



## Audit and Governance Committee minutes

Minutes of the meeting of the Audit and Governance Committee held on Tuesday 25 January 2022 in The Oculus, Buckinghamshire Council, Gatehouse Road, Aylesbury HP19 8FF, commencing at 10.00 am and concluding at 12.55 pm.

### Members present

R Newcombe (Chairman), D Anthony, A Christensen, L Clarke OBE (Vice-Chairman), T Dixon, M Dormer, D Goss, M Hussain, S Rouse and N Thomas

### Others in attendance

T Butcher

### Agenda Item

#### 1 **Apologies**

Apologies were received from Councillors R Carrington and C Etholen.

#### 2 **Declarations of interest**

Councillor N Thomas declared a personal interest in item 6 as a Member of the Leisure Board that was involved in the development of the Council's Leisure Strategy.

#### 3 **Minutes**

**RESOLVED –**

**That the Minutes of the meeting held on 30 November, 2021, be approved as a correct record.**

#### 4 **Report on the Public Sector Audit Appointment (PSAA)**

The Committee received a report that set out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24. The current auditor, Grant Thornton, had been appointed as external auditors of the new unitary authority by Public Sector Audit Appointments (PSAA) until the end of 2022/23.

The auditor appointed at the end of the procurement process would undertake the statutory audit of accounts and Value for Money assessment of the Council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor would also be responsible for investigating questions raised by

electors and had powers and responsibilities in relation to Public Interest Reports and statutory recommendations.

The Council had a choice of the way that it appointed its external auditors, via the following options:

- (i) Option 1: National Auditor Appointment Scheme - opt into the arrangements offered by PSAA – benefits, that were explained at paragraphs 1.8 of the Committee report.
- (ii) Option 2: Own procurement arrangement following the procedures in the Act – Challenges, that were detailed in paragraph 1.9 of the Committee report.
- (iii) Option 3: To act jointly with other authorities to procure an auditor following the procedures in the Act – the challenges were the same as detailed at Option 2.

The report recommendation was for the Committee to recommend to full Council (which would be at the 23 February 2022 meeting) to opt into the arrangements offered (PSAA) for the appointment of the External Auditors from April 2023 (Option 1). The Committee report explained in detail the differences between the options. PSAA was specified as the ‘appointing person’ for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015, and had built up considerable expertise and experience from the first contract period (since 2017) when circa 99% of Council’s opted in. They had also worked hard over recent years to address the issues that had arisen such as consulting with the Council on the scale of audit fees and ensuring these reflected scale, complexity, and audit risk.

A Council procuring its own auditor or procuring through a joint arrangement entailed setting up an Audit Panel to oversee the procurement and running of the contract. This procurement process was an administrative burden on Council staff already struggling for capacity, with ongoing contract management then a further burden. Possible suppliers were limited to the small pool of registered firms with accredited Key Audit Partners (KAP), with a further difficulty being that the Council would not be able to prioritise its audit over others as Auditors were running at full capacity.

Members discussed the advantages and disadvantages of the available options at length and heard that there was a shortage of specialist accounting firms in the sector. It was possible that through the Council following its own procurement exercise, smaller audit firms could bid which would bring with it a significant risk due to the vast differences between local authority and private sector accounting practices. Nationally, there was a shortage of local Government auditors and even experienced audit firms, including Grant Thornton had encountered difficulties in attracting experienced staff. The Committee suggested that the report itself be revised to further highlight the advantages and disadvantages of each approach ahead of the final report being presented to Full Council.

A Member highlighted that emphasis should be placed on the procurement team knowing the exact needs of the Council to ensure best value for money and quality is received.

The Committee discussed the report and options and it was,

**RESOLVED –**

- (1) That the report be noted.**
- (2) That it be suggested that the Chairman of the Audit and Governance Committee proposes the below recommendation to Full Council, with the Vice-Chairman of the Committee seconding the recommendation.**
- (3) That full Council be recommended to opt into the arrangements offered by Public Sector Audit Appointments (PSAA) for the appointment of the Council's external auditors from April 2023 (Option 1).**

**5 Buckinghamshire Council Statement of Accounts 2020/ 2021 (audit not complete)**

The Accounts and Audit Regulations 2015 required Local Authorities to prepare a Statement of Accounts in accordance with proper accounting practice that were required to be approved and signed by the Council's Audit & Governance Committee.

The Committee received the draft Statement of Accounts for 2020/21 (Appendix 1 to the Committee report) and were informed that the Council was reporting a £400k underspend on outturn for 2021, increasing the General Fund balance to £49m (with £2m use of general fund reserves committed in 2021/22, bringing General Fund balance to £47m). This was the first time the Committee had been presented the Council's draft Statement of Accounts for 2021. However, the external audit had commenced in September 2021 and was ongoing. The three main adjustments made so far were:

- (i) Group Accounts - the Council was now having to complete group accounts as well as single entity accounts due to its holdings in Consilio Property Limited and Aylesbury Vale Estates Limited.
- (ii) Property, Plant and Equipment – there had been several adjustments within this note. This including rework of the opening balances to split out historic revaluations and movements to re categorise Intangible assets and Investment assets and assets under construction.
- (iii) Cash Flow Statement – Correction of mis statements within the original draft accounts.

The next steps would be for the outstanding work on the audit to be finalised over the coming weeks and any further amendments resulting from this work actioned before the accounts are then re-presented to the Committee for approval and sign-off by the Chair of the Committee and S151 Officer. The draft accounts were presented to this meeting to allow Members the opportunity to ask questions of the

officer responsible for their production, as she would shortly be leaving the authority. The Committee recognised the significant amount of work that had gone into the Statement of Accounts and congratulated the team on their efforts.

Members sought additional information on the draft Statement of Accounts and were informed:

- That the production of the draft Statement of Accounts had been delayed due to staffing capacity difficulties, consequently the accounts had been submitted to Grant Thornton late. As it was the first year of operation for the authority there was a significant volume of work. Grant Thornton had not been the external auditors for the legacy District Councils and had made a lot more requests for information on opening balances than had been anticipated. The Council had also had to contend with a number of staffing shortages and had found it difficult in bringing skilled staff in to support the work.
- Mr Ian Murray, Grant Thornton (external auditors) reported that there had been challenges due to the accounting complications of being the authority's first year of operation. The Grant Thornton team on site had other commitments to meet in February, notably to some NHS organisations, which would result in decreased external audit capacity during this period. The Committee heard that the external auditor had attempted to be accommodating and flexible, however had other clients they had made commitments to. The March meeting remained a feasible target for production of the final set of accounts. There remained a significant amount of open queries with officers, it was hoped these could be responded to over the February period. Members heard that around 200 queries had been responded to over the past two weeks, however many of those outstanding were particularly complicated and related to legacy authority transactions. The Committee expressed its dissatisfaction with the external auditor prioritising other commitments.
- It was noted that only around 9% of local authorities had met their statutory deadlines for 2020/21. As noted above, staff recruitment had proven difficult, including attempts at employing interim staff. A lead officer had been appointed for the 2021/22 accounts; however, further recruitment difficulties were highlighted as a risk.
- Members suggested that the narrative document be amended to ensure an accurate representation of Buckinghamshire and:
  - Reflected the pockets of deprivation in the county.
  - Made reference to the excellent work of the Council in dispersing covid grants to local businesses as well as the support the Council gave to the wider rollout of the vaccination programme.
  - Placed greater emphasis on climate change, displaying what the Council had achieved and what its wider aims were in this area.
  - Gave more context to the challenges faced by directorates including Children's Services.

- Provided context behind the customer experience metrics to understand outcomes and not only demand and was clear as to whether the Council met its obligation to the apprenticeship programme.
  - Reflected clawback of the rollover to Community Board funding.
  - Included reference to the approval of the Vale of Aylesbury Local Plan which impacted the whole county.
  - Gave further explanation to capital slippage.
  - As noted on page 34, a Member questioned whether Brexit was still considered a risk and required inclusion in the document.
- The £400k underspend was considered small in comparison to the overall net and gross budgets and was a positive result given the covid challenges which had resulted in significant losses to income streams and saw an increased demand in services.
  - In relation to presentation of the accounts, Members requested that the group accounts on page 113 would benefit from having the accounts of the authority side by side; the table shown on page 68 of the reports pack would be amended to display the dates as 2020/21 rather than 2019/20; variances in the dedicated schools grants noted on pages 49 and 70 would be revisited as it was thought that these should be the same figure; the question marks appearing on page 86 would be removed in the final version and the document would be subject to further quality assurance checks before final sign off.

**RESOLVED –**

**That the draft Statement of Accounts for 2020/21 be noted.**

**6 Higginson Park Trust Fund accounts**

The Committee received a report with the draft Annual Report and financial Statements for the Higginson Park Trust for the year ending 31 March 2021. The accounts had been prepared in accordance with the requirements of the Charities Act 2011 and had adopted the provisions of Accounting and Reporting by Charities Statement of Recommended Practice and Financial Reporting Standards. They had been audited by Seymour Taylor Audit Limited, with the auditors' report attached as Appendix 1 to the draft Annual Report. It was possible that the auditors' report could change once the outstanding audit work had been completed and finalised.

Members heard of the assets owned by the Trust and were informed that the net worth of Higginson Park Charity had decreased by £306k from £7,534k in 2020 to £7,228k in 2021, of which £190k was depreciation of assets. The net operating expenditure for the year had been a net loss of £269k compared to net income £1,892k in 2019/20. The difference being mainly due to the £2m grant received in 2020.

Covid-19 restrictions had a significant negative impact on the Charity during 2020/21, with leisure centre facilities at Court Garden required to close and events

cancelled because of the national lockdowns and social distancing restrictions in place. Places Leisure, along with all the other national leisure operators, had seen facilities in Buckinghamshire closing for more than eight months of the financial year. During the short periods of reopening, levels of attendance at Court Garden Leisure Centre had been minimal due to the mandated social distancing requirements which meant significant reductions in capacity and type of activity allowed or on offer, however these were recovering and the leisure centre was currently operating at around 90% of pre-covid levels. There had also been additional costs, such as increased cleaning regimes to ensure a COVID-secure environment.

The impact had been a loss of income of £117k from the closure of the leisure centre as well as a loss of income from events. There had been mitigation of £105k for some of these income losses through the Government's Support Scheme – currently the accounts did not reflect this amount as a debtor at year end as the treatment in line with Charity Commission rules first needed to be agreed with the auditors. If not included in this year's accounts, the amount was expected to be reflected next year.

With the gradual easing of restrictions during the current financial year in line with the government roadmap, recovery was underway, with a positive trajectory being experienced in terms of people returning to the leisure facilities, as well as outdoor events starting to return. However, the pace of recovery remained subject to the evolving position on the pandemic.

Members sought additional information and were informed:

- (i) Pre-covid, the Trust produced a small amount of surplus income, and whilst recovery from Covid would take time the Trust had a reasonable level of reserves and was deemed to be sustainable moving forward. Energy costs were also being closely monitored.
- (ii) That page 152, related party transactions would be corrected to read that the balance due to the Higginson Park Charity at 31 March 2020 was from Wycombe District Council rather than Buckinghamshire Council.
- (iii) Legally, the Council was comfortable with the position that the Section 151 Officer signed the accounts on behalf of the Council who was the sole trustee. This arrangement was the same at the legacy authority. However, the Committee was agreed that this may put the employee of the Council in a difficult position and appeared to be a conflict of interest. The Committee asked that this position be reviewed moving forward and it be explored whether the council could appoint an additional trustee(s).

**ACTION LOG:** Section 151 Officer in liaison with the Service Director for Culture and Leisure to discuss the potential appointment of additional officers, to act on behalf of the Council as signatories to the accounts on behalf of the trustee.

Having reviewed the Higginson Park Charity audited Annual Report and Financial Statement for the year ended 31 March 2021 attached at Appendix 1 and raised any

issues which Members needed assurance on, it was –

**RESOLVED –**

**(1) That the Annual Report and Financial Statement for 2020/21 be approved.**

**(2) That the Service Director – Corporate Finance & S151 Officer be authorised, following consultation with the Chairman, to make any final amendments to the Accounts arising from outstanding audit work prior to the approval of the accounts by the auditor.**

## **7 Treasury Management Strategy 2022/2023**

Members considered the Treasury Management Strategy 2022/ 2023 at Appendix 1. The strategy was expected to be agreed by full Council at its meeting on 23 February 2022. It was noted that the Council was required to approve a treasury management strategy before the start of each financial year.

The Committee was informed that the strategy for 2022/23 covered the current treasury position, treasury indicators which limit the treasury risk and activities of the Council, prospects for interest rates, the borrowing strategy, policy on borrowing in advance of need, debt rescheduling, the investment strategy, creditworthiness policy and the policy on use of external service providers.

The treasury management function ensured that the Council's cash was organised in accordance with the relevant professional codes, so that sufficient cash was available to meet service activity and the Council's capital strategy. This involved both the organisation of the cash flow and, where capital plans required, the organisation of appropriate borrowing facilities. The Council was asked to approve the borrowing activity detailed for the following:

- The operational boundary (limit beyond which external debt was not normally expected to exceed – figures at paragraph 1.8 of the report.
- The authorised limit for external debt (key prudential indicator and represented a control on the maximum level of borrowing – figures at paragraph 1.9 of the report. Estimates were provided for years from 2021/22 to 2024/25.
- Maturity structure of borrowing (gross limits set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, with required upper and lower limits), figures at paragraph 1.10 of the report. The time periods mentioned were from under 12 months, up to 40 to 50 years.

The report also provided information on the types of investment instruments that the treasury management team were authorised to use. The maximum exposure to non-specified treasury management investments was £100m.

Following a competitive tendering process, Link Treasury Services Limited (Link) were appointed as the Council's treasury advisor with effect from 1 August 2021. This appointment had resulted in the TMSS being presented in an alternative way to that which Members may have been used to in the past. Changes to the TMSS

included introducing the definition of specified and non-specified investments. Specified investments were those with a high level of credit quality and subject to a maturity limit of one year or had less than a year left to run to maturity if originally they were classified as being nonspecified investments solely due to the maturity period exceeding one year. Nonspecified investments were those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by Members and officers before being authorised for use.

The Council had also determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent), previously the minimum sovereign credit rating was AA. The cash limit for AA+, AA and AA- sovereign rated foreign countries is £10m per country. The cash limit for AAA sovereign rated countries is £20m per country. In addition, no more than a total of £40m will be placed with any non-UK countries at any time.

Amendments to be made to the covering report prior to it being presented to Full Council included:

- Page 155, paragraph 1.5 the line should read 'no more than £40m' as opposed to £50m
- Page 159, the line in the table for 'Local authorities (sector limit £75m)', should read 'sector limit £150m'. As at 31 March 2021 there was £98m and this figure allowed additional headroom.

During discussion, comments and questions raised by Members included:

- It was clarified that investment into other local authorities was permitted, although local authorities were not rated in the same way as financial institutions. However, these investments were guaranteed by Government. It was noted that there was not the ability to foresee or speculate as to whether an authority may issue a section 114 notice. Where a local authority that the Council had invested in then subsequently issued a section 114 notice or was given a capitalisation directive, then this would be reported to the Audit and Governance Committee at the earliest opportunity. Members heard that opportunities to make these investments often arose over a short period of time and required decision making to be relatively quick.
- Ethical investing when investing in non-UK banks was discussed as Members noted that this was a different approach to that used by the Council's previous advisors. It was explained that political issues were not taken into account as the sovereign credit ratings system was used when assessing countries and these ratings were factual. Members commented that as a public body there were reputational and ethical risks to the Council were it not to take into consideration wider issues, such as political and human rights issues within countries. It was discussed that ethical views varied from person to person so judgment on this could be difficult. Member suggested that a further reputational risk assessment should be undertaken and added into the final report and agreed that for this coming year, investments should



be limited to AAA rated non-UK banks subject to a review the following year.

**ACTION LOG:** A revised report to be circulated electronically for the Committee to agree prior to publication of the Full Council agenda for the meeting on 23 February 2022.

- Some of the language used in the report could be interpreted as promotion for the new advisors and in the interest of brevity some of the questions raised within the document, as on page 175 of the reports pack, were not necessary.
- All treasury investments were in GBP to avoid currency exposure.
- It was discussed who would propose this report to full Council and the Committee was advised that in the past this had been the Cabinet Member whose portfolio had responsibility for the TMSS, in this case, the Cabinet Member for Finance, Resources, Property and Assets.

#### **RESOLVED –**

**That full Council be recommended to:**

- (1) Agree the Council's Treasury Management Strategy Statement (TMSS) for 2022/23.**
- (2) Agree the operational boundary for external borrowing, the authorised limit for external borrowing, the maturity structure of borrowing and the upper limit for principal sums invested for longer than 365 days, as detailed in the TMSS.**

#### **8 Business Assurance Update**

The Committee received a report on the 2021/22 Business Assurance Strategy update, including progress against the Internal Audit Plan. The 2021/22 Internal Audit Plan had been reviewed to identify the key audit activities to be delivered considering the priorities within the Directorates and working around the service reviews that were in progress.

The Business Assurance Strategy, including the Internal Audit Plan, had been agreed by the Audit Board and by the Audit and Governance Committee in June 2021. The Internal Audit Plan was produced with reference to the Strategic and Directorate Risk Registers and informed through discussion with the Senior Leadership Teams for each Directorate, Heads of Finance, Section 151 Officer and the Deputy Chief Executive. The Internal Audit Plan continued to be dynamic in nature with activity reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities.

Quarterly Business Assurance updates were presented to each Directorate Leadership Team providing updates on the planned audit and assurance activity,

which were reviewed for appropriateness each time. Views were also sought from the Directorates on the work of the Business Assurance Team to enable continuous improvement and ensure that it was meeting the needs and expectations of the organisation. Progress against the strategy had been presented to, and agreed by, the Audit Board (S151 Officer, Monitoring Officer and Director of Legal Services).

Members sought further information on Business Assurance work and progress against the Audit Plan and were informed:

- The CIPFA business assurance review report should be completed in the coming weeks and was planned to be presented to the Committee at its next meeting, this would include an assessment of the Council's performance on public sector internal audit standards.
- The Business Assurance team worked closely with directorates to understand risks and score them appropriately. A service review of the business assurance function was being undertaken and may identify additional capacity for further in depth check and challenge.
- Nineteen audits had been deferred, many to Q1 and Q2 of 2022/23 due to resources pressures and other priority risk areas having been identified. Planning for 2022/23 was underway and Members were advised that the team would ensure adequate resource was in place throughout Q1 and Q2. It was noted that Mazars delivered a great deal of the Council's audit work. In relation to governance around deferrals, the Committee was advised that these would be discussed at Senior Leadership Team (SLLT) meetings of the appropriate directorate and required Corporate Director sign off. Where business assurance had concerns the deferral would not be agreed and these would be referred to the audit board, on which the S151 officer, Monitoring Officer and Director of Legal and Democratic services sat.
- Children's Services audit work would re-commence once the OFSTED inspection report had been received and its findings assessed. Resources would then be directed to areas as appropriate. By the time of the next meeting a revised programme for Children's Services should be available.
- The Quality Standards Performance, Quality Assessment Framework audit within Health and Wellbeing, which had been cancelled at the request of SLT was being externally audited by the Care Quality Commission, an update on the outcomes of this would be included in the next update to this Committee.

**RESOLVED –**

**That the Business Assurance update report be noted.**

## **9 Contract Exemptions & Breaches (6 month update)**

The Council, as a public body when undertaking procurement exercises and awarding contracts, had to comply with the Public Contracts Regulations 2015. The

Regulations placed a great deal of restrictions on the Council in how it was permitted to run procurement exercises and in some cases the Council could be sued by bidders for not following these Regulations. It was the relevant service area / directorate that was responsible for undertaking procurement exercises and the management of contracts, not the procurement team. The procurement team developed the corporate policy, supported high risk/value procurement exercises and provided training on procurement and contract management.

The Committee received a report summarising compliance with the Council's Contract Procedure Rules (CPR's) and compliance with the Public Contracts Regulations 2015 during the reporting period from April to 30 September 2021, i.e. the first 6 months of financial year 2021/22. The report explained the Council's Contract Procedure Rules and different financial limits relating to contracts, waivers and breaches. Rule 6.18 allowed a Waiver to the requirement for competition and for a contract to be placed by direct negotiation with one supplier. This needed to be agreed and documented in advance. However, waivers under this rule could not be granted if over the relevant Procurement Thresholds. The various thresholds were £189,330 for goods and services, £663,540 for Light Touch Regime and £4,733,252 for works.

If a direct award was made that was above this threshold (if a legal alternative such as a Framework was not used) a breach had occurred, and officers were obliged to report this to the S151 Officer and Monitoring Officer (statutory officers). In some instances, there may be legal permitted changes within the Public Contracts Regulations 2015.

The process for Service areas to complete waiver forms to waive internal rules was explained. There had been a total of 32 waivers registered in the first 6 months of the financial year 2021/22, 19 in the first quarter and 13 in the second quarter. There had also been one breach reported to the Statutory Officers in the period. Information on this was included in the confidential appendix on the agenda.

Members were informed that one of the issues of bringing together five Councils was the procurement and contract management culture of relevant services areas/directorates. To assist in developing a new positive culture and to ensure a high level of assurance the Procurement team provided training on several areas. Details of procurement and contract management training undertaken during April-September 2021 was at Section 6 of the report.

The Committee report also included information:

- On a recent Green Paper released by central Government on the future transformation of public sector procurement, although any changes would not happen before 2023.
- On new public sector procurement thresholds that had come into force from 1 January 2022 and would apply to all public procurement under the Public Contracts Regulations 2015 (PCR 2015) and the Concession Contract Regulations 2016 (CCR 2016).

- On a summary of all waivers registered during Q1 and Q2 2021/22, by value, by risk category (low/medium/high) and by Service Area.

Members sought additional information and were informed:

- Whilst 38 waivers had been registered some of these would have been removed where the waiver was no longer needed. This was the reason for the respective quarter 1 and quarter 2 figures of 19 and 13.
- The procurement thresholds noted in the report were set by central Government, however there had been some pushback from local authorities due to a lack of clarity on the need to include VAT within contract values. This was said to be a difficult task and officers were being asked to assess contracts for whether VAT needed to be applied.
- To provide context to the number of waivers, the Committee was advised that there were circa 2500 contracts of a range of values within the contract database and the team were supporting 32 to 35 high value, high risk procurement activities.
- The waiver for the CAMHS contract was made to allow closer aligning with wider CCG contracts. A legal assessment and value for money assessment would have been completed prior to the waiver being approved.

The Committee congratulated the team on their nominations for the Public Procurement Team of the year and Best Supplier Relationship Management awards.

#### **RESOLVED –**

**That the report, and the work of the Strategic Procurement team, be noted.**

#### **10 Lessons Learnt from other Local Authorities**

The Committee received a report looking at the lessons learnt from other Local Authorities who had experienced financial management and governance arrangements difficulties over the last 3-4 years. These included looking at the experiences of Northamptonshire County Council (March 2018), to the most recent section 114 notice issued by Slough Borough Council, which followed closely behind the critical 2018/19 audit by Grant Thornton.

There were several factors that have had an impact on local authorities in recent years. After years of reduced government funding, local authority business models have become increasingly reliant on generating additional income to support frontline services. This has led to a number of local authorities increasing commercialisation and develop different vehicles to facilitate this, including partnership ventures, joint ventures, limited companies and Teckal companies. The recent Public Interest reports had shown that the failure of council owned companies can have a devastating effect.

Grant Thornton had summarised the key issues arising out of the recent Public Interest and Best Value reports (Appendix 1) into 5 main areas:

- Financial Management.

- External Companies.
- Organisational Culture.
- Risk Management, Assurance and Audit.
- Relationships and Decision Making.

From a political and governance perspective, the key issues identified related to Member conduct and behaviour, Legal capacity, confusion of roles and delegations, and poor scrutiny arrangements. In addition, the Department for Levelling Up, Housing and Communities (DLUHC) had produced its own lessons learned document: 'Addressing cultural and governance failings in local authorities: lessons from recent interventions' which sought to provide guidance on recognising poor culture and weak governance.

DLUHC did not consider the following list definitive but had identified the following issues in various inspections undertaken:

- lack of effective political and/or corporate leadership, including an overreliance on interim statutory officers.
- a lack of corporate capacity, resulting in a lack of strategic vision and direction, and inadequate internal processes.
- poor and inappropriate councillor conduct.
- conflict and distrust among and between councillors and senior officers.
- the absence of effective scrutiny, transparency, and public consultation, including inadequate protections for whistle-blowers.
- a lack of awareness and acceptance of the need for improvement; and insufficient capacity to achieve the change required.

CIPFA identify that there are some common issues among councils holding companies and these were generally linked to organisational governance, leadership, capacity, financial stability and culture. Building on the 2019 financial management code, CIPFA was planning to extend its financial sustainability work by developing additional guidance on council-owned companies.

Despite all the lessons learnt and signs identified through inspections and by CIPFA, there were no clear or unequivocal quantitative measures to assess whether a council had a poor culture. Weak governance could be less tangible and visible from the outside. In some instances, peer challenge/reviews could provide insight into some of these issues.

The Committee report provided some analysis of the new Buckinghamshire Council, stating that it could boast of having very strong political and corporate leadership, with a clear strategic vision and direction. There were detailed internal processes for decision making and a good understanding by officers of those processes, good report writing and professional advice. Whilst there were some incidents of inappropriate Councillor conduct, there were robust mechanisms in place to address these and, generally, conduct was of a very high standard with a comprehensive complaints procedure and training on the Code of Conduct in place for all Councillors. Regular advice and assistance to Members is provided by the

Monitoring Officer.

Information was provided:

- that Members were well aware of the role of Officers, and there are detailed constitutional provisions regarding their respective and different roles. In the main, relationships of trust were maintained.
- That since the election in May 2021, Scrutiny/Select Committees had been formed with independently minded Chairmen and detailed work plans. Regular meetings of Scrutiny Chairmen and Cabinet members were organised and constructive challenge and detailed reviews of council business was welcomed.
- That similarly Audit and Standards Committees played an important role in overseeing risk and governance issues, together with a regular review of the constitution.
- that the Constitution set out a detailed set of delegations both to the various Committees but also officers, and individual Directorate have schemes of delegation in place.

Members were informed that a lack of prudent level of reserves was one of the key themes that emerged from the 'lessons learnt' reports and was an issue that could significantly reduce a council's ability to respond to financial pressures that may emerge. It was generally accepted by external auditors that councils should hold at least 5% of net operating expenditure in General Fund reserves (including earmarked reserves). Buckinghamshire had a healthy reserves position, and in the budget setting in February 2021 it had been reported that the Council had c£47m in unallocated General Fund reserves (excluding earmarked reserves) that was approximately 10% of the Council's net operating budget.

Information was also provided on how the Buckinghamshire Council addressed the following issues:

- Ensuring there was not a general misuse of capitalisation of revenue or the use of the capitalisation that failed to deliver the intended benefits. There was a thorough review of charges to the capital programme each year to ensure that all costs are genuinely capital. The external auditor also tended to take a keen interest in testing to ensure the capitalisation regulations had been appropriately applied.
- Ensuring the Council was setting aside a prudent level of revenue resources to pay off any borrowing.
- Financial support / loans to failing ventures /companies – the Council did not have any failing companies but remained vigilant to make sure there was organisational oversight of the financial plans and performance of companies, partnerships and joint ventures.
- Ensuring there was appropriate and timely action to look at either budget overspends or the likely undeliverability of budget savings. An extensive process of review and challenge was in place when it came to the MTFP budget setting process, including a CMT Budget Board and monthly Budget Boards within all directorates.
- That the Council had a strong strategic procurement team, that regularly

reported contract waivers and breaches to the Audit and Governance Committee.

- That it was standard procedure with the disposal of property to ensure a s123 valuation was undertaken confirm that the disposal arrangements were value for money for the Council.

A Member reported that individual member engagement on key decisions could be improved as local ward members were not believed to be consulted with on a consistent basis. The Committee discussed that a way of exploring this further, may be to take a sample of Cabinet Member decisions and assess local member involvement in each decision. A comment suggested not only referencing local member consultation within reports but to detail what the opinion of those members was and the dates they were consulted with.

**ACTION LOG:** That the Director of Legal and Democratic Services in co-operation with Business Assurance explore the feasibility of assessing member engagement in Cabinet and Cabinet Member decisions in a way they see appropriate. This piece of work may be undertaken by the newly in post Principal Governance Advisor. Consideration should also be given to sharing this report with the Finance and Resources Select Committee.

The Committee thanked officers for the production of the report and welcomed the action plan.

**RESOLVED –**

**(1) That the report be noted.**

**(2) That an update on the action plan be brought back to the Audit and Governance Committee in six months.**

## **11 Work Programme**

The Committee considered their current work programme and it was,

**RESOLVED –**

**That the work programme be noted.**

## **12 Action Log**

The Committee noted that the due dates for the actions noted were not yet due.

**RESOLVED –**

**That the action log be noted.**

**13 Exclusion of the public**

RESOLVED –

That pursuant to Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting during consideration of Minutes No 14, 15 and 16, on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act as defined as follows:

Minute 14 – Contract Exemptions and Breaches (6 month update)

Minute 15 – Action Log (confidential)

Minute 16 – Confidential Minutes of the Audit and Governance Committee held on 30 November 2021.

The items include Information relating to the financial or business affairs of any particular person (including the authority holding that information) (Paragraph 3, Part 1 of Schedule 12A, Local Government Act 1972) (The need to maintain the exemptions outweighs the public interest in disclosure, because disclosure could prejudice the Council's position in any future process or negotiations).

**14 Contract Exemptions & Breaches (6 months report)**

This item was undertaken in confidential session as part of Minute item 9 and details of the public discussion and the decisions taken are included within Minute number 9.

**15 Action Log (confidential)**

RESOLVED –

**That the current Action Log (confidential) be noted.**

**16 Confidential Minutes**

RESOLVED –

**That the confidential Minutes of the meeting held on 30 November, 2021, be approved as a correct record.**