

Agenda

REGULATORY AND AUDIT COMMITTEE

Date: Wednesday 31 January 2018
Time: 9.00 am
Venue: Mezzanine Room 1, County Hall, 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 The minutes of the meeting held on 8 November to be agreed and signed by the Chairman		5 - 14
4 CONTRACT STANDING ORDERS EXEMPTIONS/BREACHES To be presented by Mr R Schmidt, Head of Strategic Finance	09.05	15 - 26

5	CORPORATE DEBT MANAGEMENT STRATEGY To be presented by Mr M Strevens, Corporate Finance Director	09.20	27 - 32
6	TREASURY MANAGEMENT STRATEGY To be presented by Ms J Edwards, Pensions and Investments Manager	09.40	To Follow
7	BUSINESS ASSURANCE STRATEGY UPDATE To be presented by Ms M Gibb, Head of Business Assurance	09.55	To Follow
8	RISK MANAGEMENT GROUP UPDATE To be presented by Ms M Gibb, Head of Business Assurance	10.10	To Follow
9	FORWARD PLAN Standing item to be reviewed	10.15	33 - 34
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	CONFIDENTIAL MINUTES The confidential minutes of the meeting held on 8 November to be agreed and signed by the Chairman		35 - 36
12	BUSINESS ASSURANCE STRATEGY UPDATE (LIMITED ASSURANCE AND FRAUD UPDATE)	10.20	To Follow
13	CONFIDENTIAL BREACHES UPDATE		37 - 40
14	DATE AND TIME OF NEXT MEETING 11 April 2018, Mezz 1 & 2, 9.00am	10.40	

If you would like to attend a meeting, but need extra help to do so, for example because of a disability, please contact us as early as possible, so that we can try to put the right support in place.

For further information please contact: Rachel Bennett on 01296 382290, email: rbennett@buckscc.gov.uk

Members

Mr R Bagge
Mr T Butcher (VC)
Mr D Dhillon
Mr M Farrow

Ms N Glover
Mr D Martin (C)
Mr P Martin
Mr D Watson

Minutes

REGULATORY AND AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON WEDNESDAY 8 NOVEMBER 2017 IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY, COMMENCING AT 9.00 AM AND CONCLUDING AT 11.10 AM.

MEMBERS PRESENT

Mr T Butcher (Vice-Chairman)
Mr M Farrow
Mr D Martin (Chairman)
Mr P Martin
Mr D Watson
Mr G Williams

OTHERS IN ATTENDANCE

Ms R Bennett, Committee Assistant
Ms J Edwards, Pensions and Investments Manager
Ms L Forsythe, Deputy Monitoring Officer and Corporate Governance Lawyer
Ms M Gibb, Head of Business Assurance
Mr P Grady, Engagement Lead, Grant Thornton Auditors
Ms S Harlock, Audit Manager
Mrs K Mitchelmore, Corporate Complaints Manager, BCC
Mr R Schmidt, Head of Strategic Finance, Assistant Service Director (Strategic Finance)
Ms C Scholes, Complaints Officer
Mr T Slaughter, Executive, Grant Thornton Auditors

1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies had been received from Mrs Glover.

2 DECLARATION OF INTERESTS

There were no declarations of interest.



3 MINUTES

The following action updates were given following the meeting held on 6 September 2017.

Debt Management

There would be a dedicated Risk Management Group to discuss debt management on 16 January 2018, which all Regulatory and Audit Committee members would be invited to attend. Mr M Strevens was to then update the Committee meeting on 31 January 2018.

Business Continuity Management

Mr A Fyfe, Head of Resilience and Community Safety would provide an update to the Committee in September 2018.

SAP Controls

Mr M Ward had emailed members of the Committee with an update following confirmation from Grant Thornton's IT auditors regarding the RAG status of the recommendation.

Contract Management and Commissioning

Following Mr N Gibson, Executive Director Transport, Economy and Environment, attending the Committee in September, Members were invited to 'Members role in Commissioning' event. Unfortunately, this was subsequently cancelled due to officer availability and would be explored again in the new year.

Appointment of External Auditors

It was requested that the wording in the minutes be amended to 'The Committee discussed and agreed **to recommend to Council** the appointment of the County Council's external auditors'.

RESOLVED: The minutes from the meeting held on 6 September 2017 were agreed and signed by the Chairman.

4 TREASURY MANAGEMENT UPDATE

Mr G Williams, Deputy Cabinet Member for Resources and Ms J Edwards, Pensions and Investment Manager attended the meeting to present the Treasury Management Update report and the Prudential Indicators for 2017/18 to 2020/21.

The report set out the following recommendation:

The Committee RECOMMENDS to Council the Treasury Management Update Report and the Prudential Indicators for 2017/18 to 2020/21.

Mr Williams highlighted the following points:

- The net borrowings were stated as £166m with investments at £13.3m. The Council's current strategy is to maintain borrowing and investments below their underlying levels to reduce risk and keep interest rates low
- The Council was reducing its exposure to uncertain refinancing risk represented by the inherent optionality of LOBOs (Lender Option Borrower Option) and reduce the average term of the debt portfolio
- Changes to the Treasury Management Codes following the review and consultation by CIPFA

The Committee highlighted and discussed the following points:

A Member of the Committee asked why it was proposed to drop or alter some of the current treasury management indicators; Mr Williams confirmed that this was due to the CIPFA review and changes in the code of practice.

It was requested that going forward the Committee be provided with data in the reports that would allow them to easier compare actuals against the budget in order to understand better the current position of the budget in line with expectations. It was also requested that the report included budget history to be able to see how performance is going year on year.

Action: Ms Edwards

Following discussion, Mr Williams confirmed that the LOBO loans were predominately issued in 2008 from various banks and these were now being reviewed as rates had begun to increase.

The Committee asked for confirmation on the £25m new borrowing being taken out from the Public Works Loan Board (PWLB) prior to completion of investment in a commercial property. It was agreed that due to the commercially sensitive nature of the information an update would come to the committee in January 2018 in the confidential part of the meeting.

RESOLVED: The Committee RECOMMENDED to Council the Treasury Management Update Report and the Prudential Indicators for 2017/18 to 2020/21.

5 COMPLIMENTS AND COMPLAINTS - ANNUAL REPORT

Mrs K Mitchelmore, Team Leader Corporate Complaints and Mrs C Scholes, Complaints Officer attended the committee to present the annual report on Compliments and Complaints.

Mrs Mitchelmore highlighted the following points:

- It was the first time that the new annual report had been reported to the committee, this was now a combined report covering complaints and compliments across the organisation
- Complaints were a 2/3 and compliments 1/3 of the overall number submitted
- Both compliments and complaints had seen an increase on 2016/17

- There were three complaints procedures all with different response times. The corporate response time being 28 days with the average response time being 31.8 days
- Mrs Mitchelmore highlighted the overview of Children's and Adult Social Care complaints as detailed in the report. Mrs Mitchelmore stated that the both these areas were complex which could explain the longer response times and those not being addressed at the first stage
- Most common causes for complaints to be submitted were quality of service, communication issues, staff conduct and the outcome of a decision or assessment

Mrs C Scholes highlighted the following points:

- Stage 2 corporate complaints were significantly up on last year, although 18 of these were in relation to a single issue, where members of the public had been encouraged to complain to the Council
- Highlighted the stage 1 complaints that had been escalated with 13 partially upheld and eight were fully upheld. This could show the need to improve stage 1 handling of complaints
- The importance of the quality of responses and not just the turnaround time
- The Ombudsman were now called the Local Government and Social Care Ombudsman. Out of the 59 cases reviewed by the Ombudsman this year eight were upheld (in comparison to five last year)

Mrs Mitchelmore updated the Committee that there was currently a review of the corporate complaints process. Workshops had taken place and an Improvement Plan had been developed. The main areas of improvements were highlighted as follows:

- Improving internal response time from 28 days to 10 calendar days which went live on 1 October 2017 for stage 1 complaints
- Improvements in the quality of responses
- Strengthen accountability in Business Units
- Improved learning
- A lead officer within each Business Unit
- Procuring a new IT system to record and respond to complaints

The Committee raised and discussed the following points:

- The importance of ensuring continuous improvements through lessons learnt and in particular how this would link to outcomes.
- Indicators to allow the team to report against quarterly. Mrs Mitchelmore confirmed that this was all part of the Improvement Plan.
- The committee discussed what made a complainant persistent or vexatious and how this was assessed. Mrs Mitchelmore confirmed that the policy set this out and would allow staff to manage complaints in a better way. The Chairman requested that the Policy for Vexatious and Persistent complainants be brought back to committee for review.

Action: Mrs Mitchelmore

- The 28 day response deadline was discussed and the need for this to be brought down in line with other authorities. In particular response times in TEE were discussed as currently an average of 37 days. The committee questioned if there were particular areas that are creating these delays and if some analysis could be completed.

Action: Mrs Mitchelmore

- The analysis of the Council's statistics showed quality of service as the biggest factor; although Mrs Mitchelmore confirmed that the statistics did encompass a wide range of complaints across all service areas.
- The need to define quality of service against statutory obligation versus aspirations was also discussed. It was suggested that ASC (Adult Social Care) and CSC (Childrens Social Care) in particular had information for service users that outlined the difference between the two. Mrs Mitchelmore agreed to feed this back to colleagues.

Action: Mrs Mitchelmore

- The Committee asked for an update on how the Improvement Plan was progressing in particular lessons learnt.

Action: Mrs Mitchelmore

RESOLVED: The Committee NOTED the report.

6 PETITIONS REVIEW

Mrs L Forsythe, Deputy Monitoring Officer and Corporate Governance Lawyer presented the report on the Petitions Review which set out the findings and management action plan following a review of the current process.

The Committee were asked to agree the following recommendation:

The Committee were asked to:

- 1. NOTE the review findings.**
- 2. COMMENT on the management actions proposed to improve the experience of petitioners and effectiveness of the scheme.**
- 3. AGREE the principle of introducing a time limit on the maximum length of time for the Council to respond to a petition and for a detailed proposal to come back to the Regulatory & Audit Committee on how this could be implemented.**

The Committee highlighted the importance of being able to verify those signing online petitions and ensuring they lived in Buckinghamshire. Mrs Forsythe also confirmed that paper petitions would still be accepted.

RESOLVED: The Committee NOTED the findings in the report, AGREED the proposed management actions, AGREED the principle of introducing a time limit to responding to petitions and AGREED for a detailed proposal to come back to Committee once developed.

Action: Mrs Turnbull/Ms Bennett

7 EXTERNAL AUDIT - VALUE FOR MONEY STATEMENT

Mr P Grady and Mr T Slaughter, External Auditors, Grant Thornton attended the meeting to present the Value for Money (VfM) audit update for the Council.

Mr Grady highlighted the following points:

- The VfM statement was usually issued with the accounts opinion, however this year the conclusion was delayed at the request of management to allow Grant Thornton to take account of a planned Ofsted monitoring review that was reported in August 2017, this was still within the statutory deadlines.
- The Council continued to make significant progress in addressing the inadequate rating given in August 2014 and an Ofsted inspection was imminent.
- Based on Grant Thornton's review, with the exception of the arrangements for the management of children's services, they anticipated being satisfied that in all significant respects the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.
- Because of their continuing concerns regarding children's safeguarding, Grant Thornton's final VFM statement will be one of Qualified Assurance.
- In all other respects Grant Thornton were satisfied that the Council had demonstrated that they had appropriate arrangements in place for securing economy, efficiency and effectiveness.

The Committee discussed the approach when auditing to any significant underspending as well as areas of overspends and if this were taken into consideration. Mr Grady confirmed that the outcomes of the assessment were the main focus however any overspend or underspend would be taken into consideration as part of that assessment if the outcomes were affected.

RESOLVED: The Committee NOTED the report.

8 BUSINESS ASSURANCE UPDATE AND AUDIT ACTION TRACKER

Ms M Gibb, Head of Business Assurance and Chief Internal Auditor and Mrs S Harlock, Audit Manager attended the committee to provide an update on business assurance and the audit action tracker. The report included any work that had been delivered since the last report to committee in July 2017.

The following updates were reported:

- Risk Management – the new risk management system (now called Pentana) was continuing to be embedded across the organisation. Workshops with business units had taken place and a new escalation process had been introduced
- Internal Audit – eight audits had been completed all with reasonable assurance ratings

The Committee discussed the following points:

- The inconsistency with expenses claims; the committee asked that an update be provided on work in this area

Action: Mrs Harlock

- The Committee asked when they would see the report on IR35 and what was in scope. Mrs Harlock confirmed that this was currently in draft format and a report would be provided at the January 2018 meeting.

Mrs Harlock continued to update the Committee on the following areas of work:

Internal Audit Action Tracker

The audit actions had recently been uploaded to the corporate risk and audit system (Pentana), and the Assurance team were currently launching the new process for updating the actions across the Business

Units. The new process included an escalation process for completed actions to be “signed off” by the Service Directors as an additional level of accountability.

Business Assurance

The Assurance and Risk Strategy update had been delayed until January 2018 as this needed to be developed in line with the work on the Local Code of Corporate Governance.

Audit Plan

At their last meeting the Audit Board had suggested some changes to the audit plan, a report would be provided to the committee in January 2018.

A Member of the Committee commented that those areas listed on the action plan were at a high level and wanted assurances that the team were ensuring that all necessary areas including those at a lower level were being looked at. Ms Gibb confirmed that there were other audit areas that were not yet on the audit plan due to limited resource, however reassured the committee that the team were comfortable with the level of assurance they currently provided and that high risk areas were covered. Medium areas would be included in the plan in Quarter 4 if resource allowed

The Committee also discussed the Counter Fraud plan and activity, Mrs Harlock highlighted Fraud Awareness Week that would take place in December 2017 internally for staff.

RESOLVED: The Committee NOTED the update report.

9 ANNUAL GOVERNANCE STATEMENT ACTION PLAN

Ms Gibb presented the Annual Governance Statement Action Plan. The 2016/17 Annual Governance Statement (AGS) was presented to the Regulatory and Audit Committee in July 2017. The AGS included an action plan to address the weaknesses identified in the statement, and the report detailed the current status of implementing those actions.

Ms Gibb gave the following mid-year updates:

Business Continuity Plans (BCPs)

The action looked at the completeness of BCPs and their application across the organisation. Mr Fyfe, Head of Resilience and Community Safety had attended the committee in September 2017 and all actions were on track. This would be reported to the committee on a quarterly basis going forward.

Operating Framework

Following reviews in the summer it was agreed that the operating framework would be replaced with a Local Code of Corporate Governance (LCCG) within the organisation. A draft of LCCG would be taken to the Committee meeting in January 2018 for approval to be implemented by March 2018.

Data Quality

There had been significant improvements in this area under the new arrangement. It was anticipated that this would have embedded into the organisation and be seen as business as usual by March 2018.

Contract Management

This action was on target and an update would be provided to the Committee in January 2018. Officers were confident that improvements would be implemented by March 2018.

Partnership Working

A Partnership Framework was being developed and a key partnership register would be put in place. It was noted full implementation would be completed before the financial year end. Another update on this will come to Committee in April.

RESOLVED: The Committee NOTED the report.

10 ANTI-FRAUD AND CORRUPTION STRATEGY UPDATE

Ms Gibb presented the Anti-Fraud and Corruption Strategy update and noted the incorrect spelling in the report title that would be corrected.

The update included amendments made following comments from Committee Members at the September 2017 meeting.

The Committee were asked to approve the Anti-Fraud and Corruption Strategy.

RESOLVED: The Committee APPROVED the Anti-Fraud and Corruption Strategy

11 ANTI-MONEY LAUNDERING POLICY

Ms Gibb presented the Anti-Money Laundering Policy. The policy had been delayed from the previous meeting due to new legislation that had come out in July 2017 which needed to be considered as part of this policy.

The Committee discussed the impact of the policy and who would be affected. Mrs Forsythe confirmed that this policy was developed for awareness across the organisation but that it could involve property transactions the County Council undertakes (for example).

Staff would be made aware of the policy as part of Fraud Awareness Week in December 2017 and it was hoped that e-learning will be developed for staff.

The Committee confirmed that they would like to see e-learning data going forward for mandatory training and for money laundering to be included.

Action: Ms Gibb

A Member of the Committee asked if the Council ensured Finance colleagues took seven days leave consecutively. Mr Schmidt confirmed that he did not understand this to be a requirement. Mr T Butcher asked that this be considered.

Action: Mr Schmidt

The Committee requested the following changes to the Policy:

- Paragraph 2.3: *Should* replace *will* to make this mandatory and not discretionary.
- Paragraph 5.1: *Within hrs* should be replaced with *at earliest practicable opportunity*.

Ms Gibb agreed to take proposed changes back to the Corporate Management Team for consideration.

Action: Ms Gibb

RESOLVED: The Committee AGREED the revised policy subject to changes suggested.

Ms Gibb to circulate the final version of the policy to Committee members.

Action: Ms Gibb

12 FORWARD PLAN

Ms Gibb presented the forward plan and highlighted the following items to be added to the January 2018 meeting:

- Contract Standing Orders Exemptions/Breaches
- Corporate Debt Management Strategy
- Contract Management Improvement Plan update
- Treasury Management Strategy

RESOLVED: The Committee NOTED the forward plan.

13 DATE AND TIME OF NEXT MEETING

Wednesday 31 January 2018, Mezzanine 1, 9am

14 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)

15 CONFIDENTIAL MINUTES

RESOLVED: The confidential minutes from the meeting held on 6 September 2017 were agreed and signed by the Chairman.

16 LIMITED ASSURANCE INTERNAL AUDIT REPORTS

Ms Gibb updated the Committee.

17 FRAUD UPDATE (VIA STATUTORY OFFICERS GROUP)

Ms Gibb confirmed that there was no update on fraud activity and that a full report would come to the Committee in January.

CHAIRMAN

Regulatory and Audit Committee

Title:	Contract Standing Orders - Exemptions / Breaches
Date:	31 st January 2018
Author:	Richard Schmidt
Contact officer:	Helen Bold (01296) 383660
Local members affected:	N/A

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

Summary

This report provides an updated summary in relation to compliance with the Council's Standing Orders relating to Contracts (CSO) and compliance with the Public Procurement Regulations

The reporting period covers the period from 1st April until 31st December 2017

Recommendation

Members are asked to note this report

1. Background

The Committee have received previous reports on this subject, the last presented on 15th June 2017. This report covers the period 1st April to 31st December 2017

2. Standing Orders Relating to Contracts, Exemptions and Breaches

Standing Order 7 of the Contract Standing Orders states that all purchases over £25K must be subject to competition.

Standing Order 5 allows an exemption to the requirement for competition and allows a contract to be placed by direct negotiation with one or more suppliers.

Exemptions under this Order, however, cannot be granted if EU Regulations apply i.e. purchases with a value of £164,176 or above. If a direct award is made which is above this threshold (if a legal alternative such as a Framework is not used) a breach has occurred and officers are obliged to report this to the S151 and monitoring officer (statutory officers).

3. Exemptions

F/Y 17/18 Periods 1, 2 and 3

- There were a total of 11 exemptions during periods 1, 2 and 3 FY 17/18. There were 12 in the same period last year
- The highest value exemption was for £161,000
- The lowest exemption value was £44,677
- The total value of exemptions approved was £859,966. This is less than the same period in 16/17 when the total value was £971,328

Please see Appendix one, figures 1, 2 and 3 for a breakdown of these exemptions.

4. Breaches to public procurement regulations

One breach has been reported to the Statutory Officers in the period since the last report.

4.1. IT Equipment – Dell laptops

The existing framework contract expired in July 16 and the Infrastructure team did not undertake a new procurement exercise and purchased direct from Dell off contract.

The breach value was approximately £966,357.

A subsequent compliant procurement process has now been undertaken.

Please see **Appendix Two** for the full Breach report and **Appendix Three** for an update from Technology Services

5. Publication of Opportunities and Award Notices

The Public Procurement Regulations 2015 and the Government's Transparency Agenda require Local Authorities to publish contract opportunities and award notices on Contracts Finder. (Contracts Finder is the Government website used for the publication of all public sector procurement opportunities in England). Failure to comply will put the Authority in breach of UK law. The Crown Commercial Service is still considering the sanctions that will apply for non-compliance. Currently compliance is being monitored via a mystery shopping approach.

From November 2016 until March 2017 the Contract Award facility on the Government's Contracts Finder website was not operational and therefore it was not possible to place award notices for these periods.

This occurred again for a further period in August and September 2017.

During the period from 1st April 2017 to submitting this report (27th November) a total of 423 projects (quotes or tenders) were started on the Council's e-tendering system. Of these, 249 projects had either been completed and award notices issued or the award notice was in the process of being issued. Reminders to complete this step have been sent to the officers overseeing the outstanding 174 projects (approximately 41%).

The Council was subject to one Mystery Shopper case in November 2015 but since then there have been no Mystery Shopping cases involving the Council.

Fig. 1 - Data summary

Summary of all Exemption to Standing Orders registered during Complete Fiscal Year 2016/17 & Q1, 2 & 3 FY 17/18

Complete FY 2016/17	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total
Total number of exemptions registered	4	5	3	6	18
Total number. of exemptions cancelled during process	0	0	0	0	0
Lowest value exemption (excluding cancelled)	£100,000	£27,500	£30,912	£20,000	
Highest value exemption (excluding cancelled)	£120,000	£160,000	£150,000	£65,213	
Total no. of exemptions raised retrospectively (excluding cancelled)	0	1	0	1	2
Total value of retrospective exemptions (excluding cancelled)	£0	£92,000	£0	£60,000	152,000
Total value of exemptions	£287,333	£471,833	£212,162	£237,046	£1,208,734

Summary Q1, 2 & 3 FY 2017/18	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total
Total number. of exemptions registered	4	4	3		11
Total number. of exemptions cancelled during process	0	1	0		1
Lowest value exemption (excluding cancelled)	£48,000	£46,250	£44,667		
Highest value exemption (excluding cancelled)	£110,000	£147,307	£161,000		
Total no. of exemptions raised retrospectively (excluding cancelled)	0	1	1		2
Total value of retrospective exemptions (excluding cancelled)	£0	£102,000	£53,000		£155,000
Total value of all exemptions	£305,732	£295,557	£258,677		£859,966

Fig. 2 - Exemptions by Risk

Complete Fiscal Year 2016/17 and Q1, 2 & 3 FY 17/18

Summary Complete Fiscal Year 2016/17	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	FY 16/17
Total no. of exemptions registered	4	5	3	5	18
Total no. of exemptions cancelled during process	0	0	0	0	0
Total no. of exemptions categorised as Low risk (excludes cancellations)	3	3	2	2	10
Total no. of exemptions categorised as Medium risk (excludes cancellations)	1	2	1	2	6
Total no. of exemptions categorised as High risk	0	0	0	0	0

Summary Q1, 2 & 3 FY 2017/18	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	FY 17/18
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Total no. of exemptions cancelled during process	0	1	0		1
Total no. of exemptions categorised as Low risk (excludes cancellations)	3	3	3		9
Total no. of exemptions categorised as Medium risk (excludes cancellations)	1	0	0		1
Total no. of exemptions categorised as High risk	0	0	0		0

Fig.3 - Exemptions by Service Area

Complete Fiscal Year 16/17 and Quarters 1, 2 & 3 FY 2017/18 (excludes cancelled Exemptions)

Exemptions to Contract Standing Orders by Service Area (April 2016 - March 2017)	No. Low / Medium Risk	No. High Risk
BSP - HR Safeguarding Team	1	
CHASC - Communities	5	
CHASC - Operations	1	
CHASC - Public Health	1	
CHASC - Strategic Commissioning	1	
CYP - Children in Care	1	
CYP - Learning, Skills & Prevention	2	
HQ - Customer & Communications	1	
HQ - People & Organisational Development	1	
TEE - Environment	2	
TEE - Public Transport	1	
TOTALS	17	

Exemptions to Contract Standing Orders by Service Area (April 2017 -December 2017)	No. Low / Medium Risk	No. High Risk
CHASC - Culture & Leisure, Sport & Tourism	1	
CHASC - Strategic Commissioning	1	
CHILDRENS SERVICES - Learning, Skills & Prevention	1	
CHILDRENS SERVICES – Schools Commissioning	1	
RESOURCES - Corporate Business Support	1	
RESOURCES - Finance Operations	1	
RESOURCES - Treasury	1	
TEE - Environment	1	
TEE - Growth & Strategy	1	
TEE - Waste Management	1	
TOTALS	10	

Fig. 1 - Data summary

Summary of all Exemption to Standing Orders registered during Complete Fiscal Year 2016/17 & Q1, 2 & 3 FY 17/18

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Fig. 2 - Exemptions by Risk

Complete Fiscal Year 2016/17 and Q1, 2 & 3 FY 17/18

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Fig.3 - Exemptions by Service Area

Complete Fiscal Year 16/17 and Quarters 1, 2 & 3 FY 2017/18 (excludes cancelled Exemptions)

Exemptions to Contract Standing Orders by Service Area (April 2016 - March 2017)	No. Low / Medium Risk	No. High Risk
BSP - HR Safeguarding Team	1	
CHASC - Communities	5	
CHASC - Operations	1	
CHASC - Public Health	1	
CHASC - Strategic Commissioning	1	
CYP - Children in Care	1	
CYP - Learning, Skills & Prevention	2	
HQ - Customer & Communications	1	
HQ - People & Organisational Development	1	
TEE - Environment	2	
TEE - Public Transport	1	
TOTALS	17	

Exemptions to Contract Standing Orders by Service Area (April 2017 -December 2017)	No. Low / Medium Risk	No. High Risk
CHASC - Culture & Leisure, Sport & Tourism	1	
CHASC - Strategic Commissioning	1	
CHILDRENS SERVICES - Learning, Skills & Prevention	1	
CHILDRENS SERVICES – Schools Commissioning	1	
RESOURCES - Corporate Business Support	1	
RESOURCES - Finance Operations	1	
RESOURCES - Treasury	1	
TEE - Environment	1	
TEE - Growth & Strategy	1	
TEE - Waste Management	1	
TOTALS	10	

Appendix Three**Update to Breach Report****Report: Dell Breach****Author: Sarah Barnes****Date: December 2017**

The purpose of this report is to provide an update to the Regulatory and Audit Committee following the Dell breach report submitted in September 2017. It is also intended to provide assurance that controls are now in place for all future procurement activities within Technology services.

Background

In September 2017 the Director of Technology Services reported a significant breach to the Regulatory and Audit Committee where no procurement activity had taken place when sourcing a significant amount of Dell equipment.

Update & Procurement Activities

In October 2017 Technology Services decided to use the Crown Commercial Services framework Technology Products 2 Framework Agreement RM3733. The contract was awarded to Centerprise. The contract with Centerprise was subsequently signed in November 2017 by Gill Quinton Executive Director. The total Centerprise contract value is £399,657.92 and this allows for the purchase of 480 laptops and accessories. There is a 15 % tolerance within the contract to purchase a further 72 laptops and accessories. The Centerprise contract will run until end March 2018 and can be extended for a further 6 months until 30 September 2018.

On the 4th December the jointly signed purchase order was raised.

Further Controls

The following controls have subsequently been put in place by the Head of Contracts in Technology Services.

A contract register has been established and is shared with the Technology Services Leadership team to ensure compliance with contract spend on a regular basis.

Guidance on Contract Standing Orders and Contract Management activity has been circulated to the Technology Services Leadership team and to the wider community of technical officers that also manage third party spend with suppliers.

Commercial workshops are being held on a monthly basis in order to raise commercial awareness and to support all officers when procuring third party supply of goods and services and to ensure compliance with Contract standing orders.

Since October 2017 contract renewal dates & spend reports are now presented as a key agenda item at the Technology Service Leadership Team meetings

Next steps

A further accelerated competition will be run in December in order to ensure volume demand of laptops and accessories is met.

During the next 6 months Technology Service will produce a Strategy for appropriate devices and volumes required.

Regulatory and Audit Committee

Title:	Effectiveness of Debt Management Strategy Update
Date:	Wednesday 31 January 2018
Author:	Director of Finance
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 2017 the profile of outstanding debt has continued to be high both within Business Units and at the Corporate Management Team.

The Task and Finish Group has continued to work on both Corporate and Business Unit specific approaches to addressing outstanding debt and improving the systems, processes, training and supporting information available on this important financial matter.

In January a session on Outstanding Debt was held with the Risk Management Group where both corporate progress and Business Unit specific progress was checked and challenged.

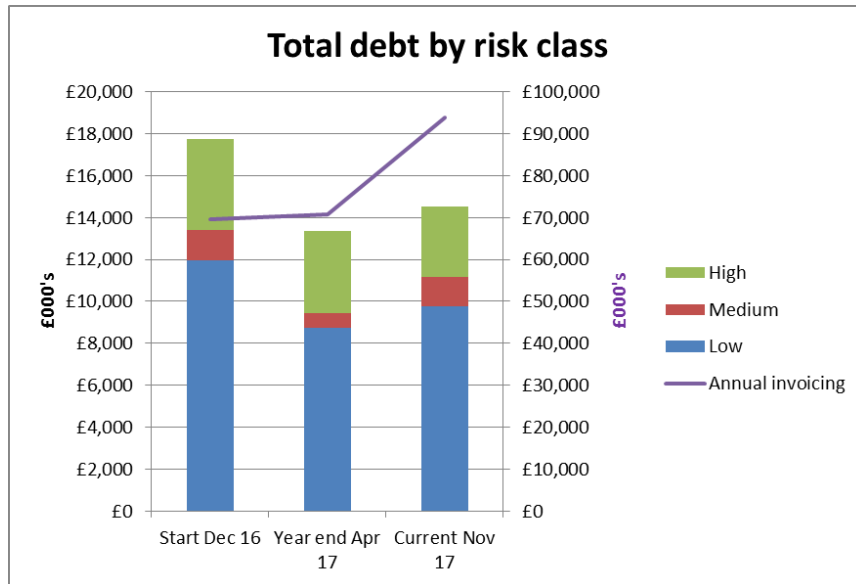
Current outstanding debt levels

Debt vs Sales

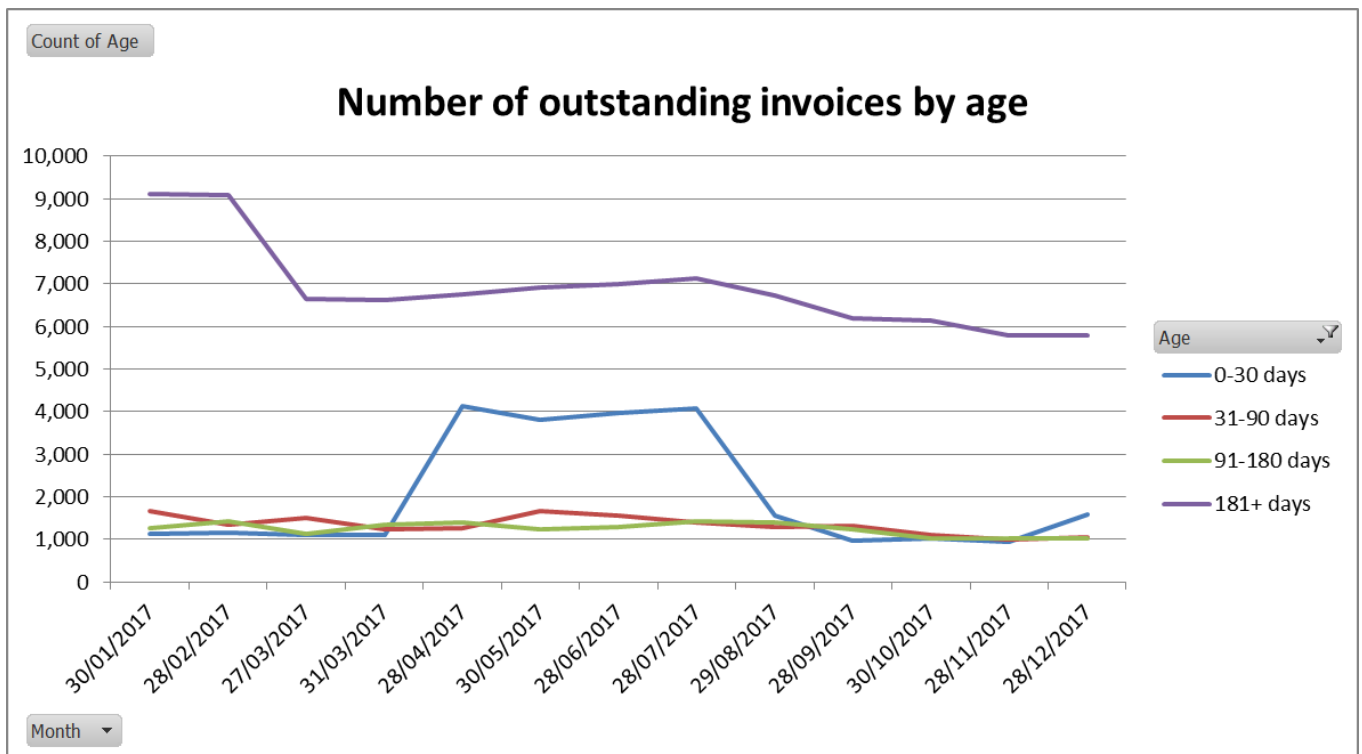
Clearly there should be a relationship between the levels of debt and the value of sales orders raised. We would expect that a greater value of sales would give rise to a greater level of debt. The tables below report all debt (including secured debt), and classify debt by risk, with secured debt and debt less than 90 days overdue being low risk, unsecured debt over 90 days being medium risk and unsecured debt over 180 days being deemed high risk.

We continue to see the levels of annual invoicing increasing as the council becomes more commercial and raise charges both for more services to customers and sell central services to other organisations. Annual billing has increased by 33% from £70.4m in December 16 to £93.7m in November 17. Over the same period **total debt has fallen from £17.7m (25.5% of annual sales) to £14.5m (15.5% of annual sales)**. Looking solely at unsecured debt this has **fallen from 8.3% of annual sales to 5.1%**.





Delving deeper into this position it can be seen (see table below) that there has been a significant reduction in the number of invoices progressing into the oldest grouping of debt. A significant proportion of this is due to the work undertaken at year end to review and address very old debt. It is also apparent that there is a significant peak in debt becoming slightly overdue around April. This is believed to be due to invoicing that is conducted annually and billed in March, and early annual billing being processed in April, May and June however this requires confirmation.



Over the course of the project the levels of debt due from before April 2015, when the current Debt Management Strategy was introduced, has reduced **from £2.1m to less than £0.8m**. £0.9m of this reduction came from the year end work undertaken, which saw debt collected, written off, or cancelled as appropriate.

A further £0.4m of debt has been collected or cancelled as a result of the investment of £20k in a temporary post to address this debt. The final recommendations from this post are awaited at the end of December. It is expected that this debt will reduce significantly after completion, as a result of further debt being written-off or cancelled, and some being referred to Legal for recovery. Any balance remaining here will have been deemed and agreed as recoverable.

Outstanding Debt Task and Finish Group

The Outstanding Debt Task & Finish Group, instigated in December 2016, has been overseen by the Corporate Finance Business Partner, with the engagement of Business Units and the wider Finance community. The objectives of the group are as follows;

- 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 and guidance
- Management information is provided / available for Business Units to understand their outstanding debt and make appropriate decisions in relation to this debt

Update on developments and Improvements

To date the following actions have been undertaken to deliver improvements in the management of outstanding debt;

- Reporting processes have been improved such that debt is categorised by risk of non-payment. This is based largely on age, and whether the debt is to be secured.
- Reports are produced centrally by finance on a monthly basis and should be included in all Business Unit Board budget monitoring reports.
- Detailed information on all outstanding debts is made available to all Business Unit finance teams.
- SAP processes have been introduced so that when a debt becomes 90 days overdue a message is sent to the budget holder asking them to either confirm they are managing the debt, or to transfer it to the management of the finance debt management team.
- New 'Dunning codes' have been introduced to bring additional visibility to the status of debt recovery action, and to enhance the reporting on debt both corporately and at Business Unit level.
- Access to payment systems has been given to staff pursuing debts so that they can take payment immediately, and avoid having to sign-post customers elsewhere to make payment.
- Adults Social Care client take-up of Direct Debit payment plans has increased by over 20%, which removes the risk of these debts becoming overdue.
- Intranet content supporting the raising of Sales Orders (customer Invoices) has been reviewed and updated.
- The Finance intranet has been restructured to make it more user friendly, and the information more accessible.
- Workshops have been held with those raising invoices to understand their challenges and develop their understanding of best practice.
- A significant review of outstanding debt was undertaken as part of the closing of the accounts for 2016/17.
- A robust review of the provisions for bad debt was conducted as part of the close of the accounts for the financial year 2016/17.

- A temporary post has been funded for a 6 month period (ending in December 2017) to address the tail of debts which fell due before April 2015 (the start date of the current Debt Management Strategy).

Planned further improvements to support effective debt management

A revised model of operation for the central debt management team has been created, which will see them manage all debt once it becomes overdue. Services will still retain the right to manage debt themselves where the circumstances are appropriate. This team has been created from the existing team, which used to take over the management of debt at 90 days overdue. This team has supported the Task and Finish Groups work to date, developing best practice and implementing many of the actions already delivered. In future this team will actively manage debts as they become overdue (rather than at the 90 days overdue threshold as at present), reporting to and advising Business Units on the likelihood of recovery, and recommend courses of action to Business Units where they are unable to recover the debt themselves.

Further changes are required to the SAP workflow to support this change in process. This work is currently with our external development partners. It is intended that this revised process goes live in February 2018, after testing and deployment is completed.

In addition to managing debts, this team will have processes in place to capture areas of failure, and identify where practice within those entering sales orders falls below the 'best practice' standards expected. They will be empowered to raise concerns back to the Business Unit, and will support the re-training of those involved to ensure best practice is actively delivered across the organisation. They will also provide the key interface with Legal services wherever debts are escalated for recovery through Legal Services. It should however be noted that responsibility for the debt remains with the Business Unit and decision relating to write-offs or referral to legal, and any associated costs, remain the responsibility of the originating Business Unit.

Concerns have been raised that the process of cancelling debt is different to that of formally writing off debt. A formal write-off requires Executive Director and Business Unit Finance Director agreement for debts below £10,000, and Director of Finance and Assets approval for debts over £10,000. It is proposed to review the incidence of cancellation of debt and propose a process whereby similar control and authorisations are required to cancel a debt.

A review of the current Debt Management Strategy to ensure it aligns fully to the proposed new operating model, and supports the Debt Recovery Strategies currently under consideration. Changes are likely to be minor in nature, and the proposed changes to process and practice have been presented to the Committee in this and previous reports on this matter.

Recommendations

That progress on debt continues to be monitored and reported to the committee on an ongoing basis.

That the revised and updated Debt Management Strategy is brought before the committee for consideration and approval prior to implementation.

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

Resource implications

The Task and Finish groups work plan will continue to place additional burdens across Business Units, and on 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 Corporate Management Team and resource constraints are considered deliverable. The process, systems and practice improvement work should deliver some efficiencies which should be re-invested in continuously improving the system of debt management.

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 either now or in future years, as provisions for bad debt are considered adequate and are reviewed annually as part of the closing of the accounts.

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.

Regulatory & Audit Committee Forward Plan – Forward Plan

Date of meeting	Items ^ = to OCB	Report Writer
31 Jan 18 PART 2 ITEMS	1. Risk Management Group Update 2. Contract Standing Orders Exemptions/Breaches 3. Corporate Debt Management Strategy 4. Treasury Management Strategy 5. Business Assurance Strategy Update 6. Business Assurance Strategy Update (Limited Assurance and Fraud Update)^	1. Maggie Gibb 2. Jane Richards/Helen Bold 3. Matt Strevens 4. Julie Edwards 5. Maggie Gibb 6. Maggie Gibb
11 April 18	1. Review of Constitution 2. Local Code of Corporate Governance 3. Pensions administration leaver checking backlog 4. Contract Management Improvement Plan update 5. External Auditors Audit Plan 6. Quality Assurance Framework	1. Sarah Ashmead/Sara Turnbull 2. Maggie Gibb 3. Julie Edwards 4. Neil Gibson/Jonathon Noble 5. Grant Thornton 6. Jo Sage
31 May 18	1. Draft Statement of Accounts ^ 2. Business Assurance Update ^ 3. Risk Management Group update 4. Forward Plan 5. Limited Assurance Internal Audit Reports ^ 6. Fraud Update (via Statutory Officers Group)	1. Richard Ambrose 2. Maggie Gibb 3. Maggie Gibb 4. Maggie Gibb 5. Maggie Gibb 6. Maggie Gibb
25 July 18	1. Petitions Review 2. Risk Management Group update 3. Forward Plan	1. Sara Turnbull 2. Maggie Gibb 3. Maggie Gibb
12 Sept 18	1. Business Continuity Management Update 2. Risk Management Group update 3. Forward Plan	1. Andy Fyfe 2. Maggie Gibb 3. Maggie Gibb
21 Nov 18	1. Risk Management Group update 2. Forward Plan	1. Maggie Gibb 2. Maggie Gibb

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