

Minutes

REGULATORY AND AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON TUESDAY 21 MAY 2019 IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY, COMMENCING AT 8.38 AM AND CONCLUDING AT 9.52 AM.

MEMBERS PRESENT

Mr R Bagge
Mr A Hussain
Mr D Martin (Chairman)
Mr P Martin

OTHERS IN ATTENDANCE

Mr R Ambrose, Director of Finance & Procurement, Service Director, Finance and Commercial Services
Mr T Ball, Grant Thornton
Ms J Edwards, Pensions and Investments Manager
Ms M Gibb, Head of Business Assurance
Ms S Harlock, Audit Manager
Mr J Hollis, Head of Legal and Compliance, Buckinghamshire County Council
Ms R Martinig, Financial Accountant
Mr P McGovern, Senior Finance Officer
Mr L Whitehead, Finance Accountancy Lead
Ms A Williams, Committee Assistant

1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies were received from Mr B Bendyshe- Brown, Mr T Butcher, and Ms S Ashmead.

Mr D Dhillon and Mr R Bagge would be leaving the committee. Mr A Christensen and Mr S Lambert would be joining the committee.

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2 MINUTES

Members of the committee reviewed the actions from the previous meeting and highlighted the following:

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- Quarterly reports on audit activity would be presented to the committee from the Head of Business Assurance. Any immediate concerns would be raised on an ad hoc basis.
- An update on the technology service improvement programme would be provided in item six.

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- A decision on the appointment of the external auditors for the new unitary authority would be made by Public Sector Appointments Ltd. (PSAA).

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- Colleagues from Grant Thornton, external auditors would attend the Risk Management Group meeting in July and would have the opportunity to address the committee in private.

RESOLVED: The minutes of the meeting held on 4 April 2019 were AGREED as an accurate record and signed by the Chairman.

3 DECLARATIONS OF INTEREST

There were none.

4 DRAFT STATEMENT OF ACCOUNTS 2018/19

Mr R Ambrose, Director of Finance & Procurement and Ms R Martinig, Accountant presented the report and highlighted the following:

- The draft statement of accounts had been produced 10 days earlier than the previous year.
- After members of the committee had discussed the draft statement of accounts, Grant Thornton, external auditors would begin their audit procedures. These would be completed by the end of July 2019 and presented to the committee on the 30th July 2019.
- In the 2018/19 financial year, Buckinghamshire County Council (BCC) had achieved a revenue underspend of £227,000. This was an achievement due to the tough financial environment, such as reduced funding from central government and financial pressures in Adult Social Care.
- Since the financial year 2010/11, funding from central government had reduced by 56.3%. The net revenue support grant from government was now zero.
- The General Fund balance at the end of 2018/19 was £26.4 million, with a further £4 million to be contributed as part of the 2019/20 budget. This will take the General Fund balance up to £30 million, which will mean that the new unitary authority will start in a strong financial position.
- There have been changes to accounting treatment for the Teachers' Pension Scheme. The scheme continues to be managed by the Department of Education (D of E), with a small element being the responsibility of BCC.

- Liabilities that related to BCC had not been included in previous years, but were now included in the overall accounts and amounted to just over £39 million for the financial year 2017/18.
- The balance sheet for the previous financial year showed that the 2017/18 net liability figure was £743 million. This had been restated in the current financial year, taking the figure on the balance sheet up to £782 million, including the £39 million additional liability.
- Clarification was given that this would have no impact on the general fund, and was a technical accounting adjustment which would reverse out through unusable reserves. Going forward these liabilities would be included in the accounts and balance sheet.
- There had been changes made to the CIPFA (The Chartered Institute of Public Finance & Accountancy) Code of Practice on Local Authority Accounting in the United Kingdom, meaning that internal recharges between different operating segments of the authority were no longer allowed. In the context of BCC, this meant recharges between political portfolios.
- In the financial year 2017/18, Resources had an increase in expenditure of £11.5 million. This was offset by decreases in expenditure in other portfolios such as Education and Skills which had a reduction of £7 million in expenditure.

The following points were highlighted in response to questions raised by members of the committee:

- In May 2018, BCC had agreed to use £1.2 million of reserves to fund a new plane and patch programme. Earmarked reserves slightly reduce this.
- The capital finance requirement of local government indicated an underlying requirement to borrow. External borrowing money would require a 2.5% interest rate which could potentially increase. This meant that internal borrowing was the optimal way to manage cash flows, and this policy would continue.
- Property valuations had decreased by £11million. A retail property investment in Aylesbury had a few voids, meaning the valuation had decreased to just under £5 million. The valuation was based on rental income, and new retail lessees were due to begin contracts and would fill the voids.
- Two new properties had been bought within the current financial year and accounted for £4.5 million. The properties were doing well and would be closely monitored. The voids of these properties have not increased since the time of purchase.
- The underspend for the capital budget had increased more than anticipated. £8 million of the increase was accounted for by the Local Enterprise Partnership (LEP.) Some slippage was beyond the control of BCC.
- The slippage of the technology projects was deliberate, as assurance was needed that the strategy was correctly aligned.
- Some projects and schemes such as the Aylesbury Study Centre were put on hold due to the unitary decision.
- Concerns were expressed by Members that budgets set were not realistic, based on historical cases. It was highlighted that a huge exercise took place around realistic budget setting and some funding was pushed back in a challenge session. Capital

schemes had a mass impact on the overall budget, and it would only take one to slip for there to be a sizeable slippage on the overall budget. Ongoing work would take place to examine money that was not spent.

The Chairman on behalf of Members of the committee thanked Mr Ambrose and Ms Martinig for the quality of the report its presentation and that it had been produced 10 days earlier than last year which was a significant achievement.

5 DRAFT STATEMENT OF ACCOUNTS FOR THE PENSION FUND 2018/19

Mr Ambrose, Director of Finance & Procurement and Ms J Edwards Pensions & Investments Manager presented the report and highlighted the following:

- The value of the pension fund had increased by £185 million, taking the total up to £3 billion for 2018/19. This was due to positive returns on investments.
- £149 million had been received in income and £125 million had been paid out on behalf of pension scheme members.
- There had been an increase in pooled investments, and funds had been transferred to Brunel Pension Partnership. £700 million in assets were transferred in July 2018, and 26% of the funds were now managed by Brunel.

Following the report, the following points were highlighted in response to questions raised by Members of the committee:

- The remainder of funds would be transitioned to pooled funds managed by Brunel Pension Partnership.
- Buckinghamshire County Council (BCC) continues to set the investment strategy, but the fund manager selection was undertaken by Brunel.
- The object of the transfer was to derive economies of scale on investment management fees.
- Significant savings would be achieved in the future, and the current costs were in line with the business case.

The Chairman thanked Mr Ambrose and Ms Edwards for the report.

RESOLVED: Members of the committee NOTED the report.

6 DRAFT ANNUAL GOVERNANCE STATEMENT 2018/19

Mr Ambrose, Director of Finance and Procurement and Ms M Gibb, Head of Business Assurance presented the report and highlighted the following:

- Members should be familiar with the statement as it had previously been presented at Risk Management Group.

- The draft statement gave an account of all processes, systems and governance framework.
- Children's Services and Technology Services had particular issues with procurement and contract management. An action plan had been put in place and would be reported to the committee every six months.
- Improvements had already been made, but there was scope for further improvement. The draft annual governance statement would be signed off by the Leader and Chief Executive in July 2019.
- There was a typo in the draft statement that would be corrected for the final version.
- The paper had been presented to Corporate Management Team the previous week and the content had been agreed.
- An update on the action plans would be given in autumn 2019.

Following the report, the following points were highlighted in response to questions made by members of the committee:

- Members praised the clear and concise nature of the statement.
- Details on workstreams within the statement had not been elaborated. Waste management was being considered, but this would be reflected in the 2019/20 report.
- Members highlighted that they expected to see an acknowledgement within the report of the improvement of Children's Services and the select committees that aided their work. It was also highlighted that it would be useful to have a comment detailing the governance of the service. Mr Ambrose would look into this.

ACTION: Mr Ambrose

- An officer had been designated specifically to procurement and contract management. Compliance had been a main focus and significant improvements had been seen.
- All contracts were shared with the district councils and added to the Buckinghamshire County Council (BCC) system to harmonise the contracts within one system.

RESOLVED: The committee AGREED the Draft Annual Governance Statement 2018/19 subject to any minor amendments.

7 TREASURY MANAGEMENT ANNUAL REPORT 2018/19

Mr Ambrose, Director of Finance and Procurement, Mr A Hussain, Deputy Cabinet Member for Resources and Mr P McGovern, Senior Finance Officer presented the report and highlighted the following:

- The service was required to undertake an annual review of Treasury Management Activity. The strategy was approved in February 2018 and the report showed this had been complied with.
- The overall borrowing figure as of March 2019 was £296 million which was below the capital financing requirement.

- The organisation had internally borrowed £174 million. This was very good in terms of reducing risk and keeping interest costs low.
- £48 million of debt was restructured. The Lenders Option Borrowers Option (LOBOs) scheme had been replaced by Public Works Loan Board (PWLB) at a much lower rate. The organisation would make savings of just over £10 million over the next 25 years.
- £30 million worth of LOBO was currently with another provider. The NET position at the end of the financial year 2018/19 was £286 million of borrowing.
- Mr Hussain highlighted the key figures detailed in the report circulated with the agenda.
- The organisation had borrowed £76 million for the investment in two commercial properties.
- The Prudential Indicators were set at the start of the financial year and no limits were exceeded throughout the year.

Following the report, the following points were highlighted and discussed in response to questions raised by members of the committee:

- The terms of LOBO were long term, over a period of 60 years. The only way to come out would be if the interest rates were to increase at the lenders option and we BCC could repay the LOBO or a repayment was negotiated with the provider.
- Arling Close negotiates the terms on behalf of BCC and was in dialogue with the provider.
- All historic high interest rate debts would be repaid in February 2020.
- The CCLA Property fund was still open, but Treasury Advisors had advised no further investment in this.
- Assurance was given that temporary borrowing strategy was agreed with Arling Close to assist with cash flow. The temporary investments were with other local authorities. A daily level of cash flow of between £12,000 and £14,000 was kept to accommodate unexpected payments.
- There is an active market for temporary borrowing between local authorities.

RESOLVED: Members of the committee AGREED to recommend the Treasury Management Annual Report to full County Council.

8 FORWARD PLAN

RESOLVED: Members of the Committee NOTED the forward plan.

9 DATE AND TIME OF NEXT MEETING

30 July 2019, 8:30am, Mezzanine Room 1.

The Chairman encouraged members of the committee to attend the next Risk Management Group meeting held on 12 June 2019.

10 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED: 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

Members of the committee reviewed the actions from the previous meeting and highlighted the following:

- An update on the revised format of the Business Assurance Strategy Update reports would be provided at the next Risk Management Group meeting.

RESOLVED: The confidential minutes of the meeting held on 4 April 2019 were **AGREED** as an accurate record and signed by the Chairman.

CHAIRMAN