor and/or Project Board through the Exception Report.
Project Closure	An **End Project Report** is required to formally close the project and assess how well the project has performed against the deliverables set out in the PID. It is also used to obtain formal acceptance of the projects deliverables. The Project Sponsor is responsible for approving the End Project Report and to ensure that any follow-on actions have been identified and responsibility for them agreed and assigned (e.g. handover to BAU environment).

Oversight of the major transformational change projects and programmes is reported to and reviewed by the One Council Board on a quarterly basis, focusing on those that are reporting as off-track. Plans are in place to bring this together with monthly budget monitoring reporting to provide a more coherent and joined up approach. It is expected that this will commence in November 2016.

6.2 Quality assurance

It is acknowledged that the Council doesn't currently have a separate Quality assurance function, however we have started to develop our thinking around implementing a model to provide corporate oversight by introducing a second line of assurance, for example via use of a scorecard for our key strategic projects and programmes.

This will form part of the ongoing development of the Programme Management Office function to provide the appropriate level of assurance to the One Council Board and Councillors around project management.

6.2. Risk Management

Risk management is an important aspect of the quality assurance framework and is defined as "the planned and systematic approach to the identification, evaluation and economic management of the risks associated with the council's activities". The Business Assurance and Risk Strategy sets out the Council's approach to risk management. A summary of the basic principles of risk management is given below:

- Identification and management of risk is aligned to the council's priorities
- Approach to internal control is risk-based, including an evaluation of the likelihood and impact of risks occurring
- Review procedures cover strategic and operational risks, key contract and major project risks, as well as key financial risk
- Regulatory and Audit Committee receives regular reports during the year on risk and internal control
- Principal results of risk identification, evaluation and management review is reported to, and reviewed by, the Business Unit Boards, One Council Board, Risk Management Groupand Regulatory and Audit Committee
- Risks that are of a particular concern are escalated as appropriate and mitigating actions identified to respond to these

Risks are defined as strategic and operational:

- Strategic risks are those which may impact on the delivery of strategic activities such as those outlined in the corporate plan.
- Operational risks are those that may impact on the delivery of operational activities such as those outlined in Business Unit plans

Figure 3 below summarises the risk reporting hierarchy. Responsibility for monitoring the overall effectiveness of the Council's risk management approach sits with the Regulatory and Audit Committee, which reports directly to Council.

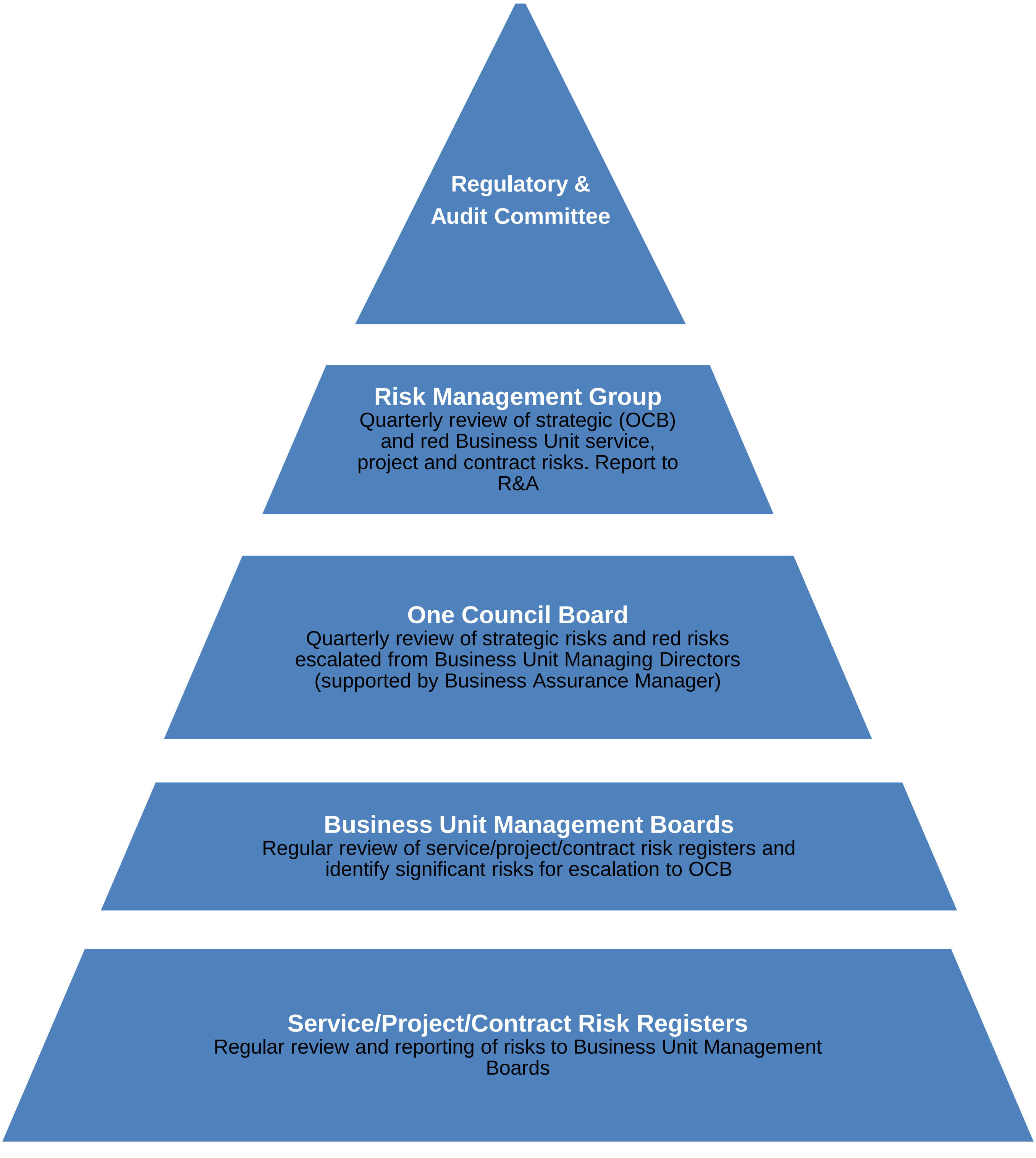


Figure 3: Risk reporting pyramid

7. Review and revise

7.1. Performance management

Performance monitoring is important for us to know (and demonstrate to our customers) how well we are delivering against our priority outcomes (as set out in the Strategic Plan), and to enable areas requiring improvement to be identified and managed.

7.1.1. One Council Performance and Improvement Management

The remainder of this section introduces a new approach (One Council Performance and Improvement Management, OCPIM) to understanding, reporting and managing performance against the key Level 1[1], 2 and 3 outcomes[2] set out in the Strategic Plan.

The approach focuses on enabling and monitoring ***improvement***, through a deeper understanding of the drivers of performance, and the monitoring of improvement plans. It also seeks to further strengthen relationships and flows of information/ insight between business units, embedding a central principle of our operating framework.

7.1.2. The purpose of the OCPIM framework

To provide assurance that:

- The Council is delivering its strategic outcomes, as identified in the Strategic Plan
- Resources are allocated effectively to support the delivery of these outcomes - effort is focused in the right places
- The Council has the information it needs to respond to performance issues at the earliest opportunity
- Performance information is used enable improvement
- The council understands key area of good performance and key areas where performance is lower than expected
- Issues that affect performance are understood either from feedback from operational deliver, or from insight in areas where the council wants to improve how services are delivered
- Operational teams are able to forward plan towards meeting performance targets, as well as consider past performance
- Our performance management approach supports the development of deeper insight and a stronger evidence base to support improved decision making (as per the Future Shape)

[1] Level 1 outcomes are broad and set an ambition for the County (e.g. Buckinghamshire Residents enjoy a high quality and sustainable environment), level 2 outcomes set out the BCC contributions to the level 1 outcomes (e.g. households and businesses use more energy), level 3 outcomes set out the BU contribution to level 2 (e.g. more households and businesses have energy saving measures)

[2] The performance and improvement management approach measures how well outcomes are being delivered through council services; wider factors affecting outcomes (for example where they are impacted by partner organisations) will be considered where appropriate.

The new approach is designed around 5 principles:

- Efficiency and Automation
- Focus on improvement, supported by insight
- Understanding performance in Collaboration
- Data sharing by default
- Integration

Automation

We aim to automate five key performance dashboards during 2016/17 (Cabinet and OCB, CSCL, CHASC and TEE), widening the net to incorporate further requirements in 2017/18. Automation will free up capacity within our insight function to carry out more in-depth analysis of trends, bench-marking and high-value insight work to support decision-making and the development of improvement plans.

Focus on improvement supported by insight

Our new approach puts improvement in the spotlight, making this a focus of our reporting and monitoring. This will be achieved by the introduction of ‘improvement plans’ for all red and amber indicators that are identified as key issues following discussions at BU boards/ OCB/ Operational Units. The plans will follow a simple template which will be populated by the business unit that owns the indicator, and signed off by the relevant Lead Member. Plans will be appended to the One Council Balanced Scorecard. The main purpose of the improvement plan is to set out a ‘trajectory of improvement’ (for all remaining quarters of the financial year), and a set of actions planned to achieve this.

The One Council Balanced Scorecard will be submitted to Finance, Performance and Resources Select Committee Scrutiny Committee. The improvement plans will be the key tool scrutiny use to hold service areas to account. Lead Members and Directors owning improvement plans will be invited to present them and respond to questions.

In-depth improvement reviews are a new tool to help us understand persistent performance issues. They could be triggered when a red indicator fails to meet its expected trajectory of improvement. The HQ BI function will support and inform (for example through the provision of insight), the review process should be led and resourced by business units.

Understanding Performance in Collaboration

The Council’s insight function has been restructured to enable more cross-cutting insight, and linking of performance information to understand interconnections between service areas. Roles and responsibilities will be clearly defined - the HQ team will co-ordinate the quarterly OCPIM pack, and will continue to attend BU performance meetings to gain ‘soft’ intelligence to help identify key areas of good performance or where performance is lower than expected. BI Business Partners in TEE, CHASC and CSCL will develop an understanding of what is affecting key performance issues and propose exploratory insight projects in areas where drivers of poor performance need to be better understood to make service improvements.

BI teams in TEE, CHASC and CSCL will own the process of setting indicators for their BU for the beginning of a new performance year (see performance planning section below), in line with the priorities of their Lead Members and Directors. HQ will provide support and 'critical friend' challenge. Data, commentaries and improvement plans will be populated and quality assured (QA) by BI teams in TEE, CHASC and CSCL and submitted to HQ, where a second round of QA will take place. HQ will pull the report together and develop the insight pack presenting deeper analysis of trends and links, helping OCB and Cabinet make sense of the information. See roles and responsibilities section below for further detail.

Data sharing by default

The One Council approach emphasises the freer flow of data enabling faster insight and controlled access to relevant source data for quality assurance of performance measures. This reflects a key tenet of our Operating Framework which states that data should be shared by default within the Council.

The development of 'standard views' has been successfully piloted over recent months to enable this – involving the creation of a standard set of data derived from a back-office system (the pilot was carried out on the children's social care system LCS). This standard view is specified in line with data protection regulations (e.g. where data is used for the purpose that it has been collected for), is refreshed regularly and is freely accessible to all insight teams.

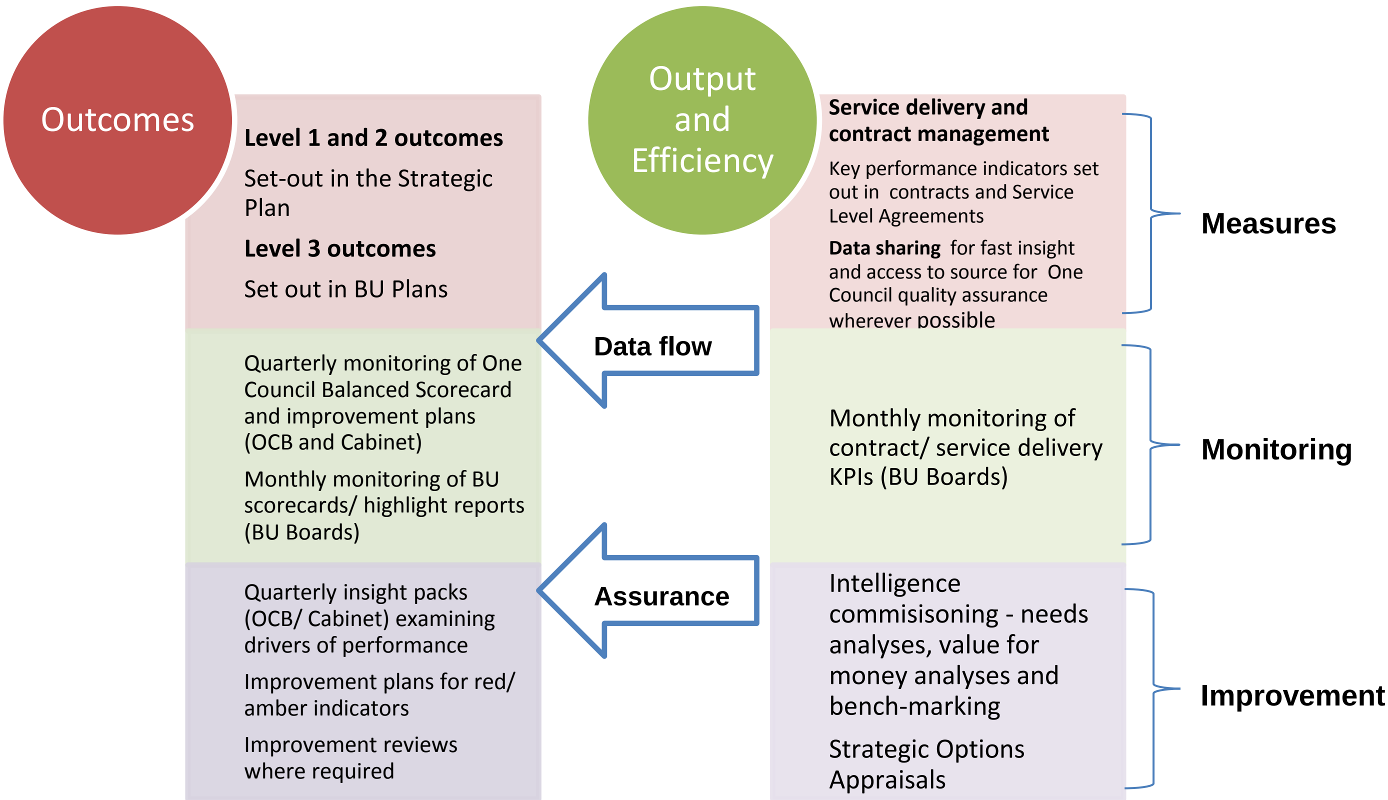


Figure 4: flow of information and assurance from service/ contract management to One Council outcomes performance monitoring

Integration

The current OCB and Cabinet Balanced Scorecards integrate performance, finance data and HR. We are exploring, through the BI Tool programme, the integration of risk, and potentially project and programme reporting as well.

Indicators will be standardised across the organisation (so that wherever possible existing operational indicators are used to feed into strategic performance reporting) aligned as much as possible e.g. across BU Board, OCB, Cabinet reporting.

The full range of indicator types will be deployed to measure the effectiveness of services including; quality, timing, efficiency, demand, effectiveness (where available), project tracking / benefits realisation.

7.1.3. One Council Performance Governance

The performance management framework is part of the wider corporate governance framework that ensures controls are in place to effectively manage the Council's business. There are several levels of governance within the Council, see Fig. 5 below.

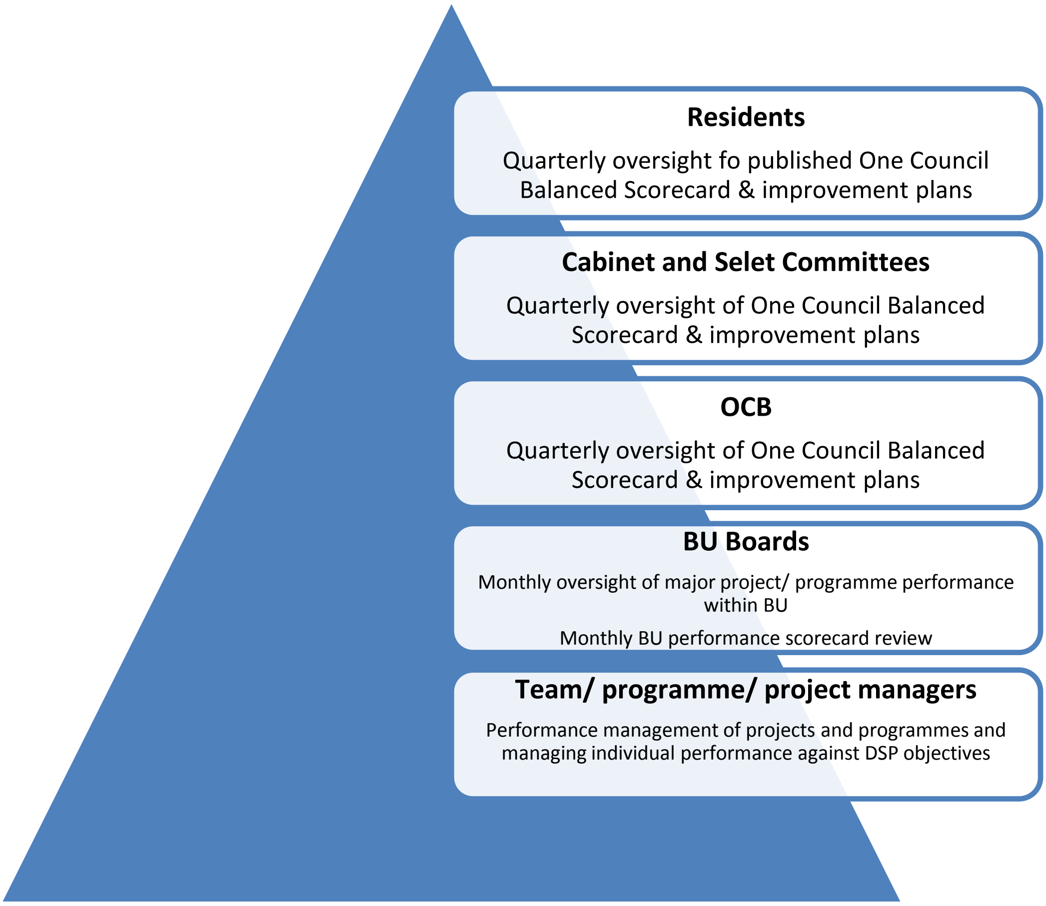


Figure 5: Governance structure for One Council Performance Management

7.1.4. One Council performance planning process

A One Council Performance Plan will be developed to sit alongside the Strategic Plan. The main purpose of the document is to set out our performance indicators against Level 1 and 2 outcomes – to assure Cabinet they will receive the info they need to oversee performance against these.

The performance plan will be refreshed on an annual basis during January to March. The refresh will be co-ordinated by the HQ BI team, in close collaboration with BU's. The business plan will be submitted to OCB for approval before the start of every new financial year. Targets and tolerances will be agreed during this process, but there will be flexibility to reconsider these in-year where a solid case for this agreed by OCB.

The annual review of indicators will enable new challenges and priorities for the Council to be reflected in the performance plan. Key level 1 and 2 indicators associated with the Level 1 and 2 outcomes in the Strategic Plan must be retained for the whole Strategic Plan period.

7.1.5. Reporting

Our aim is to establish the most efficient reporting framework possible. This will be achieved by:

1) Scorecard automation programme (discussed above)
2) Drill down (enable more interrogation of data to better understand performance)
3) One performance and improvement pack for OCB and Cabinet
4) Aligning level 1, 2 and 3 indicators where possible
5) Using systems to structure and strengthen performance reporting framework

Figure 4 above shows the One Council performance reporting process with responsibilities and timescales.

BU Boards

Level 3 indicators are reported to BU Boards/ Leadership Teams. BU's design their reporting variously according to needs. Most report performance information monthly to their BU Board. Contract management and service delivery monitoring underpins most of these reports

Each BU has a distinct performance framework developed and delivered in accordance with BU requirements. Within each BU, performance information is reported via a (set of) scorecard(s) through tiers of management which may include any or all of: Operational Managers, Heads of Service, Service Directors, the BU Managing Director and/or the relevant Cabinet Member(s).

Cabinet and OCB

The OCPIM pack will be submitted to OCB every quarter for sign-off before being taken to Cabinet. It will contain measures enabling the tracking of performance against the Strategic Plan, as well as others capturing organisational effectiveness and new/ emerging challenges and opportunities. Figure 6 below shows the OCPIM reporting process with responsibilities.

The OCPIM pack will consist of:

- Balanced scorecard – presenting performance across 4 quadrants:
    - Managing Resources – value for money
    - Service to Customers – customer service experience
    - Business Improvement – quality of services
    - Colleagues, Self and Partners – workforce and leadership
- Summary of areas of key good performance, and areas where performance is lower than expected
- Insight report – presenting 'deep dive' insight around exception-areas of performance

- Improvement plans – developed by BU's, these plans will be produced for all red/ amber indicators, mapping expected trajectory of improvement and planned actions to achieve this. Actions for each plan will be monitored at OCB.
- Appendix – list of results for all corporate PIs

Scrutiny

Improvement plans will be the key focus for Scrutiny. Lead Members and Directors who own new improvement plans, or those where the expected trajectory of improvement is not met, will be invited to present them to the Finance, Performance and Resources Select Committee, enabling this committee to assure the improvement process.

7.1.6. Methodology statements

Methodology statements will be completed for all Level 1 and 2 indicators, providing assurance around definition, data quality, capture and storage, target setting and ownership.

7.1.7. Roles and responsibilities

Service Directors

Service Directors co-own (with their Lead Member) the indicators, targets and tolerances within the One Council Performance Plan that are relevant to their service, and are responsible for refreshing these during the annual performance planning process (with support from the BI Team, and in collaboration with Lead Members). Directors are also responsible for delivering any improvement plans relevant to their service, for assuring their indicators, commentaries and improvement plans are reported in a timely and robust way, and for briefing their Lead Members as appropriate.

Directors are accountable to Lead Members, Cabinet and Scrutiny for performance against their indicators, and the delivery of any improvement plans they own.

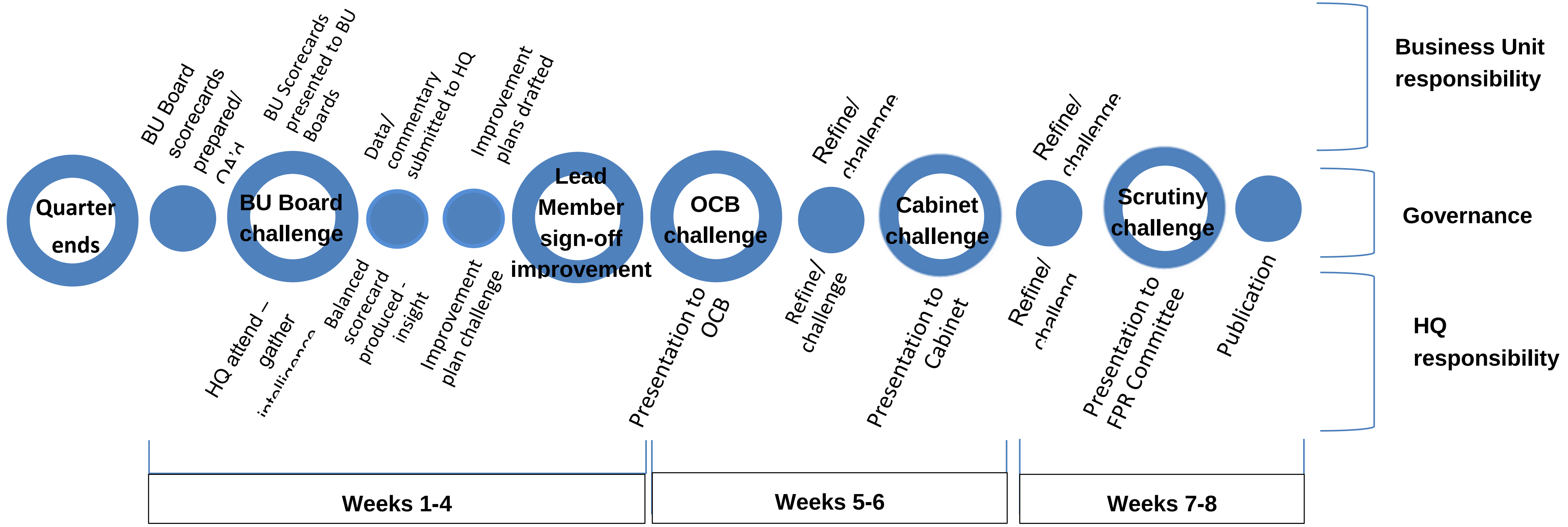
Cabinet

Cabinet Members own the indicators, targets and tolerances within the One Council Business Plan that are relevant to their portfolio. Members are responsible for signing off refreshed indicators, targets and tolerances during the annual performance planning process, and for signing off any improvement plans developed against their red/ amber indicators.

Members are accountable to Cabinet and Scrutiny for performance against their portfolio indicators, and the delivery of any improvement plans they own.

It is the responsibility of Cabinet to hold Service Directors and Lead Members accountable for performance against their indicators and the delivery of any improvement plans they own.

Figure 6: One Council Quarterly Performance and Improvement Pack - reporting process



OCB

OCB is responsible for providing leadership in managing the performance of the organisation as a whole. OCB will consider the OCPIM pack on an exception basis each quarter and will be responsible for commissioning corrective action; and for accounting to Cabinet on the policy implications of performance. OCB will focus on actions they wish to take to drive improvement to services when considering performance.

Scrutiny

The Scrutiny function plays a crucial role in the new improvement-focused approach to performance management in Bucks. We will look to negotiate for the Finance, Performance and Resources Select Committee Scrutiny Committee to review the improvement plans every quarter, and hold Cabinet Members and Service Directors to account for their delivery.

It is hoped that the Select Committee would also use the end-of-year report to feed into the Scrutiny work programme for the following year.

BU BI teams

The Council now has one BI division, which sits within HQ. The unit consists of BI teams within CHASC, CSCL, TEE, Public Health and HQ. These teams focus on meeting the BI needs of their BU, as well as contributing to cross-cutting insight programmes.

The BU BI teams will support the definition of indicators, targets and tolerances (in line with the annual performance planning process/ timescales) for their BU Board Scorecard, and indicators in the One Council Balanced Scorecard, relevant to their BU. They will also be responsible for collating One Council data, commentaries and improvement plans for their BU every quarter, and ensuring these are signed off by the relevant Directors before reporting them to the HQ BI team according to the timescales set at the beginning of the year.

BU BI teams will work with the HQ team to develop deeper insight around the drivers of performance issues in their BU, including facilitating access to ‘softer’ intelligence around performance (for example ensuring the HQ team are invited to BU Board and any other meetings where performance is discussed). This intelligence will feed into the insight report element of the quarterly OCPIM pack.

HQ BI team

The HQ BI team are responsible for co-ordinating the annual One Council Performance Planning process, and the quarterly OCPIM packs, in collaboration with BU BI teams.

The HQ team will provide a ‘critical friend’ service offering supportive challenge around the definition of indicators/ targets, and quarterly data, commentaries and improvement plans – before they are submitted for scrutiny by OCB, Cabinet and Finance, Performance and Resources Select Committee Scrutiny Committee.

HQ will be responsible for gathering and developing intelligence and insight around the performance information, working with BU BI Leads, to help develop understandings of the drivers and wider impacts of performance. HQ will present this insight back, along with the main scorecard to OCB and Cabinet.

HQ will also co-ordinate a quarterly performance network meeting, bringing together colleagues from across the Council with performance reporting responsibilities/ interests. This network will be used to communicate process/ timescales and supporting guidance around performance planning and quarterly reporting, as well as update on the development of the automation programme, and external trends/ advancements in performance management.

7.1.8. Supporting materials – to be developed

- Timetable for data submission/ report production and publication
- Template for improvement plan
- Process map for improvement plan – when do they need to be produced/ refreshed
- Guidance for indicator, target and tolerance setting
- Template for methodology statements
- Guidance for annual corporate performance planning process with timescales
- Guidance for commentary/ narrative
- Performance network terms of reference
- Template to capture summary of key performance issues/good areas of performance for the organisation to 'know' at any point

8. Benchmarking

Benchmarking data provides context and comparison and is a key tool for performance management, commissioning, financial and contract management. Bench-marking should also inform decision-making by senior managers and members.

Historically bench-marking has been carried out in a piecemeal way across BUs. We are shaping a new unified approach (see fig. 7 below) to prioritising and managing bench-marking returns to ensure we are focusing our capacity, assuring data quality, and maximising the value of the output.

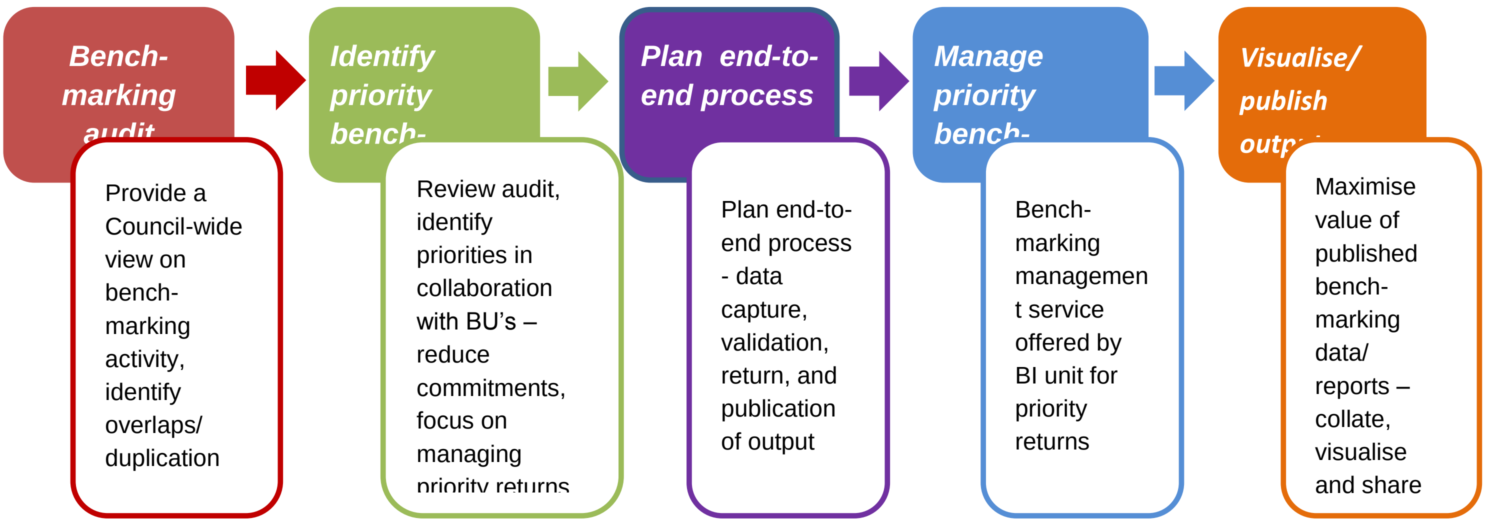


Figure 7 – bench-marking review process

Benchmarking is used in a number of key ways across the organisation:

- **Financial planning** – to identify areas where unit costs are higher than others to help understand if services could be delivered more cost effectively e.g. within the MTFP
- **HQ Performance** – to help show the councils overall position compared to other Las
- **Service performance** – to help understand if services are operating effectively by showing where performance is higher or lower than other LAs and understanding possible reasons for this (e.g. better practice, higher budgets, staffing mix etc), or what levels of demand may be appropriate for services.

To aid this analysis 'performance groups' are required to compare BCC with similar LAs where performance should be comparable. In addition performance is often summarised from national returns which can be between 1-2 years behind the current position, which informs a general position, but in some cases where more up-to-date information is required (e.g. as there is a focus on improving performance in an area) or where sharing information on how services are delivered from LAs who are performing well may be beneficial to help identify where services can be improved then benchmarking clubs (often linked to Policy Groups) are attended e.g. Association Directors of Adults Social Services (ADASS), Association Directors Children's Services (ADCS) etc.

9. Data Quality

To fulfil the Council's commitment to provide value for money services, we need to be confident that decisions are based on high quality information. All staff are responsible for maintaining complete, accurate and timely records. The Data Quality Strategy is focused on five key components (below) and provides assurance to members, partners and other stakeholders that the quality of data is reliable and sustainable:

- Governance for and accountability of data quality
- Policies and procedures in place for data recording and reporting
- Systems and processes in place to secure data quality
- Knowledge, skills and capacity of staff to achieve data quality objectives
- Arrangements and controls in place for the use of data

10.1 Cross-cutting data quality programme

The BI team is delivering a new cross-cutting data quality programme which is identifying key datasets and information in the organisation used to inform key decisions and to enable the efficient and effective operation of services, including these key types of information

- PIs/Performance Data
- Information/data that drives funding decisions (including statutory returns)
- Financial information (including different sources of similar information e.g. invoices v's client records)
- Operationally critical data/information
    - Within BCC e.g. within a service or cross-service

- With partners
- Benchmarking (including statutory returns)
- Other datasets as appropriate

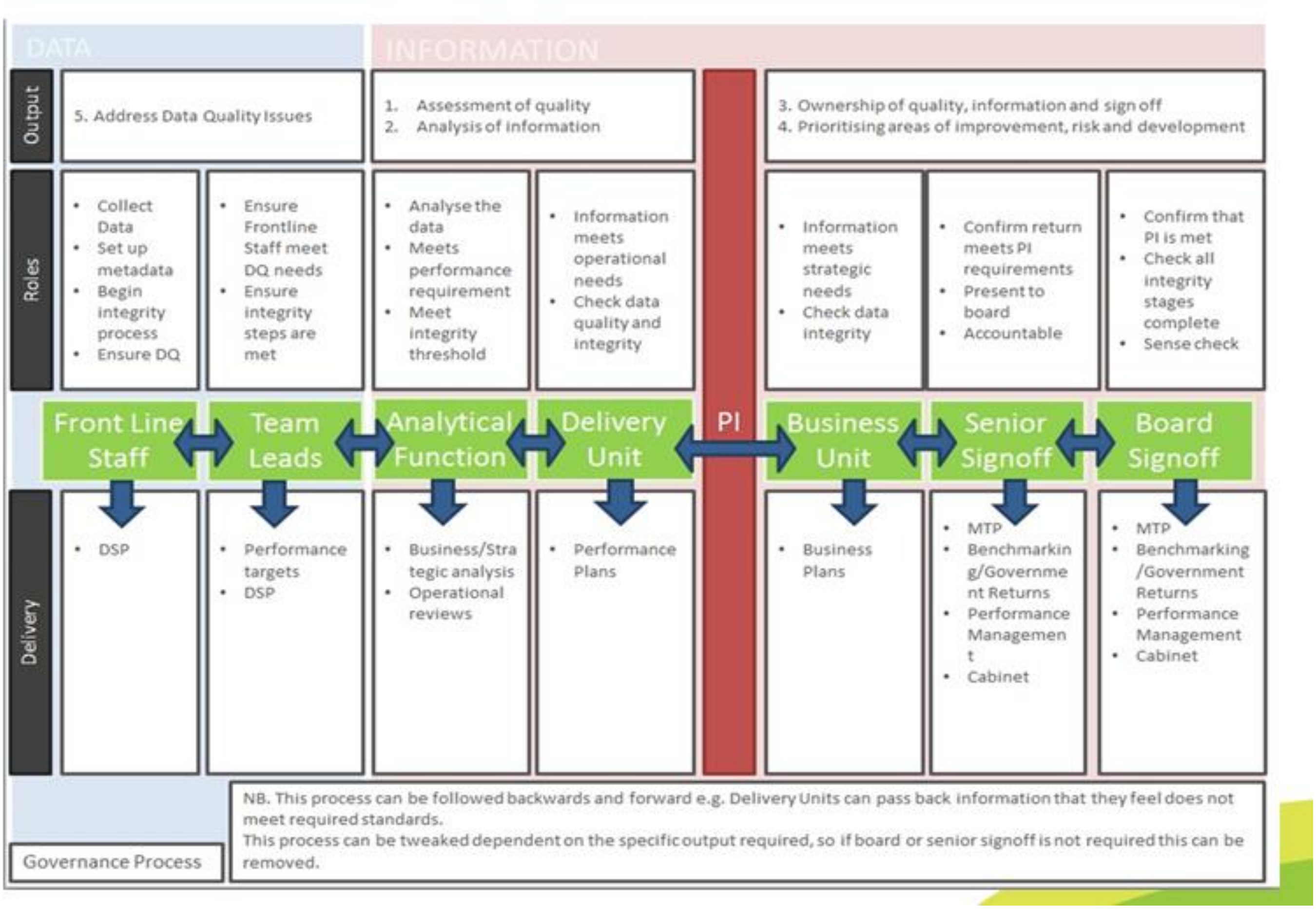


Figure 8 – Bucks data quality model

Figure 8 above shows how the council will ensure that the quality of data is appropriate in the above areas by:

1) **Assessing the quality of data** – at data analysis stage an assessment of the quality of the dataset will be made by the teams responsible for analysing or summarising data into information (e.g. BI or finance teams)
2) **Analysing the information** – it will be clear who is responsible for analysing data and turning it into information, how they check results and work with service managers to understand what it means for services
3) **Interpretation and sign off** – clear responsibilities will be in place that give ownership and responsibility of understanding what the results mean for services to managers. This will ensure that information is seen at appropriate levels before decisions are made on it (e.g. in some cases this will mean operational managers, service managers, senior managers, members) and that information is 'signed off' for use where appropriate.
4) **Data Quality improvements** – this structure and clarity of responsibly will enable oversight of the quality of the data, where an assessment of 'risk' associated with the quality of the

key data can be created. Key data and information with a high quality risk can be discussed with Information Governance managers and the CID board to identify where improvements need to be made. In some cases this may mean working with operational teams to improve the quality of base datasets (requiring operational time and hence senior management direction to improve quality), in others this may mean helping improve analysis or interpretation/sign off responsibilities.

10. Customer Feedback

The Council encourages feedback from service users and residents– both positive and negative. Complaints are taken very seriously and clear processes are in place for managing them. They provide a simple way for users and residents to voice concerns about services, and give valuable feedback on how the Council is performing. By effectively resolving complaints, services can be improved.

The Council introduced a new two stage corporate complaints process in February 2016, providing assurance that complaints are dealt with efficiently and effectively:

- Stage 1 – complaints are investigated by a senior manager in the service (i.e. Head of Service) and a response provided within 28 calendar days of receipt
- Stage 2 – if complainants are not happy with the outcome after Stage 1, they can ask for their complaint to be referred to the Council's Deputy Monitoring Officer for review.
- The Local Government Ombudsman is a free and independent service available to support customers with complaints if they are not satisfied with the outcome.

There are two additional complaint procedures: one for dealing with Specialist Children's Services complaints and the other for Adult Social Care complaints. Both procedures have their own timescales and rules. However all complaints, irrespective of which procedure is used, are reported quarterly to relevant Boards and an Annual Report is prepared. Information on complaints is also included in the quarterly Performance Report to Cabinet. This report framework provides assurance to senior managers and members on the effectiveness of the process and confidence that action is being taken.

11. Public Scrutiny

The Council has a duty to inform, consult and involve local people. With less reliance on top down prescription and more focus on the co-design of services with customers, local residents are at the centre of the Council's business now more than ever.

Benefits of involving the public:

- **Better services** – by consulting and engaging with service users the Council is more able to effectively target and tailor services to those in most need
- **Better outcomes** - service users and local people often have detailed experiences and knowledge of local issues, which can prove invaluable in redesigning services. By enabling people to be involved in local decisions they are more likely to be satisfied with services

- **Strengthening social capital** – when local people and service users feel they are involved in planning, delivering and assessing services they feel stronger ties with and a commitment to the local community

Not everyone wants to be directly involved in decision-making but most people will want to be kept informed. The provision of good quality and easy to understand information aimed at service users and the public is valuable for keeping people up-to-date.

The Council uses different techniques and methods to keep people informed, for example:

- Council website
- Social media
- Enewsletters
- Webcasting of Cabinet, Council and Select Committee meetings
- Media coverage (print, broadcast and online)
- Communications campaigns targeted to relevant audiences

Through the Government's transparency agenda, more information is being made available to the public online, so that local services can be held to account. This includes expenditure, grants and payments to the voluntary, community and social enterprise sectors, senior salaries, councillor allowances and expenses, contracts and tenders to businesses and the voluntary, community and social enterprise sectors, policies and democratic data. Performance information is also reported in an open and transparent way - customers can access Cabinet performance reports and decisions via the Council website.

12. Member Scrutiny

The overview and scrutiny function is a statutory power and duty. It enables non-executive members to hold the executive to account and review the effectiveness of policy and to influence the future direction of the Council and its partners.

There is no one right way to carry out scrutiny, and councils have adopted different approaches. However, there are some basic principles that set out what 'good scrutiny' looks like. The Centre for Public Scrutiny has set out four specific principles for scrutiny:

1. Provide a 'critical friend' challenge to the executive as well as external authorities and agencies
2. Reflect the voices and concerns of the public as users of services as well as electors
3. Take the lead and own the scrutiny process on behalf of the public. Members act as champions for effective scrutiny, actively promoting its status and credibility throughout the organisation and among external organisations
4. Make an impact on the delivery of public services – to do this effectively, members should develop an understanding of scrutiny's position within the corporate planning cycle, timing interventions to have maximum impact on key decisions such as budget setting and service planning

Scrutiny plays an important role in assuring the quality of services and contributing to the council's improvement journey by investigating performance, questioning the appropriateness of targets and adequacy of resources. Scrutiny is undertaken by 4 Select Committees:

- Finance, Performance and Resources
- Children's Social Care & Learning
- Transport, Environment & Communities
- Health & Adult Social Care

Each year the these Committees (see below) agree an indicative work programme for the year ahead. This is developed through research, through discussions with officers and Members, and members of the public are encouraged to suggest topics for scrutiny to investigate using an online form on the Council's website.

During any year, Select Committees will undertake scrutiny inquiries, which provide the opportunity to thoroughly investigate topics and make recommendations for improvement. This type of work enables more robust and effective challenge and leads to better decision-making. In-depth inquiries also help engage the public, and provide greater transparency and accountability.

Inquiry groups are set up for each review and have an agreed scope. Inquiries gather evidence from officers, representatives from partner agencies and service users as well as through different media, such as questionnaires, focus groups, site visits, reports and written submissions. . When an Inquiry Group has finished gathering evidence, its report is agreed by the relevant Select Committee, before being presented to to Cabinet to respond. Cabinet may decide whether to fully accept, partially accept or reject the recommendations. An update report, outlining progress made in implementing the accepted recommendations, is provided after six months and again after a year. This provides assurance to Members that improvements identified in the report are being implemented.

13. Internal Audit

The Accounts and Audit Regulations 2015 (S5) state that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance; these are defined as the Public Sector Internal Auditing Standards 2013.

The Public Sector Internal Auditing Standards defines internal auditing as:

> *"An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*

Under its Operating Framework, the Council is adopting a combined assurance model, with Internal Audit operating as the third line of assurance. The first line of assurance is achieved by the management controls and systems, and the second line of assurance from the professional leads monitoring the key governance systems.

To provide an opinion on the System of Internal Control, the Chief Internal Auditor will use the work undertaken by the Business Assurance Team:

- The Business Assurance Officers focus on the system of risk management, and the performance risks within the key services, including the development of Alternative Delivery Vehicles and major projects. It is also the responsibility of this team to co-ordinate the combined assurance reporting which includes monitoring and reviewing the completeness of the management control, (first line of assurance) and the professional lead statements, (second line of assurance).
- The Internal Audit team reviews the key control processes across the organisation, including those supporting critical service areas. The activity focusses on governance, and internal control, including financial management and fraud risk. As the third line of assurance, it is the role of Internal Audit to consider the adequacy and effectiveness of the first two lines of assurance.

14. Financial assurance

Finance is an underpinning theme throughout the Quality Assurance Framework. It is essential that financial resources are allocated appropriately to support the delivery of the desired outcomes. Finance needs to be considered at all stages of the Analyse, Plan, Do, Review & Revise cycle.

15.1 Medium Term Financial Plan (MTFP)

The initial stages of the development of the MTFP include an analysis of the financial environment to assess the likely available resources. Issues considered as part of this process include: The Governments approach to funding local government, inflation, demographic change, legislative change, deliverability of the current plans, etc.

The detailed financial plans are drawn up initially by individual Business Units. This should be done in conjunction with the development of the Commercial Plans and be consistent with those plans. These Business Unit and political portfolio plans are then consolidated to corporate level and subject to scrutiny by OCB, Cabinet and the Budget Scrutiny Committee before being submitted to Full Council for final approval. Additional quality assurance is provided by a statement from the S151 Officer, which in turn is supported by statements from each of the MDs.

15.2 Financial Records

From a financial perspective the Do phase of the cycle is delivered through the keeping of proper financial records. How the records are kept is defined by the financial processes adopted which are set out in Financial Procedures sitting under the Financial Regulations. Assurance on these processes is provided in the first instance by checks and balances built into the processes themselves. Further assurance is provided by regular Internal Audit reviews of financial processes and the external audit of our Statement of Accounts provides a further level of assurance still.

15.3 Budget Monitoring

Progress against financial plans is Reviewed on an on-going basis throughout the year with regular reporting provided to BU Boards, OCB and Cabinet. Where the budget monitoring reports indicate that the actual position is diverging from the Plan, Business Units are required to develop action plans and to then monitor progress against the Revised plans. When reviewing and revising financial plans it is important to have regard to the impact of any changes on the service outcomes.

15. Self-Assessment, Peer Review and Inspection

There are regular statutory inspections of adult and children's social care by the Care Quality Commission, education by OFSTED, youth offending by HM Inspectorate of Probation and financial probity by the Audit Commission. Since the abolition of the national performance framework, there is also renewed emphasis on councils being able to evaluate the effectiveness of their own performance through self-assessment and peer review.

16. Learning

The revise stage of the cycle is about learning to change what we do, as a result of review. It can involve formal "lessons learned" activities, staff development and/or training or changing the way services are delivered to ensure a continued focus on Council priorities and value for money.

Staff learning and development needs are identified in a variety of ways, including through the Delivering Successful Performance process. New skills can be developed by attending formal training courses and though informal learning opportunities such as reading, coaching, mentoring, shadowing and secondments. By actively encouraging staff to participate in learning, performance can be improved.

Buckinghamshire County Council

Regulatory and Audit Committee

Title:	Business Assurance Update and Audit Action Tracker
Date:	Wednesday 8 February 2017
Author:	Maggie Gibb, Head of Business Assurance (& Chief Auditor)
Contact officer:	Maggie Gibb, 01296 387327
Local members affected:	

For press enquiries concerning this report, please contact the media office on 01296 382444

Summary

This report (Appendix 1) provides an update on progress against the approved 2016/17 Business Assurance Strategy, including delivery of the Internal Audit Plan.

Recommendation

That the Committee NOTES the report.

Background Papers

Business Assurance Strategy 2016/17

Business Assurance Strategy Update (attached)

Buckinghamshire County Council

Business Assurance Update

2016/17

Regulatory and Audit Committee

February 2017

Contents

Introduction

1. The Business Assurance Team is responsible for implementing the Council's Assurance and Risk Strategy through delivery of work programmes covering the following areas of activity:

   - Risk Management;
   - Internal Audit;
   - Counter Fraud; and
   - Assurance Framework.

2. Delivery of the Business Assurance work programmes helps ensure that there is an appropriate governance and control framework in place and that risk management is embedded across the Council.

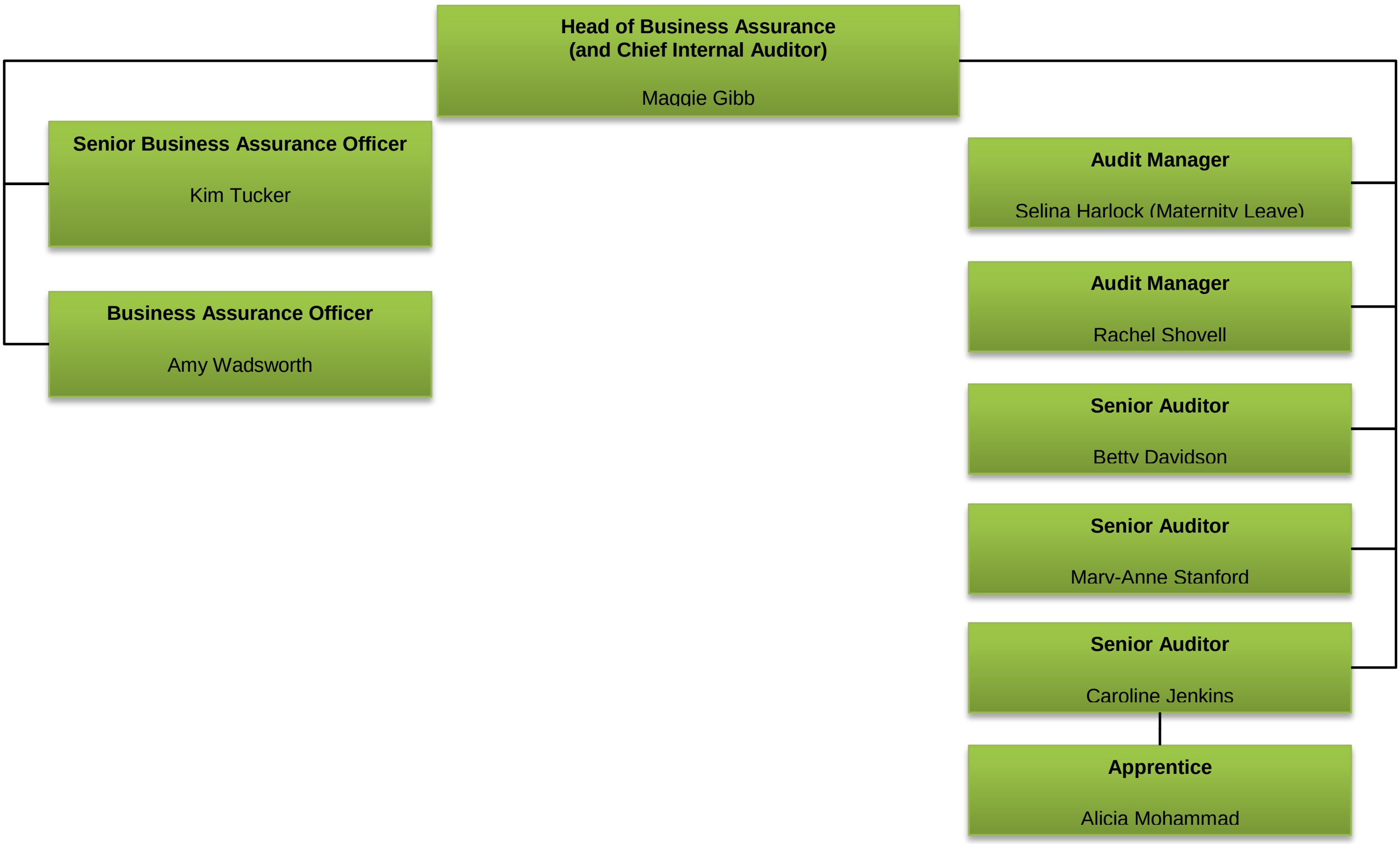
3. The Internal Audit Plan has evolved during the year as the combined assurance model has matured, and a number of changes to the 2016/17 Internal Audit Plan have been discussed and agreed at the Audit Board. The changes have been as a result of unplanned investigations and urgent audit activity placing constraints on the Business Assurance Team.

4. Counter-fraud remains a key responsibility for the Business Assurance Team to lead on, and in 2016/17 continual focus will be placed upon overseeing the investigation of NFI data matches, and responding to referrals of suspected fraud and financial irregularity, as well as the proactive activity detailed above.

5. This report provides details of progress to date against each of the agreed work programmes included in the Business Assurance Strategy as approved by the Regulatory and Audit Committee in May 2016.

Resources

6. The Business Assurance Team (BAT) is fully resourced and consists of seven members of staff. One Audit Manager has been on maternity leave since August, and this post is being back-filled through the outsourced arrangements via the London Audit Framework agreement. They are also supporting the BAT in the delivery of the IT and contract audits planned for this year.



Risk Management

7. The new Corporate Risk Management System (Covalent) went live on 1 February 2017. The launch has been supported by a number of training sessions for the system administrators and Risk Champions, as well as a number of key system users such as the Finance Directors. The first reporting from the new system will be in March 2017 to One Council Board and the Risk Management Group.

8. The Risk Management Group met on 18 January 2017, with the next meeting scheduled for 27 February 2017. Updates from both meetings will be reported to the next Regulatory and Audit Committee.

9. The Assurance and Risk Strategy is due for review and will be presented to the Regulatory and Audit Committee for approval in April 2017 to incorporate the requirements of the new Risk Management System.

Internal Audit

10. The Internal Audit Function, supported by Mazars (through the London Audit Framework) have been progressing with 2016/17 audit assignments. There have been five audits finalised since the last update report, all with a reasonable level of assurance, and two that are currently at draft report stage.

11. The Audit Board, chaired by the Director of Assurance, met on 6 December 2016 and reviewed progress against the Business Assurance Strategy, in particular delivery of the Internal Audit Plan. The Board considered the requests for unplanned audit activity and the resulting impact on resourcing the current plan.

12. Any changes to the original 16/17 Internal Audit Plan are included in the table at Appendix 1 (highlighted in red).

Internal Audit Activity since last update report:

Service	Audit	Opinion
HQ	**Capital Programme** This audit reviewed the framework in place to ensure that the capital programme effectively links capital expenditure and investment needs and supports the delivery of the Authority's objectives/ priorities.	Reasonable
BSP	**General Ledger** This audit reviewed the quality and integrity of financial data recorded on the general ledger to provide assurance over the accuracy and completeness used to prepare the annual accounts.	Reasonable
BSP	**IT Asset Management** This audit reviewed the policies and procedures in place to track and monitor IT assets including; hardware, servers, circuits, and software license compliance.	Draft Report
CHASC	**Public Health Contracts and Commissioning** This audit reviewed the contract management arrangements in place, including reviewing the accuracy, completeness and timeliness of management information to enable effective and efficient decision making.	Reasonable
TEE	**LEP Governance Audit** This audit was included in the plan following a request from the Managing Director of TEE to review the governance arrangements between BCC and the LEP	Draft Report
CSC&L	**Princes Risborough Primary School** The audit activity focussed on the following key risk areas identified in the processes relating to the Princes Risborough Primary School: School Governance incl. Financial Skills, Policies and Procedures, Budget Setting, Budget Monitoring and Voluntary School Funds.	Reasonable
HQ	**St Joseph's Catholic Infant School** The audit activity focussed on the following key risk areas identified in the processes relating to the St Joseph's Catholic Infant School: School Governance incl. Financial Skills, Policies and Procedures, Budget Setting, Budget Monitoring and Voluntary School Funds.	Reasonable

Internal Audit Action Tracker

13. All management actions raised during the individual internal audit reviews are included in the Audit Action Tracker and monitored on a regular basis. Progress towards implementing the actions is reported to the Business Unit Boards and One Council Board. The current status of audit actions is contained in Appendix 2.

Business Assurance

14. The Assurance and Risk Strategy is currently under review, and will be presented to the Regulatory and Audit Committee in April for approval. The review will be carried out with consideration of the new Risk Management System with an aim of increasing the understanding and visibility of risks across the Council. The review will also incorporate learnings from the first year of working towards a Combined Assurance approach. The Business Assurance Team is liaising with the Professional Leads to ensure that actions are being implemented, and progress will be reported through the Risk Management Group.

15. The Assurance Mapping activity for CHASC and CSC&L has been completed and will be reported back to the Business Unit Senior Leadership Teams and One Council Board in February 2017, and then to Risk Management Group in March/April 2017.

Maggie Gibb,
Head of Business Assurance (and Chief Internal Auditor)
February 2017

APPENDIX 1

Regulatory & Audit Committee 8 February 2017 - Progress against 2016/17 Plan

Business Unit	Audit Title	Timing	Scope/ Objective of Audit	Progress as at 30 January 2017
ALL	Corporate Escalation Processes (NEW AUDIT)	**Q4**	This audit has been added to the plan to provide assurance over the escalation processes within each of the Business Units and HQ to ensure that emerging issues/risks are visible at an appropriate level. This audit was requested by the S151 and Monitoring Officers.	Planning
HQ	Decision Making/ Business Cases (Project Management)	**Q3**	The audit will review the policies and procedures in place to ensure the effective management of projects. This will include a review of the tools that are available, how these are being utilised and the management information that is available to ensure effective and timely decision making.	Delayed to Q1 17/18
HQ	Capital Programme	**Q2**	The objective of the audit is to ensure that the capital programme effectively links capital expenditure and investments needs and supports the delivery of the Authority's objectives/ priorities.	**Reasonable**
HQ	Income Generation	**Q3**	The objective of the audit is to ensure that the Income Generation Strategy has been embedded across the organisation. This will include an understanding of how the Council is maximising its potential to generate income, how income generation opportunities are identified and initiated.	Delayed to Q2 17/18
HQ	Complaints Process	**Q3**	The audit will review the policies and procedures in place to manage complaints. This will include a review of how complaints are recorded, addressed and reported.	Delayed to Q1 17/18
HQ	HQ BU Management Audit	**Q3**	The purpose of this review will be to continue to strengthen our Corporate Governance position, align with leading practices and identify any potential gaps that may require further prioritisation.	Changed to Corporate Escalation Process Audit
BSP	Contract Management - Bilfinger Contract	**Q3**	The objective of the audit is to ascertain service contract management arrangements in place, including reviewing the accuracy, completeness and timeliness of management information to enable effective and efficient decision making	In Progress
BSP	P2P - including contract review of e-invoicing service provider and process mapping	**Q2**	End-to-end review of the P2P system to understand processes in place and adequacy of controls	In Progress
BSP	General Ledger Audit	**Q4**	The main objective of the audit is to ensure that quality and integrity of financial data recorded on the General Ledger is accurate and complete to be used to prepare the annual accounts.	**Reasonable**
BSP	Payroll Audit	**Q4**	The main objective of the Payroll process is to pay the right person the right amount at the right time, and to produce all the required statutory returns.	In Progress
BSP	Pensions Audit	**Q4**	The main objective of the Pension function is to ensure that the correct employer and employee contributions are received; retirees are paid the right amount at the right time, and the Pension Fund is management effectively and in line with legislative requirements.	Planning
BSP	Accounts Receivable/ Accounts Payables	**Q4**	The Accounts Receivable Audit is concerned with billing, income collection and debt management. The primary objective of the AP function is to provide timely, accurate and efficient disbursement services to the organisation	Planning

Business Unit	Audit Title	Timing	Scope of Audit	Progress as at 30 January 2017
BSP	BU Management Audit	**Q3**	The purpose of this review will be to continue to strengthen our Corporate Governance position, align with leading practices and identify any potential gaps that may require further prioritisation.	Changed to Corporate Escalation Process Audit
BSP	P-Cards - System Audit	**Q1**	To ensure the continued success of the Purchasing Card ("P-Card") Program; to determine if the established policies and procedures are adequate; and to ensure the amounts paid were valid, appropriately reviewed, and properly supported.	**Reasonable**
BSP	P-Cards & Expenses Continuous Auditing	**Q1 - 4**	This will entail a review of expense reports and p-card usage for adherence to the Corporate policy	**Reasonable**
BSP	Financial Management Audit	**Q1**	The audit will review the financial management arrangements in place within the newly set up business units to ensure that systems and processes are in place which are compliant with agreed Council policies and support the delivery of the business unit's objectives.	**Draft Report**
BSP	PSN Audit (Network security and infrastructure resilience)	**Q2**	Review project implementation of PSN across the business including a review of expected benefits.	In Progress
BSP	Shop 4 Support (E-Commerce System), including contract review	**Q2/3**	Review the new e-commerce system, including understanding the data quality and integrity, PCI compliance, interface feeds to SAP and management reporting.	In Progress
BSP	PSN Audit (Contract and Performance Management)	**Q2**	Review contract and performance management, project implementation of PSN across the business and schools; including a review of realised benefits against expected benefits per the initial business	In Progress
BSP	IT Asset Management	**Q2/3**	Review of policies and procedures in place to track and monitor IT assets including; hardware, servers, circuits, and software license compliance.	**Draft Report**
CH & ASC	Public Health Contracts & Commissioning/Payment to Providers	**Q2**	The objective of the audit is to ascertain service contract management arrangements in place, including reviewing the accuracy, completeness and timeliness of management information to enable effective and efficient decision making	**Reasonable**
CH & ASC	CHASC - Financial Processes	**Q1-2**	The audit will review the financial management arrangements in place within the newly set up business units to ensure that systems and processes are in place which are compliant with agreed Council policies and support the delivery of the business unit's objectives.	**Limited**
CH & ASC	Client Charging	**Q3**	The audit will review the arrangements in place for client charging, including policies and procedures, financial assessments, quality of data and governance arrangements.	In Progress
CH & ASC	Direct Payments*	**Q1-2**	The audit will cover the arrangements currently in place for the management of direct payments including: Direct Payments Use, Nominated Person, Direct Payments Assessments and Arrangements, Client Contributions and Top Ups. The audit will also follow up on the management actions noted in the previous Direct Payments audit.	**Limited**

Business Unit	Audit Title	Timing	Scope of Audit	Progress as at 30 January 2017
CH & ASC	Better Care Fund	**Q4**	The audit will review the high level governance arrangements in place to support the management of the Better Care Fund and relationship with the CCGs.	Delayed to 17/18
CH & ASC	Safeguarding*	**Q1-2**	The audit will evaluated the controls in place over, the Safeguarding Quality Assurance Framework, performance reporting, accuracy of client based information and Governance.	**Substantial**
CH & ASC	BU Management Audit	**Q2**	The purpose of this review will be to continue to strengthen our Corporate Governance position, align with leading practices and identify any potential gaps that may require further prioritisation.	Changed to Corporate Escalation Process Audit
CH & ASC	Market Resilience	**Q4**	This is a cross cutting theme included by Neil Gibson for both Adults and Children's. The purpose of the audit is to focus is on the business continuity, providing assurance that services can continue to be delivered where viability or performance concerns are raised.	Delayed to 17/18
CH & ASC	Buckinghamshire Care Governance and Financial Management (NEW AUDIT)	**Q2**	This audit was an addition to the approved 16/17 Internal Audit Plan following a request from the Managing Director of CH&ASC. The audit focussed on the controls in place over governance and financial management arrangements at Buckinghamshire Care which is one of the Council's alternative delivery vehicles.	**Limited**
CH & ASC	Buckinghamshire Care - Contract Management (NEW AUDIT)	**Q3**	This audit was an addition to the approved 16/17 Internal Audit Plan following a request from the Chief Executive to review the robustness of the contract management arrangements for Buckinghamshire Care	In Progress
CSC&L	Schools	**Q2-Q4**	A sample of schools to be audited based on: limited assurance reports, gaps in financial controls, academy status and/ or other intelligence received from the business. 1. Bedgrove Infant – Draft Report 2. Buckingham Park Primary - Planning 3. Princes Risborough Primary – **Reasonable** 4. St Joseph's Catholic - **Reasonable** 5. St Peters CoE - Planning 6. Wingrave CoE - Planning	In Progress
CSC&L	DSG*	**Q1-2**	This audit will review the assurance on how it is managed, including: allocation, monitoring and how the funds are spent.	In Progress

Business Unit	Audit Title	Timing	Scope of Audit	Progress as at 30 January 2017
CSC&L	Safeguarding	**Q2**	The audit will evaluate the controls in place over, the Safeguarding Quality Assurance Framework, performance reporting, accuracy of client based information and Governance. This will take into account the OFSTED Report and the outcome of the last Internal Audit Report.	**Follow Up Audit Complete**
CSC&L	Safeguarding (Transport Follow-Up)	**Q4**	This will be a follow-up of the audit actions identified in the limited opinion IA report.	Planning
CSC&L	Financial Management	**Q2**	The audit will review the financial management arrangements in place within the newly set up business units to ensure that systems and processes are in place which are compliant with agreed Council policies and support the delivery of the business unit's objectives.	In Progress
CSC&L	Families First - Grant Funding	**Q3**	This is a review of how the grant is spent and compliances against the terms and conditions.	In Progress
CSC&L	Transfer Testing (NEW AUDIT)	**Q4**	The audit of eleven-plus (11-plus) was requested by the S151 Officer and Monitoring Officer during 2016/17 due to a high volume of FOI requests and complaints received during an 18 month period. The audit will examine the governance processes, including roles and responsibilities, and payments to schools.	In progress
CSC&L	BU Management Audit	**Q3**	The purpose of this review will be to continue to strengthen our Corporate Governance position, align with leading practices and identify any potential gaps that may require further prioritisation.	Changed to Corporate Escalation Process Audit
CSC&L	Adventure Learning Foundation Governance and Financial Management (NEW AUDIT)	**Q4**	This audit was an addition to the approved 16/17 Internal Audit Plan following a request from the Director of Assurance. The audit will focus on the controls in place over governance and financial management arrangements at the Adventure Learning Foundation which is one of the Council's alternative delivery vehicles.	In progress
TEE	Client Transport	**Q3**	The objective of the audit is to ascertain service management arrangements in place, including governance (decision making framework), budget monitoring, safeguarding, dispute resolution and reviewing the accuracy, completeness and timeliness of management information (financial and performance) to enable effective and efficient decision making.	Planning
TEE	TfB Contract (Quality of Information/ Open Book Accounting)	**Q2**	The objective of the audit is to ascertain service contract management arrangements in place, including financial management, reviewing the quality, integrity and timeliness of financial and performance information to enable effective and efficient decision making.	In Progress
TEE	Waste	**Q4**	The objective of the audit is to ascertain service contract management arrangements in place, including reviewing the accuracy, completeness and timeliness of management information to enable accurate, effective and efficient payments and management decisions to be made. The review will also consider agreements and relationships in place with other organisations and third parties.	In Progress

Business Unit	Audit Title	Timing	Scope of Audit	Progress as at 30 January 2017
TEE	Planning and Development Management	**Q4**	The main objective of the audit is to review the decision making process, roles and responsibilities and interaction with local parishes.	Delayed to 17/18
TEE	BU Management Audit	**Q2**	The purpose of this review will be to continue to strengthen our Corporate Governance position, align with leading practices and identify any potential gaps that may require further prioritisation.	Changed to Corporate Escalation Process Audit
TEE	LEP Governance Audit (NEW AUDIT)	**Q3**	This audit was included in the plan following a request from the Managing Director of TEE to review the governance arrangements between BCC and the LEP	Draft Report

APPENDIX 2

Audit Action Tracker as at 27 January 2017

Audit Title	Year	High			Medium			Total
		Completed	In Progress	N/A	Completed	In Progress	N/A	
TEE = 13 Actions are currently In Progress								
Governance and Financial Management (CBE)	2013/14	-	-	-	1	1	-	**2**
Governance and Financial Management (CBE)	2014/15	1	1	-	2	-	-	**4**
Planning Application (14/00519/APP)	2014/15	1	2	-	4	-	-	**7**
Property Contract Process and Procedure	2014/15	2	1	-	7	5	-	**15**
S106 and CIL	2014/15	5	2	-	3	-	-	**10**
Client Transport Safeguarding	2015/16	1	1	-	-	-	-	**2**
TEE Financial Management	2015/16	3	-	-	5	1	-	**9**
TfB Street Lantern Replacement Scheme	2015/16	8	6	-	3	2	-	**19**
Total		**21**	**13**	**0**	**25**	**9**	**0**	**68**
HQ = 5 Actions are currently In Progress								
Review of Charges	2013/14	-	-	-	-	1	-	**1**
Contract Management Application	2014/15	5	2	-	-	1	-	**8**
Governance and Financial Management (BE & BSP)	2014/15	3	2	-	3	1	-	**9**
Governance and Financial Management (PPC)	2014/15	2	1	-	2	1	-	**6**
Total		**10**	**5**	**0**	**5**	**4**	**-**	**24**
CSC&L = 14 Actions are currently In Progress								
Schools Accounts Payable	2012/13	1	1	-	2	-	2	6
CYP Safeguarding	2013/14	10	1	-	4	-	-	15
Governance and Financial Management CYP	2014/15	1	2	-	-	2	-	5
Client Transport Safeguarding	2015/16	-	1	-	-	-	-	1
Commissioning Residential Placements	2015/16	4	3	-	1	-	-	8
SEN	2015/16	3	6	-	2	-	-	11
Total		**19**	**14**	**-**	**9**	**2**	**2**	**46**

Audit Title	Year	High			Medium			Total
		Completed	In Progress	N/A	Completed	In Progress	N/A	
CH&ASC = 1 Action currently In Progress								
Governance and Financial Management AFW	2014/15	2	1	-	1	-	-	4
Total		**2**	**1**	**-**	**1**	**0**	**0**	**4**
BSP Non-Financial = 2 Actions are currently In Progress								
Data Security Follow Up	2012/13	-	1	-	-	1	-	2
Health & Safety	2012/13	1	1	-	1	-	-	3
Total		**1**	**2**	-	**1**	**1**	**0**	**5**
BSP - Financial = 18 Actions are currently In Progress								
Accounts Payable	2015/16	1	4	-	-	-	-	5
Accounts Receivable	2015/16	5	2	-	3	-	-	10
Feeder Systems	2014/15	-	1	1	8	3	2	15
General Ledger	2014/15	1	-	-	1	1	2	5
General Ledger	2015/16	8	3	-	6	2	-	19
Payroll	2015/16	1	5	-	1	4	-	11
Pensions	2014/15	1	1	-	4	1	2	9
Pensions	2015/16	1	2	-	-	2		5
Purchase Cards	2016/17	-	-	-	-	4	-	1
Total		**18**	**18**	**1**	**23**	**17**	**6**	**80**
Schools = 22 Actions are currently In Progress								
Iver Village Junior School	2013/14	-	2	-	1	-	-	3
Mandeville School	2013/14	-	1	-	1	-	-	2
Meadows School	2014/15	-	2	-	2	1	-	5
Hannah Ball School	2015/16	14	15	-	4	8	-	41
Elmhurst School	2015/16	26	-	-	12	1	-	39
Beechview School	2015/16	35	2	-	13	-	-	50
Total		**75**	**22**	**-**	**33**	**10**	**0**	**140**

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