



Audit and Governance Committee agenda

Date: Wednesday 1 February 2023

Time: 10.00 am

Venue: The Oculus, Buckinghamshire Council, Gatehouse Road, Aylesbury HP19 8FF

Membership:

R Newcombe (Chairman), L Clarke OBE (Vice-Chairman), D Anthony, R Carington, M Dormer, C Etholen, D Goss, N Hussain, W Raja, S Rouse, R Stuchbury and N Thomas

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Agenda Item 3
Buckinghamshire Council
Audit and Governance
Committee

Minutes

MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON WEDNESDAY 23 NOVEMBER 2022 IN THE OCULUS, BUCKINGHAMSHIRE COUNCIL, GATEHOUSE ROAD, AYLESBURY HP19 8FF, COMMENCING AT 10.00 AM AND CONCLUDING AT 12.37 PM

MEMBERS PRESENT

R Newcombe (Chairman), D Anthony, M Dormer, D Goss, R Stuchbury and N Thomas

OTHERS IN ATTENDANCE

J Chilver

Agenda Item

1 APOLOGIES

Apologies were received from Councillors R Carington, A Christensen, L Clarke OBE, T Dixon, C Etholen and S Rouse.

The Chairman welcomed Councillor R Stuchbury to the Committee who had replaced Councillor Majid Hussain.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 MINUTES

RESOLVED:

That the minutes of the meeting held on 27 September 2022 be approved as a correct record.

4 STATEMENT OF ACCOUNTS UPDATE

The Committee received an update on the 2020/21 and 2021/22 Statement of Accounts. The Committee also considered the management response to the Audit Risk Assessment attached at Appendix A to the report. Prior to discussion, the Chairman welcomed Mr Mark Stocks, Audit Partner and Ms Sheena Phillips, Audit Manager from Grant Thornton, external auditors.

The revised reconciled and completed Statement of Accounts were submitted to the auditors on 23 September 2022. Due to reduction in Gross Expenditure on the Comprehensive Income and Expenditure Account (CIES) the audit materiality had decreased which had resulted in additional sample testing. The external auditors had resumed their audit from 1 November 2022. Officers

were working to resolve outstanding audit queries promptly and held regular bi-weekly meetings with auditors to monitor progress. Due to additional sampling, it was anticipated that the audit would be completed in January 2023 and the final accounts for 2020/21 would be presented to the Audit and Governance Committee for approval at its February meeting.

Work continued to progress on the 2021/22 Accounts draft accounts ensuring all the issues raised by the auditor on 2020/21 accounts were addressed. However, the accounts would not be finalised until the audit for 2020/21 was completed as this could potentially have an impact on the opening figures.

The Audit Risk Assessment report covered areas of auditor risk assessment along with the management response. The Committee considered the management response to aid in fulfilling its responsibilities in relation to the financial reporting process.

Key points raised during discussion included:

- Mr Stocks advised that there remained a focus on the completion of the 2020/21 accounts and an external audit team was working on the audit which would require a good deal of Council officer time to support and resolve queries. A team from Grant Thornton would also shortly be undertaking the Pension Fund Accounts 2021/22 audit, and associated sign off of admitted bodies to the Pension Fund. January/February 2023 was the target date for completion. It was noted that officers would be stretched at this time of the year, with budget preparation amongst a range of other priorities.
- Financial planning was as it should be for the 2021/22 accounts, although there could be resourcing issues in addressing the backlog of queries for 2020/21. Should all queries be resolved, officers would work with the external auditors to establish a timeline for the 2021/22 Accounts. It was anticipated that the 2021/22 accounts would be ready early on in the new financial year.
- The national infrastructure issue which affected all upper tier or unitary authorities was still awaiting legislation to pass through Parliament. If this had not been rectified by February 2023, the 2020/21 accounts would be signed off 'subject to' any infrastructure accounting points arising from the legislation.
- The Committee heard that many of the challenges encountered with the 2020/21 accounts were when establishing an opening position and the associated work that went with this. All local authorities who had been through the unitary process had encountered similar delays. Challenges were compounded by resourcing issues, and key staff leaving the Council which meant there was a lack of knowledge transfer from legacy Councils. As the team built its resilience it was anticipated that there would be a more 'normal' approach able to be taken with future Statements of Accounts work.

RESOLVED:

- (i) That the 2020/21 and 2021/22 Statement of Accounts updates be noted.**
- (ii) That the management response to the auditors be noted as accurate.**

5 DRAFT PENSION FUND ACCOUNTS TO 31ST MARCH 2022

The Committee considered a report which contained the draft unaudited Statement of Accounts for the Buckinghamshire Pension Fund for the year ended 31 March 2022. The Pension Fund Account and Net Asset Statement show that in the year to 31st March 2022 the value of the Pension Fund increased by £275m to £3.913bn. This was the net result of the contributions made (£169m) including transfers in from other pension schemes, employers' and employees' contributions; payments out £144m including pensions, commutations, lump sum retirement benefit and death benefits; management expenses £17m plus net returns on investments

(£267m). The accounts had been prepared in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

The external audit of the pension fund draft accounts 2021/22 would commence shortly. A further report, incorporating the findings of Grant Thornton would be brought to this Committee at a future meeting where representatives from Grant Thornton would be in attendance.

Key points raised during discussion included:

- An updated version of page 81 of the reports pack was tabled at the meeting, this added the missing '£000' text from the table headings of column 3 and 4 on the third table down the page which related to 2021/22 Exposure to interest rate risk.
- A Member queried whether the accounts should display where investments were placed by category, such as funds held in emerging green energy markets. The Committee was advised that this aspect of the pension fund was reviewed by the Council's Pension Fund Committee and the information contained within the Statement of Accounts was done so in compliance with proper practices. It was explained that there was a [Pension Fund Annual Report](#) published on the Council's website which had further analysis included.
- Inflation costs were discussed and it was confirmed that those in receipt of a pension as of 1 April 2023 would receive a 10.1% CPI increase, this was the level of CPI in September 2022. Members heard that continued inflation increases could potentially impact the pension fund accounts in the future with actuaries currently working on assumptions that inflation may remain high for two years then return to levels which were more ordinary. Longevity assumptions assumed that there would be peaks and troughs which would level out over a number of years. The finance team were working on modelling with the Brunel pool and investment managers to ensure there was sufficient cash flow to match outgoings.
- In relation to management expenses, the Committee was assured that these were reasonable and competitive. Significant savings had been achieved in recent years from moving to the pooling model, whilst fees were linked to the value of assets so should they perform well, the management fees would be higher.

RESOLVED:

That the Committee reviewed the Draft Statement of Accounts for Buckinghamshire Pension Fund for the year ended 31st March 2022 and the timing and requirements for completion and authorisation of the final Statement of Accounts be noted.

6 TREASURY MANAGEMENT MID-YEAR UPDATE REPORT

Councillor John Chilver, Cabinet Member for Accessible Housing and Resources attended to present to the Committee the treasury management mid-year report which detailed the treasury management activity for the first six months of the financial year. A summary of the Council's borrowing and the treasury cash (investments) position was summarised within the report as was the budget monitoring position. Approximately £296m was held in loans, whilst circa £197m was in investments.

The report noted that in the current economic climate it was considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions.

In overall budget terms, the Council was forecast to be £2.8m net better off during the year, the increase in interest rates meant that the Council was forecast to achieve £1.884m more investment income than budgeted for. The Council was forecast to spend £8.379m on interest for external borrowing activity in the financial year, an underspend of £916k compared to the budget of £9.295m. The budget assumed that the Council would undertake new borrowing in 2022/23, to date no new borrowing had been undertaken. Another factor, however, was the continuation of the Council's strategy to use surplus cash instead of borrowing, to reduce risks and keep external financing costs low. The Council would continue the strategy of internal borrowing while it made sense to continue to do so.

Key points raised during discussion included:

- To date there had been no new borrowing in 2022/23, or indeed since the start of the unitary Council. The priorities highlighted in order within the Treasury Management Strategy were security, liquidity and then yield.
- There was no prospect of early redemption of LOBO loans, although the Council would consider this if the opportunity arose.
- Treasury Management loans would be covered under item 7, however in response to a query raised, the Committee was advised that in relation to the loan to Thurrock Council, assurances had been received from the Section 151 Officer at Thurrock that funds would be repaid in full as they matured in January 2023. Thurrock had made arrangements directly with the Treasury to ensure that they could satisfy cash flow requirements.
- It was confirmed that the Council continued to have a low risk appetite in respect of investments and borrowing and this approach had not changed during the recent economic crisis.
- It was further confirmed that the sovereign credit rating system was used by the Council when considering investing in other countries, who required a minimum AAA rating, as set out in the Treasury Management Strategy.

RESOLVED:

That the Treasury Management Mid-Year Update for 2022/23 be noted.

7 TREASURY MANAGEMENT LOANS TO OTHER LOCAL AUTHORITIES

Councillor John Chilver, Cabinet Member for Accessible Housing and Resources presented to the Committee a report which detailed the Council's approach to loaning funds to individual local authorities, the parameters for which were set in the Council's Treasury Management Strategy. The report was brought before the Committee due to recent publicity around loans to other local authorities who had found themselves in financial difficulties. The Committee was advised that there was minimal risk to funds loaned to other local authorities, even those under significant pressures. There was specific protection under the Local Government Act 2003 which made clear that all loans were secured on future revenues and this included the ability to take legal action if any debts were not repaid.

Members were informed that no local authority had ever defaulted on a loan and the Council's Treasury Management Strategy, agreed in February 2022 tightened the control procedures around new investments in local authorities who were issuing Section 114 notices or requested capitalisation directives to require approval from the Section 151 Officer and relevant Cabinet Member. No such proposals had been made this financial year and measures had been strengthened further to require approval from the Leader and Chief Executive of the Council prior to making any local authority loan. There was a Treasury Management watch list held which included authorities who had requested capitalisation directives or where commissioners had been appointed regardless of any formal notices or directives.

The Treasury Management Strategy 2023/24 would be updated to reflect the actions from the 27th September Audit and Governance Committee meeting and would be presented to the Committee at its meeting on 1 February 2023.

During discussion, key points raised included:

- The Treasury Management watch list was kept under regular review and local authorities were added as necessary. Members were reminded that a previous investment in Slough Borough Council, who had issued an S114 notice was recovered in full on time. The thorough due diligence review that the Council would now undertake before a local authority loan was made would complement the watch list and act as an additional measure before making a decision on whether to add an authority to the watch list.
- The Council's Treasury Management Advisors advice was still for Local Authorities to be continued with as a counterpart investment option. Members were assured that there was every confidence Thurrock would repay their loan when it matured in January, as noted in the minute for the previous item.
- A question was raised around whether the Council was made aware what the investment would be used for by the borrowing Local Authority. The Committee was advised that the Council would not take account of what the funds would be used for when making a decision, and would focus on ensuring the overall financial standing of that local authority was satisfactory.
- The Committee raised concern that there was a reputation risk to the Council in lending to authorities who ultimately issued Section 114 notices or found themselves in financial difficulties and were assured by the Cabinet Member that the Council would not expose itself to unnecessary risk.

RESOLVED:

That the additional controls implemented for loans to other Local Authorities be noted. It was further noted that the Treasury Management Strategy 2023/24 would take into account the new range of government interventions and not just the capitalisation directives and S114 notices.

8 ANNUAL GOVERNANCE STATEMENT

The Committee considered a revised draft Annual Governance Statement (AGS) for 2021/22. This was the second AGS for Buckinghamshire Council and related to the second year of the Council's operation as a unitary authority. Recovery from the COVID-19 pandemic was a key feature of the year. The Committee made some initial comments on the earlier draft at its meeting in September 2022. This revision incorporated the amendments suggested by members of the Committee at the last meeting and since. In particular, the Committee felt that OFSTED's SEND inspection (Special Educational Needs and Disabilities) should be reflected in the AGS and its associated action plan for 2022/23. This had been done.

The Statement now also included the following as raised by members of the Committee:

- a) 'COVID-19' – standardised reference to this throughout
- b) Risk Management Group – importance of the challenge made to directors on acceptable risk levels, page 2 and 15
- c) The learning of lessons generally and also from other authorities' experience - page 2 and 16
- d) Council – role in approval of 'budget and policy framework', page 6
- e) Deputy Cabinet Members – role in support of Cabinet, page 6
- f) Audit & Governance Committee – attendance by the Council's statutory Section 151 Officer (current Service Director of Finance), page 6

- g) Select committees – more detail on their coverage and contribution, page 6
- h) Community Boards and High Wycombe Town Committee - roles, page 7
- i) Internal and External Audit – reflect their counter-fraud role, page 8
- j) General Data Protection Regulation – GDPR policy to be referenced, page 10
- k) Induction for members – include reference to ICT training on data security, page 10
- l) Constitutional change – emphasise dual role of this Committee and the Standards & General Purposes Committee, page 10
- m) Election petition – correct the previous reference by referring to “the Totteridge & Bowderdean Ward”, page 11
- n) Community Board experience – highlight that the ‘rapid review’ also included engagement with unparished communities, page 12
- o) Community Board experience – reflect that a range of stakeholder views across parished and unparished areas were sought on their experience of community boards, page 12
- p) SEND Inspection – clear articulation of the SEND Inspection, page 12-13; and inclusion of it in the Action Plan for 2022/23, page 18
- q) Refugee support – include reference to Ukrainian refugees in addition to support for Afghan refugees, page 13

A Member welcomed the inclusion of the reference to the SEND inspection, noting that much of the action required was not only the Council’s responsibility but also the responsibility of key partner organisations.

RESOLVED:

That the Annual Governance Statement 2021/22 be approved.

9 BUSINESS ASSURANCE STRUCTURE UPDATE

The Committee received a report which provided an update on and attached the new Business Assurance structure, following completion of the service review process. The new structure went live on 1 November 2022 and the team now reported in to the Service Director for Legal and Democratic Services, and the Head of business Assurance retains a ‘dotted line’ reporting arrangement to the S151 Officer. CIPFA highlighted a number of considerations which had been taken in to account as part of the service review.

During discussion, key points raised included:

- There were a number of vacancies within the structure, for which there had been a good number of applicants, with interviews due to take place in the coming weeks. It was hoped that by the next meeting of the Committee in February, an update on appointments would be available. All roles were advertised internally, with some advertised externally as well and the more specialist posts posted in specific publications. There had been a number of internal applicants from individuals seeking promotion opportunities.
- The structure was created with career progression opportunities in mind and ‘Grow your own’ was promoted with trainee and apprenticeship roles included within the structure which made for good succession planning.
- Within the structure, particularly the addition of trainee and apprenticeship roles, there would be the opportunities for increased audit work to be undertaken internally, rather than relying on external providers. It was, however noted that the external resource remained a good option to use particularly for specific specialisms such as IT.
- In relation to the busier periods of the year, the Committee was advised that quarter 4 tended to be the pinch point when a number of key financial system audits were undertaken, although these were planned well in advance. It was hoped that the new structure would help alleviate the risks at this time of year.

- The Committee was advised that the manager posts also involved day to day work tasks, this went right up to the Chief Auditor post dependant on the complexity and sensitivity of the work required.
- A Member noted that the CIPFA review had raised the need to meet demand for information and data auditing, and the Committee was advised that the team would be using a system called Ideal moving forward which would involve training and the building up of skills within the team. Data and information governance were noted as key areas across the whole of the organisation.
- A further risk highlighted by CIPFA was the reliance on the Head of Audit and Audit Manager roles which was hopefully mitigated through the addition of the Deputy Chief Auditor post and Audit and Fraud Lead posts. The Committee congratulated Selina Harlock on her appointment to the Deputy Chief Auditor role.
- A Member noted that the statement on page 141 of the reports pack should read 'The Business Assurance Team vision is to be a...' rather than 'The Business Assurance Team vision is be a...'. The Member also suggested that the vision statements could be simplified.

RESOLVED:

That the report be noted.

10 RISK MANAGEMENT GROUP UPDATE

The Committee received a report which provided an update on the Risk Management Group (RMG) meeting held on 7 November 2022. At that meeting the Group reviewed and commented on the Adults and Health directorate risk registers, the key risk themes of which were noted within the report. The Group also reviewed the external audit carried out by Mazars in respect of the southern waste round re-organisation. It was agreed that an update on progress against actions would be presented to the RMG in March 2023.

RESOLVED:

That the report be noted.

11 2022/23 BUSINESS ASSURANCE STRATEGY UPDATE (INCL. INTERNAL AUDIT PLAN)

The Committee considered a report which outlined the Internal Audit, Risk Management, Assurance and Counter Fraud work being undertaken by the Business Assurance Team for the year ending 31 March 2023. The Council continued to work towards a combined assurance model, with Internal Audit operating as the third line of assurance. The 2022/23 Internal Audit, Risk Management, Assurance and Counter Fraud work plans were produced with reference to the strategic and directorate risk registers; and informed through discussion with Senior Leadership Teams for each directorate.

During discussion, key points highlighted included:

- An additional audit on 'Social Care – Placement and Panel decisions' had been included on the audit plan following a request from the relevant Corporate Director for this area of work.
- Within Resources, the 'Teachers Pensions – new system in place' audit had been deferred to 2023/24 because of the new system being implemented. Processes and controls would be reviewed as the new system went live.
- The Chairman referred to paragraph 3.2 on page 157 of the reports pack and explained that more emphasis was needed on major change projects and the need to escalate them in terms of risk as they took place. It had become apparent that in a number of circumstances, a particular service had reviewed its risk ahead of certain projects, however had not taken in to account that the risk elevated during the time the project

was rolled out.

- In terms of the Community Boards audit, noted on page 164 of the reports pack as 'fieldwork in-progress', the Chairman highlighted that the Constitution Working Group had been considering Community Boards, their governance and how they fit in to the Constitution. Should the audit identify any areas that should feed in to the Constitution the Chairman suggested they relay this to the Service Director for Democratic and Legal Services.
- The Chairman highlighted that there had been some flexibility given to services moving the timing of certain audits in the early years of the unitary authority, although the Committee's position was now clear that Council services must be audited at the right time rather than at the time which was convenient to the service. It was noted that on occasion, internal auditors could help design processes for certain departments as part of the audit process.
- A Member raised concern around a number of the Social Care audits that had yet to start and was advised that it was the audit work that had not yet started, as this was planned across the year, rather than the work by the service itself. It was confirmed that the relevant Corporate and Service Directors had been liaised with and accepted the need for the audits. The timing had been agreed for the SEND Ofsted Improvement Plan Assurance audit later in the year to give the opportunity for the service to implement their improvement plan following the Ofsted inspection. The outcome of the audit would be reported back to the Committee in the usual manner within the completed audits within part 2 of a future agenda.
- Concern was also raised about legislative changes within Adult Social Care which would have a significant impact on service delivery. The Committee was assured that the scope of the work would be flexible and the audit team would always ensure that they were working to the most up to date legislation on any area of risk being focused on.
- Members were advised that in future the 'other cases currently under investigation' details noted on pages 162 and 163 of the agenda pack would be presented in a more interpretable manner as there was now a new system in place which would be able to generate reports and tables.
- The Chairman queried whether there were any proceeds of crime orders or compensation for the prosecution noted on page 162 of the reports pack. This would be looked in to further and reported back.

ACTION: Chief Auditor to look in to details of the case further and report back to the Committee.

- Clarity was provided on external clients, Buckinghamshire & Milton Keynes Fire Authority were a long standing external client who were provided circa 100 days of internal audit resource. An academy had recently approached the Council to provide an internal audit service as well, and there had been similar approaches in the past. These were recognised as good income generating opportunities although required the internal resource to provide the service, which needed the new structure to be in place. Members noted that as a Council, providing this service to academies would also provide a measure of reassurance as to the education being provided by academies to ensure it was of a high standard.

RESOLVED:

That the report be noted.

12 WORK PROGRAMME

The Committee noted that the 2020/21 Statement of Accounts should be ready for the meeting on 1 February, the annual Business Continuity Management Update and Risk and Business Continuity Management Strategy would also be presented to that meeting, along with a number

of other policies and the Contract Procedure Rules – waivers and breaches as noted on the work programme.

The Treasury Management Strategy 23/24 would also be presented in February as would the Pension Fund Accounts 21/22 if available. The Chief Auditor would liaise with the Director of Legal and Democratic Services to establish when best to bring a report on updates to the Constitution.

ACTION: Chief Auditor to add Constitution update to the work programme for the most appropriate meeting following consultation with the Service Director for Legal and Democratic Services.

RESOLVED:

That the latest Work Programme be noted.

13 ACTION LOG

The Committee considered the latest action log as attached to the agenda pack and agreed that each of the actions that had been marked completed could be closed. These were:

Action 2 - Treasury Management Annual Report; Action 4 – Business Assurance new team structure; and Action 7 – Treasury Management Training Session.

RESOLVED:

That the action log be noted.

14 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 15, 16 and 17, on the grounds that they involved the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act as defined as follows:

Minute 15 – Confidential Minutes of the Audit and Governance Committee held on 27 September 2022

Minute 16 – 2022/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report

Minute 17 – Action Log (confidential)

15 CONFIDENTIAL MINUTES

RESOLVED:

That the confidential minutes of the meeting held on 27 September 2022 be approved as a correct record.

16 2022/23 BUSINESS ASSURANCE STRATEGY UPDATE: COMPLETED AUDITS AND AUDIT ACTIONS SUMMARY REPORT

The Committee held a detailed discussion on the Summary of Completed Audits and Audit Action Tracker.

RESOLVED:

That the report be noted.

17 ACTION LOG (CONFIDENTIAL)

The Committee considered the confidential action log and

RESOLVED:

That the current Action Log (confidential) be noted.



Report to Audit and Governance Committee

Date:	1 st February 2023
Reference number:	N/A
Title:	External Auditors Interim Annual Report
Relevant councillor(s):	N/A
Contact officer:	David Skinner (S151)
Ward(s) affected:	N/A
Recommendations:	The Committee are requested to note the findings in the report by the external auditor attached at Appendix A on the Council arrangement for securing Value for Money (VfM) in its use of resources, the recommendations made and management's response.
Reason for decision:	N/A

Executive summary

- 1.1 Under National Audit Office (NAO) Code of Practice regulations, external auditors are also required to make a Value for Money assessment to consider that local authorities have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 1.2 The report provides detail on Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Background

- 1.3 The NAO issued a new Code of Audit Practice which came into force on 1 April 2020 and applies to the 2020/21 audit. The new approach to VfM re-focuses the work of auditors to provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas as summarised below;

- i. provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness; and
- ii. provide clearer recommendations to help local bodies improve their arrangements.

1.4 Under the previous Code, auditors had only to undertake work on VfM where there was a potential significant risk and reporting was by exception. Whereas against the new Code, auditors are required to undertake work to provide a commentary against three criteria set by the NAO.

- i. **Financial sustainability:** how the Council plans and manages its resources to ensure it can continue to deliver its services;
- ii. **Governance:** how the Council ensures that it makes informed decisions and properly manages its risks; and
- iii. **Improving economy, efficiency and effectiveness:** how the Council uses information about its costs and performance to improve the way it manages and delivers its services

1.5 Grant Thornton's conclusion of the Council's Value for Money detailed assessment is provided in Appendix A and is summarised below.

- i. **Financial Sustainability** - There are no significant weaknesses identified and the one improvement recommendation around identifying and agreeing savings over the Medium-Term Financial Planning (MTFP) is already being implemented through enhancing our monitoring of 'pipeline' of future savings options and opportunities through additional reporting to CMT and Members commencing in 2023.
- ii. **Governance** – In total there are six improvement recommendations of which three have already been implemented and the status of remaining three are summarised below:
 - a. Central register for member's interest – This is work in progress and will be completed by March 23;
 - b. Internal audit on associated companies – This will be added to the Q1 2023/24 audit work plan; and
 - c. Strengthening of Corporate Finance Team – This is work in progress. The recently appointed Chief Accountant has started work and leading on the 2020/21 audit and preparation of 2021/22 draft Statement of Accounts. The Service Review for the Financial Control and Accounting Team has been prioritised which takes account of Growing our Own which will strengthen the team to build its resilience. It is anticipated that the fully recruited team will be in place by the first quarter of the new financial year which will facilitate a more 'normal' approach to be taken for future Statement of Accounts work.

- iii. **Improving economy, efficiency and effectiveness** : The one improvement recommendation on Children’s services improvement plan is already work in progress. The service has a clear plan in place and is working at pace on the areas of improvement identified.

1.6 Significant weaknesses have been identified for the later two: **Governance** due to late and inaccurate production of draft Statement of Accounts for financial year 2020/21 and **Improving economy, efficiency and effectiveness** due to Children’s Ofsted rating.

Other options considered

1.7 Not applicable

Legal and financial implications

1.8 Not directly related to this report.

Corporate implications

1.9 Not applicable

Consultation and communication

1.10 The report has been agreed with the Corporate Management Team

Next steps and review

1.11 Not applicable

Background papers

1.12 Not applicable

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Auditor's Annual Report on Buckinghamshire Council Interim

2020/21

December 2022



Contents



We are required under s 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) in 2020 requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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Appendices

A – The responsibilities of the Council

B – Risks of significant weaknesses - our procedures and findings

C – An explanatory note on recommendations

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	Risks of significant weakness identified in year end processes owing to late production of draft accounts	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	Risks of significant weakness identified owing to Ofsted rating of children's services.	Significant weaknesses in arrangements identified, with a key recommendation made. No improvement recommendations made in respect of this area.



Financial sustainability

The Council is operating in an increasingly uncertain financial environment. The Comprehensive Spending Review was a single year only spending review, so Buckinghamshire, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, the Authority has maintained a good financial position. The Council has put forward a series of proposals which forecast a balanced budgets for three of the next four years. However, the Medium Term Financial Plan (MTFP) identifies a funding gap of £1.36m million in 2023/24, to be funded from general reserves. Savings are identified as being required in each year over the period of this MTFP.

Overall, the Council has a relative amount of capacity to manage variances over the short to medium term. We are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability.

Further details can be seen on pages 7-11 of this report.

Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Council and any actions instigated as a response to the pandemic. We found the risk assessment and risk management processes at the Council to be good, and that management are well supported by internal audit.

We found arrangements for budget setting, budgetary control and ongoing oversight of the budget to be good. The Council has a good set of policies and procedures in place to ensure the Council maintains appropriate legislative and regulatory standards.



Whilst our risk assessment considered there to be a possible significant weakness in terms of the final accounts processes at the Council, as the production of a complete set of draft accounts was significantly delayed. Our work in this area is ongoing and we are satisfied that many of the underlying causes were as a result of external factors which impacted on the Council's arrangements. Overall we are satisfied that the Council has in place to ensure appropriate governance arrangements are in place.

Further details can be seen on pages 12-21 of this report.



Improving economy, efficiency and effectiveness

The Council has demonstrated a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

The Council's Corporate Plan was in place for this, its first year in operation. The four key pillars within this vision are high profile and referred to throughout most of the key strategic documents and reports presented to members, including the budget and MTFP. Additionally, all capital programmes are described in terms of how they address at least one of the four pillars in the capital strategy programme.

The most recent Ofsted review rated children's services as inadequate. Whilst we recognise the Council has been working to deliver an improvement plan over this area, it is necessary to highlight this as a significant weakness as this rating remained in place during the year.

Further details can be seen on pages 22-25 of this report



Opinion on the financial statements

Our audit of the Council's financial statements is on-going and we are not in a position to determine whether we can issue an unmodified opinion. The issues causing the delays in our audit are detailed on pages 14 and 28. We have raised an improvement recommendation with regard to account production.



Key recommendations



The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as 'key recommendations'.

Our work has identified one significant weakness in arrangements and therefore we have made one key recommendation. This recommendation is set out on page 25.

The range of recommendations that external auditors can make is explained in Appendix C.

Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

Local Authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 3, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Authority makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 7 to 27.



Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2020/21 and ongoing financial pressures

Buckinghamshire Council (the Council) recorded a net underspend of £0.4m for the year to March 2021. Whilst this was broadly in line with the budget and is an improvement on the outturn which had been expected during much of the year, this represents very little headroom in managing the budget. However, the useable general fund reserves balance is strong.

Nationally, councils have seen a steady decline in the local government funding settlement over the last ten years, and the Council's Medium Term Financial Plan (MTFP) is prudent in that it assumes a continuation of this declining trend. Members are therefore made fully aware that the Council's financial plans cannot place reliance on an increasing level of government contributions.

Evidence we have gathered from reports, interviews and the CIPFA financial resilience index indicate a broadly positive financial position for the Council. The three-year MTFP indicates that the budget will be balanced by a combination of increased council tax and adult social care precept, as well as savings. The 2020-21 budget envisaged requiring £13m of identified savings in order to balance the budget. The budget for 2021-22 required further savings of £13.2m. For 2022/23 a further £12.36m of savings were identified as being required and a further £5.427m savings anticipated in 2023/24. There is a high-profile approach to managing and monitoring this savings programme, which is regularly discussed at Cabinet meetings and with the Corporate Management Team (CMT), Directorate Budget Boards, the Leader and the Cabinet Member for Finance. The achievement against these savings plans is discussed in more detail on page 8.

During 2020/21, the three-year MTFP was set aside for an annual budget as Covid (and other uncertainties) made longer term planning difficult for a new authority. This annual budget, and other key assumptions within the plan have been reviewed and are deemed to represent a prudent approach. A monthly budget monitoring report is provided to CMT and detailed financial monitoring information is provided to Cabinet quarterly, so there is regular scrutiny of the Council's financial position and of the ongoing funding pressures it faces. We are pleased to note that a three-year planning cycle has been reintroduced, starting from 2022/23.

For 2020-21 the outturn position was more favourable than anticipated with a the 2020/21 an (unaudited) surplus / revenue underspend of £0.4m. This has been achieved through COVID grants covering additional costs and lost income. The 2021/22 budget assumed use of reserves of £2.05m however the latest outturn report sets out £2.2m approved for transfer to general reserves due to overall a favourable anticipated position for that year. Increased Covid compensation grants and variances in corporate contingency spend accounted for this position. There is no planned use of reserves for 2022/23. For 2023/24 there is a £1.36m gap after accounting for planned savings, this will be funded from general fund balances. This was seen as politically acceptable by members as it is not ongoing funding. Despite this use of reserves for that year, the Council still has adequate provision within its reserves to manage potential future one-off emergencies, as reserves represent 6.6% of the net operating budget. The level of scrutiny and oversight over the budget and in-year expenditure is good, and this must be maintained.

Financial sustainability

The Council had set a capital expenditure budget for 2020/21 of £204m, outturn was below this budget (at £169m expenditure). For 2021/22 there was a 9.5% underspend against budget (£177.5m v budgeted £196.2m). These underspends are in line with what we have seen at other authorities .

We do not consider the underspends to be indicative of a significant weakness in arrangements over the capital programme, but more a reflection of the difficulties faced by all authorities in carrying out their planned capital works as a result of the pandemic and challenging economic conditions.

Savings plans

In the transition to unitary status, the new Council inherited the savings requirements already identified in predecessor authorities. These needed to be factored into the new budget. In 2020/21 £8.8m (67%) of the budgeted £13m savings were achieved. The original budget for the new authority recognised an opportunity to make £18m of savings in moving to a unitary status to be delivered by 2025/26. A ring-fenced transformation pot of c£17m was created to help deliver these savings under the Better Buckinghamshire Benefits Realisation Programme. Savings achieved specifically under this programme were £2.2m in 2020/21 and £2.6m forecast for 2021-22. Total savings of £13.2m were identified for 2021/22 with the Council achieving £12.5m (96%), a shortfall of £0.5m.

Savings are well monitored. The monthly CMT Budget Board receives a detailed budget report, which sets out the outturn for each line of savings within each of the directorates, showing the savings target, amount delivered, amount forecast to be delivered and any shortfall, together with a detailed commentary against each line. There is also another commentary setting out the risks and opportunities, with each saving assigned a RAG rating.

The approach to closing this funding gap is regularly discussed. In addition to formal discussions at Cabinet each quarter, there are monthly Budget Board meetings in the Adults & Health and Children's Services Directorates. These provide a high level of detailed scrutiny over each line of the budget and over each line of the savings plans. It is good that the Council has recognised the benefits of these budget boards, and extended them to cover all of the Directorates in 2021/22.

As these funding pressures have been identified by the Council and are being addressed within the Council's financial plans, these savings requirements do not point to a significant weakness in the arrangements in place, albeit there remains a risk in terms of the ongoing financial pressures being faced by the Council. We have made a recommendation on this.

Financial Planning

The budget provides for an increase in Council Tax and Adult Social Care Precept of 3.99% for 2021/22 and 2022/23 to help address identified funding pressures. From 2023/24 there is an assumed 2.99% increase. The current strategy around council tax is to keep increases to a level needed to balance the budget.

The budget and MTFP have been designed to be integrated with the core strategic priorities of the Council (its Corporate Plan 2020-2023). This planning aims to provide a framework to invest in the Plan's broader ambitions and long term priorities, as well as the recovery from COVID-19.

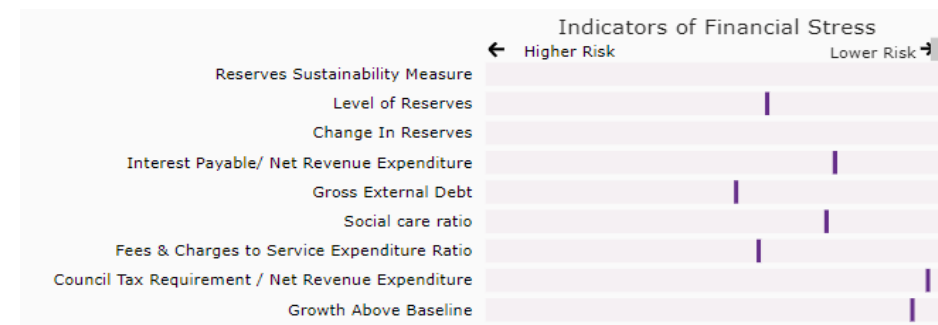
The capital programme also explicitly supports the Council's corporate priorities. There is a good level of reporting on the outturn against these programmes and how these have met or supported the four pillars of the Council's Corporate Plan.

In March 2021, the s.151 Officer produced a report, assessing the Council against the findings in the GT Public Interest Report at Croydon. This review concluded that overall, the council compared favourably to Croydon and that the authority compares well with others in that there is a good record in terms of the legacy authorities managing spend within their overall budgets. Furthermore, there are sufficient levels of reserves (both unallocated and earmarked), there is high member involvement in the budget setting process, and there is a strong Audit & Governance Committee. There has been a commitment to the quarterly monitoring of reserves as part of the 'Financial Sustainability Action Plan'

In addition, corporate contingency budgets, which are used to manage risk and uncertainty in the budget, have increased in line with the uncertainties resulting from the pandemic, and unused COVID funding has been transferred to create a reserve to further mitigate future unfunded and one-off costs.

The Council compares favourably to both its CIPFA nearest neighbours and other unitary authorities comparator groups in terms of its reserves position, and the CIPFA financial resilience index places the Council at the lower end of the scale on risk..

CIPFA Financial Resilience Index – Buckinghamshire Council 2020/21



Financial sustainability

As well as the provision of statutory services, Cabinet approve the decision to voluntarily contribute towards supporting additional discretionary spend. Approved during the year was additional discretionary spending on drainage, street cleaning, planning enforcement and climate change. These are considered priority areas, some of which are key to manifesto commitments, and climate change is seen as a high priority across the council (and is one of the four strategic priorities within the Corporate Plan). We note that there isn't a specific section within the budget setting out discretionary spending vs statutory spending. However, discussions with the Council indicate it takes a holistic approach to financial and service planning and that many discretionary services help with the delivery and cost effectiveness of statutory services. Savings or efficiencies are delivered from both statutory and discretionary services.

Managing risks to financial resilience

Risks are considered within the budget and MTFP. These include the risks of financial pressures meaning services cannot be fully funded. The Council is satisfied that its Medium-Term Planning process is a mitigating action to ensure the Council balances its budget and identifies savings that can be made. We have seen this, and also that the budget monitoring reports to CMT and to Directorate Budget Boards set out the assumptions behind the budget and the risks to the plan.

In addition, each lead portfolio member (Chair of the relevant committee) is closely involved in developing and setting the budget for their service area. Risks are discussed at length as part of this process. Overall, members are presented with a good understanding of the risks.

Also, it is set out within the Standing Financial Instructions that there must be monthly budget reporting and monitoring for each service, and within this it stipulates that variances must be reported and supported by an action plan on how this is to be managed by the year end. This also sets out that the savings tracker must be updated and include mitigating actions and key financial risks identified. Where it is forecast that, despite mitigating actions, expenditure is likely to exceed budget then the Corporate Director will "as soon as possible" report it to the relevant Cabinet Member

The Council also has a Treasury Management Strategy and an Investment Management Strategy. These both indicate the Council has a cautious approach to investments, seeking to minimise risk rather than prioritising investment returns. And whilst there are wholly owned subsidiary companies at the Council, the Council did not place reliance on income from these companies in the 2020/21 budget. This is also indicative of a cautious approach.

Our work confirms that the budget process is robust, that there is wide consultation across the Council in developing the budget and that challenge mechanisms are in place, from the CMT and from the scrutiny offered by the Budget Scrutiny Inquiry Group, in addition to the challenge provided generally by members.

Conclusion

Overall, the Council has a strong capacity to manage variances over the short to medium term. We are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have identified some opportunities for improvement. These are set out overleaf.



Improvement recommendation



Financial Sustainability

Recommendation	There should be a continued keen focus from the Council on identifying and agreeing savings over the next three years, to meet the shortfall identified in the Council's MTFP.
Why/impact	The Council has an obligation to achieve balanced budgets over the medium term. Whilst good work has gone into identifying this shortfall, it would have a significant detrimental impact on the Council's reserves position if savings are not implemented in time to address this shortfall.
Auditor judgement	Unless and until savings plans are successfully implemented, the Council will not achieve balanced budgets in all years.
Summary findings	Savings are identified by the Council as being required during the period of the MTFP. There has also been an identified gap of £1.36m in 2023/24 which cannot be met by savings, and is planned to be met from reserves.
Management comment	<p>Overall we agree and accept the recommendation that the Council needs to maintain a continued keen focus on identifying and agreeing savings over the next three years. This is a key part of our MTFP process where savings are identified and challenged. In addition monthly monitoring of the delivery of agreed savings is undertaken in year as part of our budget monitoring cycle.</p> <p>We are enhancing our monitoring of our 'pipeline' of future savings options and opportunities through additional reporting to CMT and Members commencing in April 2023. This enhancement has been brought forward, following another difficult MTFP period, where the Council has faced exceptional challenges around inflationary pressures and funding uncertainty.</p>



The range of recommendations that external auditors can make is explained in Appendix C.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Monitoring and assessing risk

The Council maintains a risk strategy which is set to be updated annually. This strategy aims to embed risk management into the culture of the organisation and manage risk in accordance with best practice. This strategy identifies, describes and quantifies an approach to risk scoring to be used across the Council. The risk scores are RAG rated and the risk scoring methodology is set out in this strategy, providing assurance that this should be consistently applied across the organisation. Risks are given an impact and a likelihood score, and there is a useful definition against each of the categories / scores.

There is a 'risk champion' in each of the Directorates. Each directorate has a risk escalation framework, but all use the Pentana system which ensures consistency of approach across the organisation. Each risk and each mitigation action has an owner responsible for it. Pentana prompts when these need to be reviewed. A quarterly risk report is provided to each of the Leadership teams.

There is a Risk Management Network which meets to discuss issues across the Directorates. This risk management group is a sub group of the Audit & Governance Committee and comprises three members of the Audit Committee (one of whom must be the Chair), s.151 officer, Monitoring Officer and Chief Internal Auditor. All members of the Audit Committee are invited to observe. The group is tasked with providing a review of the effectiveness and implementation of the Risk Strategy. This group has a standing item to consider one of the strategic risks on the Corporate Risk Register (in rotation), as well as undertake a deep dive on each of the Directorate Risk Registers in rotation. They also monitor the effectiveness of the escalation processes, of any updates to the Strategic Risk Register and undertake a monitoring of risk management action plans.

This ensures there is good oversight of risk at the Council.

Internal Audit is provided by a shared services team which includes specialist Council officers supported by Mazaars. The Internal Audit annual report contains the opinion of the Chief Internal Auditor and provides "reasonable assurance" on the adequacy and effectiveness of the Council's internal control, risk management and governance framework and an unqualified opinion regarding the effective, efficient and economic exercise of the Council's functions for 2020/21.

The 2020/21 internal audit plan was reviewed and updated several times during the year. A number of officers from the team were redeployed to support the council's response to Covid-19, and it was agreed that the continuation of "business as usual" within this team was not a high priority, and so the majority of audit and assurance activity was put on hold. The exception to this was the risk management activity to support the Covid-19 response, and the work within the Counter Fraud team which has been focused on the Business Rate Grants process.

Findings of counter-fraud investigations are reported to the Statutory Officers Group on a six-weekly basis, and this is also included in the updates provided to the Audit & Governance Committee. These updates set out all the work internal audit have completed in the quarter, the assurance ratings on each of their reports and the action plans in place against their recommendations, so there is good oversight of the work of this service.

In 2020/21 a total of 34 reviews were undertaken. 19 reviews resulted in an Internal Audit opinion on the effectiveness of the control environment. The remaining 15 were "other" assurance type reviews such as grant certifications or advisory/assurance work where an opinion was not provided but control weaknesses and or management actions may have been raised. There is a good acceptance of recommendations, with 90% of audit recommendations accepted by the client during the year. The Pentana management actions tracking system is fully embedded as a business management tool which is reviewed periodically by directorate leadership teams and CMT. All open management actions from each of the legacy authorities were carried forward from previous years into the new unitary organisation where they were reviewed and followed up for implementation.

Governance

Overall, we are satisfied that the procedures for drawing up the annual internal audit plan are sound and capture the relevant risks across the council. This is based on internal audit having a close integration with management. Internal Audit met with Corporate and Service Directors to review the risks and issues in their area and to jointly assess whether the level of internal audit work being carried out or planned remains appropriate. These meetings represent an opportunity to capture emerging issues and to discuss new or proposed legislation or regulations which will impact the Council. As the Internal Audit service is part of a London Audit Group and part of a Home Counties Audit Group, they use these interactions to check they have captured emerging issues within local government, including new legislation, and to determine whether these should be incorporated within their work programme.

The Public Sector Internal Audit Standards require an external assessment of the service at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. CIPFA have been appointed as the external assessor, however due to the pandemic this review could not be undertaken in 2020/21. In the interim, the Business Assurance Team carried out a self-assessment of its processes and were able to report compliance with the Public Sector Internal Audit Standards.

Budget Setting Process

The development of the budget is highly collaborative. The budget setting process has seven stages;

- An initial assessment of the likely impact of external changes to the previously agreed plans.
- A review of the deliverability and continued relevance of existing Directorate plans.
- The development of new Directorate proposals, incorporating the 'Better Buckinghamshire Reset and Recovery' improvement programme.
- A Leadership review of the Directorate proposals through a 'Check and Challenge' process.
- The refinement of proposals into a draft budget which is approved by Cabinet.
- A political 'Scrutiny committee' review of the draft budget
- Final approval of the budget and Medium term Financial Plan by Cabinet and Full Council.

Member portfolio groups do an initial sense check of the initial Directorate budgets. Each directorate has its own finance team, so these budgets should already have been subject to challenge by officers. There is a monthly update to CMT on the budget development process and progress. CMT provide horizon scanning and early challenge at this stage. These challenges include consideration of alternative proposals and scenarios.

The Corporate Management Team and Informal Cabinet receive reports on progress and the proposals made at the end of each development stage to ensure the widest support for proposals and to ensure the consistency of the proposals with the Corporate Plan and to consider any emerging changes to the planned budget.

Individual budget holders have clear roles and responsibilities. Services have their own finance teams. These worked with budget holders in designing the 2020/21 budget whilst in shadow. Proposed budgets are then submitted by Directorates. Corporate Finance developed guidance and produced budget templates to assist this process.

The budget setting processes at the Council are appropriate and in line with what we would expect to see for a Council of this size. There is a good level of ownership of and involvement in the budget setting and monitoring process, from budget holders, through executive directors and up to members.

Budgetary control

Budgetary control and monitoring is strong at the Council. As well as detailed budget monitoring reports prepared monthly for CMT, there are also budget monitoring boards for the main revenue spending areas, who also receive monthly reports. Budget Boards are officer meetings and are made up of key budget holders. The budgetary information provided is highly detailed, with extensive commentary provided on variances and a risk assessment against each line of the budget.

We are pleased to note that from 2021/22, these Directorate Budget Boards have been extended to cover all directorates.

During 2020/21, finance provided a monthly outturn to budget monitoring report. This went monthly to CMT and quarterly to Cabinet. This included tracking savings and had narrative commentary on these if they were not being achieved. These also provide information on spend against each Directorate's capital programme.

CMT and the monthly budget boards provide a good focus on finance. In addition the s.151 officer and Head of Corporate Finance have regular meetings with Cabinet portfolio holders to keep them briefed on budgetary issues. This provides adequate opportunity to identify and follow up on budget variances.

We are satisfied that Cabinet members have a good understanding of the budgetary information provided. Each Cabinet member is the portfolio holder for a service. As such, members were highly involved in the setting of their budgets, and are able to understand the detail contained within these reports.

The budgetary reports provided to Cabinet is very detailed. The MTFP also includes multiple appendices. However, this is in line with what we have seen at other authorities and provides enough information to inform decision making. There is not an excessive amount of detail as the budget information is at a relatively high level and stands alone, and detailed appendices can be reviewed on an 'as needs' basis.

There is also an annual Treasury Management Report made to the Audit & Governance Committee. This sets out the Council's strategy to focus on lower-risk investments utilising cash balances. The Council has a good liquidity position and has opted to utilise cash as internal borrowing to fund the capital programme, reducing overall borrowing costs, in preference to receiving low yield investment returns on surplus cash. This approach is prudent and represents a good use of cash balances.

Governance

Accounts production

In planning this work, we had identified a risk of a significant weakness that the requirement to produce draft accounts on time, which were free from major errors or omissions, had not been met.

The financial statements production and closedown processes for the year ended March 2021 have been subject to significant delay. The audit of the Council's accounts for the year ended March 2021 is still underway with the Council producing its latest set of accounts on 27 September 2022. We provided more detail below and on page 29.

The task of combining the accounts of the five predecessor bodies and producing the first year financial statements for the Unitary Authority was inherently difficult and challenging. Whilst the Council planned and engaged early in the process the lack of capacity and, in particular, continuity in the team responsible for producing the financial statements has resulted in significant delays. This was further compounded by the COVID 19 pandemic which meant that the newly formed finance team had to work remotely and manage a number of other immediate pressures.

We are satisfied the issues experienced by the Council have largely been due to capacity constraints and not due to a lack of skills or expertise. There are, however, a number of areas where the Council is overly reliant on individual members of the finance team, for example the collection fund and group accounts preparation. There is a risk that these areas could present the Council with ongoing points of failure if not appropriately resourced in the future.

It is difficult to determine whether the problems encountered in producing the financial statements for the year ended 31 March were as a result of external factors or as a result of significant weaknesses in arrangements. We are aware that the Council has taken steps to start to address the root causes of the difficulties encountered in producing auditable financial statements. This new arrangements will be subject to further review on the completion of the 2020/21 financial statements audit. Therefore we have not made any key recommendations, and we have made an improvement recommendation at this stage.

Leadership and committee effectiveness/decision making

Appropriate leadership is in place. The Council operates under a Leader/Cabinet system. Councillors are supported by the CMT which is headed by the Council's Chief Executive. The CMT is responsible for the overall leadership and management of the Council, for setting and monitoring overall strategic direction and for ensuring high performance in the delivery of council service. In addition, there are scrutiny committees which hold the Cabinet to account.

The work of the Council's committees is governed by the constitution. This constitution is scheduled to be regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council's website. We would expect the Annual Governance Statement to be read alongside the Council's constitution, which should set out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people.

However, the AGS was not formally agreed and in place during 2020/21. We have made an improvement recommendation on this.

There has been a good level of engagement with the local community and with stakeholders.

Monitoring and ensuring appropriate standards

The Monitoring Officer is the Council's deputy Chief Executive, who, alongside the Chief Executive is responsible for ensuring legality and promoting high standards of conduct in public office. The council asserts that they have arrangements in place to meet the relevant requirements of the CIPFA/Solace Framework.

Codes of Conduct for members and officers reinforce a public service ethos and high standards of behaviour. These are supported by more detailed guidance such as, Anti-Fraud, Bribery and Corruption Strategies, as well as Whistleblowing Procedures and a Procurement Code. The Monitoring Officer and Section 151 Officer both have specific responsibilities to ensure that Council decisions meet legal requirements.

The gifts and hospitality policy at the Council compares favourably with some others we have seen in that gifts and hospitality declined must be declared alongside that which has been received. This demonstrates a high level of standards of expected behaviour and of transparency.

We have identified an opportunity to strengthen these policies with a recommendation for a central register of members' interests. Currently, members interests are set out in their individual biographies on the website, but it is not possible to search interests by committee, party or ward.

CMT receive and review much of the information to be put to Cabinet and the Audit & Governance Committee in advance of those meetings. Scrutiny committees also fulfil a role in challenging decisions and request a high level of detailed information in preparing those challenges.

All decisions referred to members are set out using a template. That template includes legal and regulatory implications. This requires legal advice to be obtained or confirmed before all decisions are taken, to ensure decisions are appropriate.

The Council does have wholly owned companies and joint ventures. However, it is not clear that all members and officers acting in directorship / representative roles on these companies have had adequate training to ensure they fully understand their role and responsibility as a Council director/representative, and understand the potential for conflicts of interest.

There was oversight of these entities by a Property Board, which comprises Cabinet members and officers. This Board is tasked with reporting to Cabinet, but there only appears to have been an annual report to Cabinet and only on one of the entities, Aylesbury Vale Estates. We also note there were no specific internal audit reviews over either these entities or looking at the scrutiny and governance over these companies during the year.

We have made improvement recommendations on this.

Governance

Conclusion

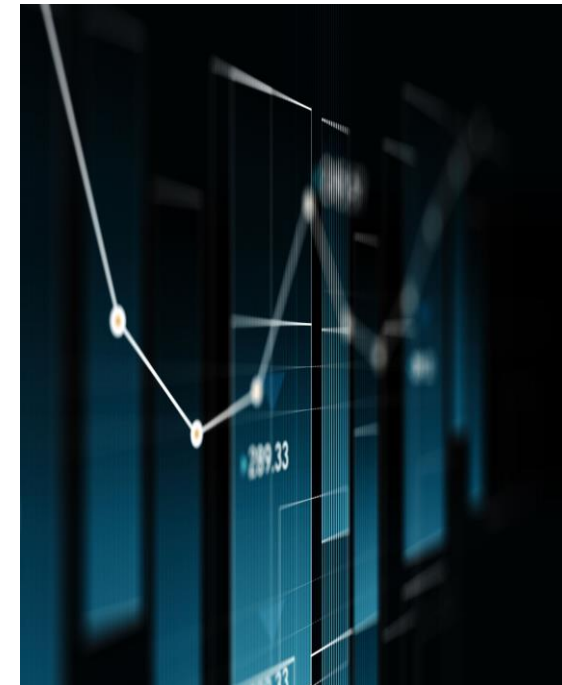
Overall, the Council has good policies in place to promote and maintain good standards of governance. We recognise a significant amount of work was undertaken in transition by the shadow authority to agree these policies and these appear to have operated effectively at the new Council. We have identified some opportunities for improvement, set out below.

Improvement recommendation



Governance

Recommendation	The Corporate Finance Team should be strengthened to enable a timely final accounts process. This will require close oversight over the coming months, and we may consider it necessary to elevate this to a significant weakness and a key recommendation if progress is not seen over that timeframe.
Why/impact	Draft accounts were provided late to the auditors, resulting in delays to the audit timetable and the signing of the accounts.
Auditor judgement	When accounts are provided late and not free from significant errors or omissions, this could indicate issues with the year-end close down procedures.
Summary findings	The close down process for final accounts was delayed and draft accounts were produced late. These accounts did not include all the required consolidations.
Management comment	<p>The challenges encountered with the 2020/21 accounts were when establishing an opening position and the associated work that went with this. In addition to this there has been resourcing issues as key staff leaving the Council has meant there was a lack of knowledge transfer from legacy Councils. This was compounded by overall shortage of experienced accountants in the recruitment market.</p> <p>We have now appointed to the Chief Accountants role and the Service Review for this area has been prioritised to be completed by end of March 2023. This Service Review takes account of Growing our Own which will strengthen the team to build its resilience. A dedicated team is working on addressing the audit queries for 2020/21 and preparation of draft statement of accounts for 2021/22</p>



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Governance

Recommendation The Annual Governance Statement (AGS) should be reviewed, updated and published on an annual basis

Why/impact This statement sets out the Council's assessment on the effectiveness of its arrangements in place. Best practice suggests this overall conclusion should also include an assessment of the organisation's compliance with the principles of the CIPFA Financial Management Code. It may not be clear to residents that this has been undertaken.

Auditor judgement The Council did not agree or adopt an AGS during 2020/21. The 2020/21 AGS was not agreed until March 2022.

Summary findings The AGS for 2020/21 was not formally agreed by the Council during the year.

Management comment The approval of the 20/21 AGS was delayed due to the Covid-19 response and also the delay in the preparation of the financial statements. The 20/21 AGS was agreed by the Corporate Management Team on 14th April 2022 and presented to the Audit and Governance Committee on 11th May 2022. The 21/22 AGS was presented to the Audit and Governance Committee in November 2022 and will be published in due course.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Governance

Recommendation Whilst interests declared by members are available on their individual biographies on the website, the Council should consider the creation of a central, online register of members' interests. This would enable a review of the interests by committee, party or ward.

Why/impact Having to check each member separately is piecemeal and makes it difficult to confirm the overall complexion of interests held.

Auditor judgement It is not immediately apparent if there are a number of interests or similar interests held by any particular committee or political grouping.

Summary findings A full register of members interests is not available online as a single document. Transparency could be improved by making this information available in a single place online.

Management comment Whilst the Localism Act requires the publishing 'a register', many local authorities use Mod.Gov which apportions interests 'per councillor'.

As interests are the councillor's, it makes sense that they are individual and would largely be particular to them (employment, land etc). I can see a 'search' might show how many have 'sponsorships', for example, so may have some statistical interest, but Mod.Gov does allow for register to made into a composite register to be searched. We could certainly add this to the website which lists the Councillor interests.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Governance

Recommendation Training should be provided for members and officers acting in directorship and/or representative roles on associated companies and joint ventures.

Why/impact Officers and members could be exposed to the risk of being accused of acting inappropriately if they have not received focussed training specific to these roles.

Auditor judgement There is a risk that conflicts of interest are not adequately identified and understood.

Summary findings It is not clear that adequate training has been provided for those working with associated companies. There is a risk of role confusion.

Management comment Training took place on 23/09/22 and involved directors, members of the shareholder committee and advisors to the committee. This covered roles and responsibilities as well as best practice in running a company. Training requirements for any new directors will be considered by the Service Director for Legal Services. Furthermore, conflicts of interest guidance for officers and members becoming directors has been produced based on national best practice and recent local government inspections. This was discussed at the Shareholder Committee meeting on the 12/10/22 and formally to be adopted by the Committee in January 2023.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Governance

Recommendation There should be regular reporting to TCWG of the activities and financial plans and performance of associated companies.

Why/impact There is a risk of reputational damage or financial loss to the Council if companies are not performing or operating as expected.

Auditor judgement Whilst the Property Board, established on vesting day, did undertake oversight of associated companies, this scrutiny could be improved with more regular, formalised reporting to Cabinet.

Summary findings There was not formalised, regular reporting to TCWG on the companies associated with the Council.

Management comment Cabinet agreed to the setting up of a Shareholder Committee (sub-committee of cabinet) on 29/03/22 to review and scrutinise the governance arrangements, financial plans, activities and performance of the Council's companies and joint ventures. The first meeting was held on the 19/07/22 and meets quarterly. Terms of Reference were agreed at this meeting. To date the existing business plans and financial position have been reviewed and the Committee will receive updated business plans prior to the start of the next financial year. Furthermore, there was a deep dive around the finances of Consilio at its meeting on the 12/11/22. The shareholder Committee will report back to Council on at least an annual basis.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation



Governance

Recommendation Internal audit should consider whether work on associated companies should be included within the annual audit plan.

Why/impact There is a risk that there is insufficient scrutiny and oversight over companies closely associated with the Council.

Auditor judgement Whilst internal audit may not deem there to be sufficient risk to include this within the plan, consideration of the risk, both reputational and financial to the Council should be included within the internal audit planning cycle.

Summary findings No reviews of associated companies were undertaken by internal audit during 2020/21.

Management comment An internal audit review of the Council's companies and joint venture will be included in the audit annual plan for Q1 2023/24. This will allow for recent enhancements / changes to be implemented.



The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance review, monitoring and assessment

The Council's Corporate Plan was established at the formation of the new authority. This sets out the four key 'priority objectives' of

- Strengthening our communities
- Improving our environment
- Protecting the vulnerable
- Increasing prosperity.

These four objectives are high profile and referred to throughout most of the key strategic documents and reports presented to members, including the budget, capital programme and MTFP.

The shadow organisation had a Performance Framework Document in use which set out the starting point for agreeing the indices and key performance indicators (KPIs) for the new unitary. The implementation of reporting on these KPIs to TCWG was slightly delayed by COVID, but was in place for reporting to Cabinet by November 2020.

There are quarterly performance reports to Cabinet which track the outcomes of Council activities. These are set out against key performance indicators and include detailed commentaries on associated risks, achievements and other issues. These reports also highlight remedial actions being taken where slippage does occur. The report is set out by members' portfolios, and they present their KPIs with a verbal report to Cabinet, which helps ensure members remain focused on agreed objectives and priorities.

These KPIs are well contextualised. They are categorised as red, amber and green, and in addition, "not due to be reported", which is KPIs the Council will be reporting, but on which they don't currently have the data (as a new organisation, the data has either not yet been collected or comparator data is not applicable). It is good to see this level of transparency and discussion on areas which will be subject to a high level of oversight in the future. Benchmarking information is included within the Cabinet report. Benchmarking analysis is also used to inform the setting of targets set against these KPIs.

Whilst the overall performance report goes quarterly to Cabinet, services also look at their own KPIs more regularly. The quarterly performance report is signed off in advance by each Directorate to confirm the data is accurate. It is then also seen by CMT before it is presented to Cabinet. So, there is regular oversight over performance data, which provides comfort over the accuracy of the data being used by and presented to Cabinet.

KPIs and targets are due to be reviewed annually and members were highly involved in developing and reviewing these at the end of 2020/21. They have used the prior full year's data as a basis for consideration as to whether the KPIs were useful, relevant and timely. This, and the setting of the indicators and targets displayed against each KPI, is signed off by Cabinet.

During COVID, the Business intelligence Team was asked to develop weekly KPIs. This was specifically requested by the Chief Executive. These outturns were accompanied by a detailed service data commentary. Some services have maintained these additional weekly dashboards eg client transport asked to have this in response to a high number of complaints and enquiries. ASC also receive weekly data. So this level of performance reporting can be made available on request, and the Business Intelligence function has shown itself to be dynamic and reactive to the needs of the users of the data it produces.

Overall, we are satisfied that KPI, benchmarking and other performance reporting is strong at the Council

Improving economy, efficiency and effectiveness

The Council has an ambitious capital strategy which was created by amalgamating the existing plans of the five legacy Councils. The capital programme sees £569m scheduled to be invested over the 4 years to 2024/25. The Council's long-term capital investment is underpinned by the objectives of the Corporate Plan. So assets held (or built) by the Council must fall into specified categories linked to the Corporate Plan. This overall capital programme is agreed by Cabinet on an annual basis and the reporting on this provides updates on the progress against the plan, costs, sources of funding and the progress of key projects.

Each Directorate reports its capital and revenue spend associated with the capital programme to its Directorate Budget Board monthly. CMT then sees an amalgamation and summary of these reports. Reports on individual, large capital projects are also regularly presented to Cabinet.

There are also four Capital Boards. The Corporate Investment Board (CIB) takes an overview of the capital programme. This is informed by three boards which sit below the CIB covering Property, IT and Highways. (schools fall within property). There is a gateway process for the release of capital funds. An outline then full business case must be produced if bidding for capital expenditure. If each stage is approved, then a detailed project plan is submitted for approval. This is to minimise unnecessary expenditure on speculative early design proposals. Approvals are then granted by the relevant Boards. This is supported by the Capital Project Manager, who sits within Corporate Finance.

We are satisfied that there is a good level of oversight of the overall capital programme and of individual capital projects.

Service evaluation

There was an inadequate rating in place from the most recent [2018] Ofsted review of children's services at the predecessor County Council. We have seen there is an improvement plan in place, and there is regular monitoring of progress against this plan. Updates against the plan were considered by Cabinet twice during the year, who were provided with progress reports. These reports showed progress against performance measures which are RAG rated. However, the main oversight rests with an Improvement Board which met monthly throughout the period. The Chief Executive attends these meetings and states there is sufficient challenge over the work being done. The Chief Executive also has one-to-one meetings with the Director of Children's Services and receives weekly KPIs on the service. The Improvement Board papers are available to CMT for an additional layer of challenge.

The improvement plan was updated in May 2020 in light of the impact of the pandemic. Whilst there has been some progress over the year, it is acknowledged there is still scope to improve the service. This need to improve has been confirmed by an Ofsted rating of 'requires improvement' which was reported in December 2021. Although this represents an improvement from the previous 'inadequate' rating further action is still required in key areas such as: the support provided to children who present as homeless; and the need for social workers to maintain consistent and regular contact with our children. This must be reflected here as a significant weakness in arrangements. We have made a key recommendation on this.

We understand one of the challenges faced by the Children's Services Directorate has been staff recruitment and retention. We are pleased to see one of the Council's initiatives to address this has been the creation of a 'Social Care Academy'. This has been set up to bring in cohorts of trainee social workers in groups of 20. The intention is to train them to qualified social worker status. Whilst the Council will incur the up front costs in running this academy, the intention is to save on agency costs later.

We have also seen good oversight of other reports from regulators. There have been CQC reports on other Council services, and we have seen action plans which were put in place after these inspections.

Overall, we are satisfied the Council has good arrangements in place to monitor and assess its response to regulatory findings.

Improving economy, efficiency and effectiveness

Partnership working

For transition to Unitary there was a workstream called 'Strategic Partnerships for the Transition. There was an established Strategic Partnership Board for Day 1, and this was operating in shadow, to enable ongoing communications with stakeholders, including newsletters as well as ongoing meetings. There has always been a lot of focus on the voluntary sector, and now the authority is working with c 2,400 charities.

During 2020/21 the Council mapped where their partnerships were working and mapped the key influencers within partnership arrangements. This is good as we have not seen at many other authorities this corporate 'map' of partnerships or a corporate understanding of all the partners working with the authority, as arrangements elsewhere have evolved organically over time. Here, the shadow body had the chance to do this mapping and assessment at its outset.

There Council has in place four strategic partnership boards. These are

- i. The Buckinghamshire Safeguarding Children Partnership
- ii. The Buckinghamshire Safeguarding Adults Board
- iii. The Buckinghamshire Health and Wellbeing Board (encourages joined up health and care services)
- iv. The Safer Buckinghamshire Board (sets out a community safety plan and monitors its progress)

A joint chairs protocol is in place across these four boards to support effective joint working. The joint chairs meeting, chaired by the Bucks CEO, meets three times a year to identify synergies, cross cutting themes and learning opportunities. They are joined by NHS and police representatives, as well as the Adults and Children's Corporate Directors. This was set up in early 2020 and is scheduled to be reviewed and updated annually. This was operating in shadow, so it was here they thought about the risks and opportunities for working with partners in the move to unitary status.

Boards are also tasked with maintaining strong links with other strategic groups, including for example the Police and Crime Commissioner Panel, the Children and Young People's Partnership, the Voluntary Sector Recovery Board and the Local Enterprise Partnership Board. These workstreams helped identify the active partnerships in place, enabled communication to partners and identified what was already working well and what would and wouldn't need to change under unitary. They also identified that not all arrangements needed to move to the county wide new unitary, some were better off remaining at a district level.

Through this, there is good oversight of the bodies that work together on/with these boards.

There is an officer steering group, which supports the four Strategic Partnership Boards. This meets monthly. This group develops briefing materials and collates metrics and evidence to assist with the Board's work. There is a significant amount of information and intelligence sharing between these Boards, and each produces an annual report and work plan and monitors and reports on progress, impacts and outcomes. This is reported to the Communities and Localism Select Committee. Members either Chair or participate in partnership bodies, so they are well networked across partnership arrangements. CMT also include partnership conversations in their weekly meetings.

The Council has also set up 16 Community Boards. Each of these Boards has a Chair and an additional member from the Council. Town and Parish Councils, voluntary sector, health, fire and police colleagues all sit on these Boards. The work done by these Boards during transition meant they had a good local understanding and were able to help establish practical support within 2 days of the pandemic lockdown. The Council put in place Community Board area coordinators who could work in tandem with the pop-up community groups which emerged in the pandemic.

Partnership working is a key theme running through the Corporate Plan and working with partners is mentioned throughout. In reading the plan, these aims and aspirations are clear.

We are satisfied that the Council has taken appropriate steps to identify and design its role with significant partnerships.

From the Corporate Plan 2020-2023

Getting involved: community boards

Community boards enable a focus on local solutions. There are 16 boards across the county. They bring together councillors and local communities to help solve local issues, take local decisions and influence local service design and delivery.



Improving economy, efficiency and effectiveness

Procurement

As there had been variability of contract management approaches across the previous legacy Councils, a Supplier Management Group was established. This is a steering group that looked at Supplier Relationship Management and identified areas for improvement. This group aims to promote consistent and high-quality Supplier Relationship Management across the organisation, maximise value for money, promote social value and understand and promote supplier resilience.

In order to develop a new positive culture and ensure a high level of assurance, a Strategic Procurement Team was also set up. This team has provided training on several areas. This level of training is above what we have seen at some other Councils and covers:

- Understanding Procurement training
- ProContract e-Sourcing Tender portal training
- Contract Management Development training
- Contract Management Application (CMA) training
- Modern Slavery in the Supply Chain training
- Best Practice Self-Assessment training

Procurement rules form part of the standing financial instructions contained within the Constitution. The general procurement rules require all contracts over £25k to be subject to competition. Waivers are permitted in certain circumstances. These waivers must be authorised by the s.151 officer, Chief Monitoring Officer, relevant Corporate Director and relevant Cabinet Portfolio holder. Any such contract waivers or breaches are regularly reported to Audit and Governance Committee. This report sets the highest and lowest value waivers in the period, together with a commentary on why these were used.

There is a Supplier Management Policy in place which forms part of the Council's Commissioning Model and provides best practice guidance on the processes that are to be followed to enable effective management of contracts. The Supplier Management Policy specifies the mandatory documents and data fields that should be populated on the Contract Management Application (CMA) system for each contract. This includes setting out the contracts that should have a Best Practice Self-Assessment (BPSA) carried out on an annual basis. Contracts with suppliers where there is an ongoing relationship and who have an aggregated value of £5k or more must be entered on the CMA. All contracts held on CMA are segmented according to the annual spend and criticality, looking at risk and supply threats of the product or service supplied.

The 'Best Practice Self-Assessment' is how contract managers evidence their performance management of contracts, and these assessment reports include a range of information that considers performance evaluation, as well as KPIs and relationship structure. These represent an annual assessment of major contracts.

Based on the information we have reviewed, the Council appears to have a comprehensive system to consider and maintain an ongoing review of risks and rewards of outsourced and contracted arrangements.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. We have identified one significant weakness, set out below.

Key recommendation

Improving Economy, Efficiency and Effectiveness

Recommendation	There should be a continued and acute focus on the children's services improvement plan. Work must continue to highlight the traits of a good service with an ongoing gap analysis of the performance of the Council against these traits.
Why/impact	Any system failure in children's services is likely to have a devastating impact, both to the service users and to the Council staff involved as well as to the reputation of the Council.
Auditor judgement	An Ofsted inspection was concluded in December 2021 and the Council was rated as 'requires Improvements'. The Council must continue to focus on providing a service which meets the needs of its clients and will demonstrate that the improvements in the plan have been implemented.
Summary findings	An Ofsted rating of 'requires improvement' was reported in December 2021, although this represents an improvement from the previous 'inadequate' rating further action is still required in key areas such as: the support provided to children who present as homeless; and the need for social workers to maintain consistent and regular contact with our children.
Management Comments	<p>In February 2021, Ofsted conducted a Covid Focused Visit in Buckinghamshire and inspectors evaluated the quality and impact of key decision-making in the following practice areas:</p> <ul style="list-style-type: none"> • children in need of help and protection • children in care and care leavers • impact of leaders. <p>Inspectors specifically looked at what had happened for children and families during the 6 months prior to the visit in order to understand children's experiences and review our local response to the pandemic. The full report can be found here; however, a summary of the findings are shown on the next slide:</p>



The range of recommendations that external auditors can make is explained in Appendix C.

Key recommendation



Improving Economy, Efficiency and Effectiveness

Management Comments (continued...)

- Strong partnership arrangements have ensured the provision of support to the most vulnerable children in Buckinghamshire throughout the pandemic.
- Leaders have an accurate understanding of the service and have maintained a firm focus on doing the best for children and families.
- The recruitment and retention of a stable workforce rightly remain the top priority in the local authority's improvement plan.
- The council has provided additional financial investment to enable the service to respond to the growing challenges for those families who have been affected.
- The Multi-Agency Safeguarding Hub (MASH) provides a proportionate response to initial concerns about children.
- Threshold decisions about the provision of early help are proportionate, and transfers between early help and children's social care are managed well.
- Most children are visited in accordance with their needs; however, despite improving practice in this area, visiting is not always timely for some children.
- The local authority and schools have worked together well since the start of the pandemic.
- Children in care have continued to make some progress despite the challenges presented by the pandemic. Most live in stable homes that meet their needs, with carers who are committed to them.
- Care leavers benefit when they have established relationships with personal advisers, but this is not always possible given changes in the workforce. For some, this negatively affects the progression of their plans.
- Although management oversight is now routinely evident on children's files, actions arising are not consistently followed up, leading to delays in some children's plans being progressed.
- Audit and quality assurance activity needs to be embedded and completed alongside practitioners to drive quality of practice.

Overall, we are pleased with the feedback and the recognition given from Ofsted on the progress made during the last year despite the unprecedented challenges faced. That being said, the service has a clear plan in place and is working at pace on the areas of improvement identified.



The range of recommendations that external auditors can make is explained in Appendix C.

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how local government services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

The impact of COVID-19 has cut across the Council, impacting both its income, for example in the collection rates of Council Tax and Business Rates, and notably a significant fall in its sales, fees and charges income. The risk to income from commercial tenants has been mitigated by the fact all outstanding rent arrears have been chased via telephone and will receive follow up letters, giving better assurance that projected losses are in line with COVID loss reporting. A Rental Arrears working group meets fortnightly to review the position and progress.

Expenditure by the Council has seen additional pressures, most notably on adult social care.

The additional funding offered by government to offset the impact of COVID-19 was critical. The impact on cash-flow was favourable as the government funding in respect of business grants, general allocation and the Council Tax hardship fund was received in advance of the spend and covered both lost income and additional expenditure incurred.

The Council has maintained a good oversight of its COVID-19 related costs and income losses. These were identified early on and subject to detailed monitoring and scrutiny, with budget reports showing separately COVID related impacts on budget variances and business as usual impacts on budget variances.

The four year MTFP was set aside during the year and the Council reverted to a one year budget. This was because the first thing they did as a new council was respond to COVID, so their previous financial planning and MTFP were perhaps not as helpful as other authorities found them to be. We do not think this is indicative of a significant weakness in arrangements, and there was a transparency of communication on this decision between members and officers.

Despite the 'cushion' of emergency COVID funding from government, the Council expects financial pressures to be ongoing. Whilst it has set a balanced budget for 2021/22, with savings and efficiencies built in, the Council will undoubtedly need to maintain a high level of monitoring and scrutiny over its finances in order to achieve this budget.

Governance

With the new Authority emerging during the start of lockdown the Council was in emergency mode for the first quarter of 2020/21. In addition, the election scheduled for May 2020 was postponed, meaning the Council had some 200 members. This involved an intensive period of moving everyone to and training them on Teams. Minor constitutional changes were also required as members had to register questions in advance, which required changes to the standing orders. These were done in good time to enable the first remote meetings to function.

The Council also had to implement remote voting to ensure committees and full Council meetings could go ahead.

Additional risk management was put in place during the year. Financial risks caused by Covid were included within the directorate risk registers and/or the Covid-19 response cell in added to risk registers. In addition, a significant proportion of the internal audit resource during 2020/21 was used to provide assurance over the Covid-19 grants received from central government.

Additional measures were put in place to monitor the grant income being received from central government. Internal Audit also provided quarterly reporting to central government on specific Covid-19 grants that are administered by the Revenues and Benefits Team. A Covid-19 Grants Register that reported to each Directorate Budget Board and then to CMT on a monthly basis was put in place to enable clear and complete oversight of all Covid-19 grant expenditure by the Council

As the authority was formed at the start of the pandemic, internal audit were not required to audit any adaptations to finance systems, as the new, unified systems were appropriate in responding to the pandemic. Instead, they focused on the risk management side of adapting to Covid.

The 2020/21 internal audit plan was reviewed and updated several times during the year. A number of officers from the team were redeployed to support the council's response to Covid-19, and it was agreed that the continuation of "business as usual" within this team was not a high priority, and so the majority of audit and assurance activity was put on hold. The exception to this was the risk management activity to support the Covid-19 response, and the work within the Counter Fraud team which was focused on the Business Rate Grants process.

COVID-19 arrangements

For Bucks council grant funding, there was a grants register in place. There was a monthly review of this by CMT to consider whether the grant was spent on agreed, critical activities only and to consider plans for any underspend. This was to consider and try to reduce the risk of subsequent clawback.

All returns and reconciliations to Government were subject to review/ approval from the relevant Corporate Director and the finance Service Director to ensure the accuracy of financial positions being reported and that all activities were factored into the returns.

As well as this monthly CMT review, some grants were subject to additional deep dives with Business Assurance, Heads of Finance and Lead officers reviewing and reporting back to the CMT Budget Board. This was based on the materiality of the grants and scale and reach of the schemes.

Internal audit have carried out a number of grant validation reviews and were able to provide assurance that grants were being spent in line with their terms and conditions. However, the team did investigate potentially fraudulent business grant applications and identified 10 to be considered for prosecution, with four cases being put forward.

Overall, internal audit did not identify any serious weaknesses in internal controls as a result of COVID processes or challenges over the course of the year.

Improving economy, efficiency and effectiveness

The Council has been mindful of the impact of the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Council. In aiming to support staff wellbeing, the Council has been able to maintain an efficient and effective delivery of its statutory services.

All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working has continued throughout the pandemic and there has been a good level of continuity of service. Enabling staff to work from home also supported the Council in protecting its frontline staff and residents by reducing the risk of virus transmission. PPE was also sourced and provided to all Council staff where this was deemed necessary.

The Council maintained a high level of performance monitoring during the pandemic, with quarterly performance reports provided to the Audit & Performance committee and additional weekly reporting on some KPIs. Partnership working with community partners increased during the pandemic. This was set out in the reporting to those charged with governance. The Council has been working closely to maximise support to communities and has given grants to support the pandemic response and recovery.

Conclusion

Our review has not identified any significant weaknesses in the Authority's VFM arrangements for responding to the Covid-19 pandemic.



Opinion on the financial statements



Audit opinion on the financial statements

Our audit of the Council's financial statements is on-going and we are not in a position to determine whether we can issue an unmodified opinion. The issues causing the delays in our audit are detailed on pages 14 and 28. We have raised an improvement recommendation with regard to account production.

Preparation of the accounts

2020/21 is the first set of unitary council financial statements for Buckinghamshire Council. The Council had planned to provide draft accounts at the end of July 2021, in advance of the national deadline of 31 August 2021, however draft accounts were not provided until 5 October 2021. The draft financial statements provided for audit were not complete, with significant elements missing – including the Statement of Cash Flows (a core financial statement), group accounts, the expenditure and funding analysis, and grants disclosure. The Balance Sheet was also missing brought forward balances in respect of the Unitary's plant, property and equipment, such as accumulated depreciation and revaluation reserves. Our technical review of the draft accounts identified many areas of the financial statements and notes requiring investigation and/or rectification by Finance. The audit team worked with Finance to identify areas of the that could be progressed, such as review of the fixed asset register and IAS 19 testing, whilst the draft accounts were being updated but the trial balance was not available until early October, which held up much of our substantive testing.

Since October 2021 there have been many iterations of the draft accounts, with the most recent version provided to audit in September 2022, version 15. In this revised set of

accounts the Council's net expenditure position in the Comprehensive Income & Expenditure statement reduced by £23.548m (from £64.9m in the original draft accounts to £41.352m). This change has meant that the audit materiality has been revised to £15.3m from £17.9m. Significant movements in the Balance Sheet see the net assets position increase by £30m (from £925.675m in the original draft accounts to £955.707m) – changes relate mainly to:

- Short term investments – decrease of £58.266m
- Assets held for sale – increase of £9.923m
- Available for sale financial assets – increase of £48.888m
- Cash & cash equivalents – increase of £26.9m
- Short term trade & other payables – increase of £15.963m
- Long term trade & other payables – decrease of £6.993m

We have carried out a further technical review on version 15 of the accounts and the Finance team is working through issues raised.

Issues arising from the accounts

Our work is ongoing at this time and we have not yet issued our 2020/21 Audit Findings Report. Significant findings and adjustments to date include:

- Exclusion of group accounts from the 2020/21 draft accounts
- Exclusion of brought forward balances in relation to plant, property and equipment (accumulated depreciation and revaluation reserves)
- Many errors in the Collection Fund leading to a revised Collection Fund being prepared for version 15 of the accounts
- Bank reconciliation including many reconciled items and incorrectly classified debtor and creditor balances
- Grant income transaction listing not fully reconciled to the accounts until June 2022

One area that has caused significant delay is the quality of transaction listings shared with audit. We have worked closely with Finance to:

- Ensure listings agree to the disclosed amounts in the accounts
- Ensure listings are cleansed of contra entries that do not impact on year end balances

Other key findings

We have not, to date, identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report, Annual Governance Statement or the Pension Fund financial statements.

Audit Findings Report

Our 2020/21 Audit Findings Report has not yet been issued. We aim to present the report to the February 2023 Audit & Governance Committee meeting.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We will complete our work on the Whole of Government Accounts consolidation pack in due course, upon completion of the 2020/21 financial statements audit.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair;
- Prepared in accordance with relevant accounting standards; and
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

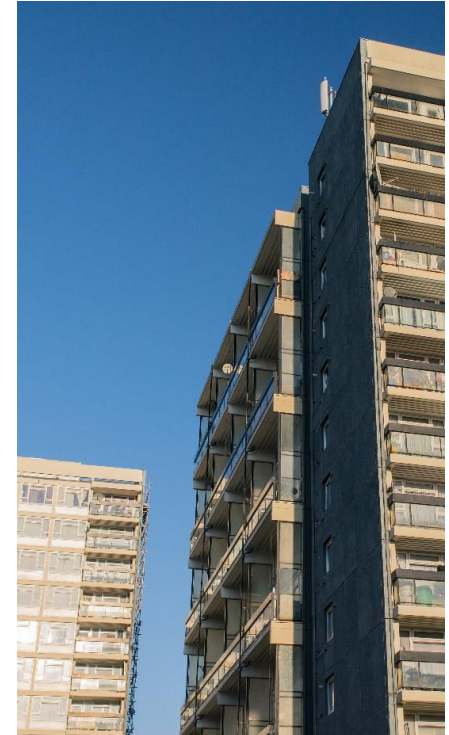
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
The predecessor County Council received an inadequate Ofsted rating in respect of Children's Services.	Reviewed progress against and actions taken as part of the Improvement Plan. Discussed this with Senior Officers.	Whilst improvements were noted during the year, both by the Council and in Ofsted monitoring visits, and a focussed visit during 2020/21, the inadequate rating remained in place during the year.	This has been reported as a significant weakness, as the regulator has not issued a changed rating.
The Corporate finance function had not produced draft accounts on time which were free from significant omission.	Liaised with the financial statements audit team to consider whether this was indicative of a significant weakness. Discussed this with senior officers at the Council.	Whilst there are resource constraints within this team, we are satisfied this is a capacity issue, not a result of a lack of expertise. The inability to recruit permanent members of staff to Council finance teams has been seen at a number of other authorities.	Our conclusion is that this is not a significant weakness. We have made an improvement recommendation in respect of this.

Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference	
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	X	
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	FS Governance	XX-XX XX-XX





Report to Audit and Governance Committee

Date: 1st February 2023

Reference number: N/A

Title: Treasury Management Strategy 2023/24

Relevant councillor(s): Cllr John Chilver, Cabinet Member for Accessible Housing and Resources and Cllr Timothy Butcher, Deputy Cabinet Member for Accessible Housing and Resources

Author and/or contact officer: Julie Edwards

Recommendations: The Audit and Governance Committee are asked to recommend the Council's Treasury Management Strategy Statement (TMSS) for 2023/24 to Council to agree at its meeting on 22nd February 2023.

The Audit and Governance Committee are asked to recommend the operational boundary for external borrowing, the authorised limit for external borrowing, the maturity structure of borrowing, the upper limit for principal sums invested for longer than 365 days and the liability benchmark to Council to agree at its meeting on 22nd February 2023.

Executive summary

1.1 The Council is required to approve a treasury management strategy statement before the start of each financial year. The table below is a summary of the Council's borrowing position:

£000	1st April 2020	31st March 2021	31st March 2022	30th Dec 2022	31st March 2023	31st March 2024
PWLB ¹	333,193	286,459	279,638	263,692	262,728	255,728
LOBO ²	30,000	30,000	30,000	30,000	30,000	30,000
Total	363,193	316,459	309,638	293,692	292,728	285,728

¹ PWLB Public Works Loans Board. The PWLB is a statutory body, part of HM Treasury; its purpose is to lend money to local authorities.

² LOBOs Lender Option Borrower Option. LOBOs are long-term borrowing instruments which include an option for the lender to periodically revise the interest rate. If the lender decides to revise the interest rate, the borrower then has the option to pay the revised interest rate or repay the loan.

1.1 The treasury cash (investments) position is summarised below:

£000	31st Dec 2021	31st March 2022	30th June 2022	30th Sept 2022	31st Dec 2022	31st March 2023	30th June 2023
Term Deposits					-		
UK Banks	5,000	5,000	15,000	15,000	5,000	20,000	20,000
Overseas Banks	5,000	10,000	10,000	20,000	30,000	20,000	20,000
Building Societies	-	-	10,000	10,000	-	10,000	10,000
Local Authorities	113,000	103,000	70,000	75,000	65,000	55,000	45,000
UK Government	-	-	23,300		24,200	10,000	40,000
	123,000	118,000	128,300	120,000	124,200	115,000	135,000
Instant Access							
MMF	62,360	37,815	78,750	53,510	52,060	43,800	65,100
Property Fund							
CCLA	21,418	22,923	24,122	23,098	19,522	19,522	19,522
Total	206,778	178,738	231,172	196,608	195,782	178,322	219,622

1.2 The Council continues to pursue a strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, to reduce risk and keep external financing costs low. The Council will continue the strategy of internal borrowing while it makes sense to do so. In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but the Council will also consider investing for periods of up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated. The Council is considering opportunities for investments with longer exposure, but also ensuring that there is sufficient liquidity to meeting any short-term significant costs that may arise.

- 1.3 The Bank of England's Monetary Policy Committee made clear at its November 2022 meeting that further rate increases are in the pipeline and markets expect Bank Rate to peak at 4.5%-4.75%. Investing in 2023/24, is therefore likely to be conducted, first, in a rising interest rate environment, but also - potentially - a falling interest rate environment at the back-end of the financial year, depending on how quickly inflation falls back and how growth performs.
- 1.4 The Council's main objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The continuation of the Council's strategy of using surplus cash instead of external borrowing, keeping external financing costs low. The Council is actively reviewing opportunities for rescheduling long term debt.
- 1.5 The only proposed change to the 2023/24 TMSS compared to the 2022/23 TMSS is to amend the section for investments with other local authorities so that the investment can only be placed with the prior approval of the Council Leader or deputies in the case of leave, the Chief Executive and the Service Director of Finance. Furthermore, if a local authority that the Council has invested in subsequently issues a section 114 or is given a capitalisation directive, or any other untoward financial event experienced by an authority who the Council held an investment in will be reported to the Audit and Governance Committee at the earliest opportunity.

Content of report

- 1.6 In line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management and the Council's Financial Procedures (part of the constitution), this Council is required to submit a treasury management strategy statement for the following financial year to the Audit and Governance Committee to consider on 1st February 2023, prior to the Council agreeing the strategy at its meeting on 22nd February 2023. The draft Treasury Management Strategy Statement for 2023/24 is attached as Appendix 1 to this report. The strategy for 2023/24 covers 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.
- 1.7 The Code of Practice defines Treasury Management as: The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. Treasury management is conducted within the framework of the Chartered Institute

of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code).

- 1.8 The treasury management function ensures that the Council’s cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council’s capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The Council is asked to approve the following limits to borrowing activity:

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed.

Operational boundary £m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	320	410	410	410
Other long-term liabilities	7.5	7.5	7.5	7.5
Total	327.5	417.5	417.5	417.5

- 1.9 **The authorised limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be approved by full Council. If there is a possibility that the Council is likely to exceed the agreed authorised limit, then full Council approval would be required in advance. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Authorised limit £m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/25 Estimate
Debt	420	510	510	510
Other long-term liabilities	10	10	10	10
Total	430	520	520	520

- 1.10 **Maturity structure of borrowing.** These gross limits are set to reduce the Council’s exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Maturity structure of borrowing 2023/24		
	Lower	Upper
Under 12 months	0%	18%
12 months to 2 years	0%	20%
2 years to 5 years	0%	17%
5 years to 10 years	0%	36%
10 years to 20 years	0%	34%
20 years to 30 years	0%	34%
30 years to 40 years	0%	32%
40 years to 50 years	0%	20%
More than 50 years	0%	12%

- 1.11 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 1.12 The only proposed change to the 2023/24 TMSS compared to the 2022/23 TMSS is to amend the section for investments with other local authorities so that the investments can only be placed with the prior approval of the Council Leader, the Chief Executive and the Service Director of Finance or deputies in the case of leave. Furthermore, if a local authority that the Council has invested in subsequently issues a section 114 or is given a capitalisation directive, or any other untoward financial event experienced by an authority who the Council held an investment in will be reported to the Audit and Governance Committee at the earliest opportunity.
- 1.13 The Council is asked to approve the following treasury indicator and limit for the total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

Upper limit for principal sums invested for longer than 365 days			
£m	2022/23	2023/24	2024/25
Principal sums invested for longer than 365 days	£25m	£25m	£25m
Current investments on 31 st December 2022 in excess of 1 year maturing in each year	£0m	£10m	£0m

1.14 CIPFA published revised Treasury Management Code and Prudential Code on 20th December 2021 which is required to be formally adopted in the 2023/24 financial year. The revised Code includes a requirement for the Council to adopt a new prudential indicator for the debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement. The Council's Liability Benchmark chart for the following 10 years is attached as Appendix 2. It show the existing loans debt outstanding, the loans Capital Financing Requirement, the net loans requirement and the liability benchmark. The liability benchmark is the net loans required plus the short-term liquidity allowance. Any years where actual loans are less than the benchmark indicate a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position. Buckinghamshire Council's liability benchmark tracks closely to the net loans requirement over the forthcoming years.

Legal and financial implications

1.15 The publication of an annual strategy, a mid-year treasury report and an annual treasury management report conforms to best practice as required by the Code of Practice CIPFA Treasury Management in the Public Services. A quarterly updated is reported to the Treasury Management Group.

Corporate implications

1.16 There are none.

Treasury Management Strategy Statement 2023/24

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

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

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities. Investments held for service purposes or for commercial profit are considered in the Capital and Investment Strategy rather than the Treasury Management Strategy document. This will cover in detail the capital plans for the Council (including the capital related prudential indicators), the minimum revenue provision (MRP) policy and non-financial investments (such as Property).

1.2 Reporting requirements

1.2.1 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
 - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - an investment strategy, (the parameters on how investments are to be managed).

- b. **A mid-year treasury management report** – Receiving this report is delegated to the Audit and Governance Committee, it is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

- c. **An annual treasury report** – Receiving this report is delegated to the Audit and Governance Committee, it is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.3 Treasury Management Strategy for 2023/24

The strategy for 2023/24 covers:

- 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.

These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Members of the Audit and Governance Committee attended a Treasury Management training session in November 2022 and further training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

Representatives from the Council's treasury management advisors have also met and discussed treasury management activities with the Cabinet Member for Accessible Housing and Resources and the Deputy Cabinet Member for Accessible Housing and Resources.

1.5 Treasury management consultants

The Council uses Link Group, Treasury solutions as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers.

2 The Capital Financing Requirement 2022/23 – 2024/25

The Capital and Investment Strategy covers in detail the capital expenditure plans for the Council (including the capital related prudential indicators), the minimum revenue provision (MRP) policy and non-financial investments (such as Property).

2.1 The Council's borrowing need (the Capital Financing Requirement)

The Council's Capital Financing Requirement (CFR) is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

£m	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Financing Requirement					
	571.49	570.42	667.48	656.90	637.70

3 Borrowing

The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

1.1 The table below is a summary of the Council's borrowing position:

£000	1st April 2020	31st March 2021	31st March 2022	30th Dec 2022	31st March 2023	31st March 2024
PWLB ¹	333,193	286,459	279,638	263,692	262,728	255,728
LOBO ²	30,000	30,000	30,000	30,000	30,000	30,000
Total	363,193	316,459	309,638	293,692	292,728	285,728

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
External Debt					
Debt at 1 April	316.46	309.64	292.72	385.73	378.63
Expected change in Debt	-6.82	-16.92	93.01	-7.10	-7.19
Actual gross debt at 31 March	309.64	292.72	385.73	378.63	371.44
The Capital Financing Requirement	571.49	570.42	667.48	656.90	652.67
Under / (over) borrowing	261.85	277.70	281.75	278.27	281.23

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes. The 2023/24 and later financial years includes the £100m potential borrowing that Council has delegated to Cabinet where there exists a robust and financially viable business case.

The Service Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources. The total estimate includes the £100m potential borrowing that Council has delegated to Cabinet where there exists a robust and financially viable business case.

Operational boundary £m	2022/23	2023/24	2024/25	2025/26
	Estimate	Estimate	Estimate	Estimate
Debt	320	410	410	410
Other long-term liabilities	7.5	7.5	7.5	7.5
Total	327.5	417.5	417.5	417.5

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be approved by full Council. If there is a possibility that the Council is likely to exceed the agreed authorised limit, then full Council approval would be required in advance. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Authorised Limit £m	2022/23	2023/24	2024/25	2025/26
	Estimate	Estimate	Estimate	Estimate
Debt	420	510	510	510
Other long-term liabilities	10	10	10	10
Total	430	520	520	520

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits. The Council is asked to approve the following treasury indicator and limits:

Maturity structure of borrowing 2023/24		
	Lower	Upper
Under 12 months	0%	18%
12 months to 2 years	0%	20%
2 years to 5 years	0%	17%
5 years to 10 years	0%	36%
10 years to 20 years	0%	34%
20 years to 30 years	0%	34%
30 years to 40 years	0%	32%
40 years to 50 years	0%	20%
40 years to 50 years	0%	12%

3.3 Prospects for interest rates

Part of the Link Group service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 19th December 2022. These are forecasts for certainty rates, gilt yields plus 0.8%.

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

Bank rate is currently 3.5%, it is forecast to reach a peak of 4.5% in the second half of 2023.

3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels.

Against this background and risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Service Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to the Audit and Governance Committee and the Treasury Management Group at the next available opportunity. The Treasury Management Group comprises the Cabinet Member for Accessible Housing and Resources, the Deputy Cabinet Member for Accessible Housing and Resources, Service Director of Finance and treasury management officers.

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates. If rescheduling was done, it will be reported to the Treasury Management Group and the Audit and Governance Committee.

3.7 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

3.8 Approved sources of long- and short-term borrowing

The table below lists the sources of long and short term borrowing, the bullet indicates whether the source of borrowing could be a fixed rate of interest or a variable rate of interest.

On Balance Sheet	Fixed	Variable
PWLB	●	●
UK Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●

Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

4 Annual Investment Strategy

4.1 Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital and Investment Strategy, (a separate report).

The Council’s investment policy has regard to the following: -

- DLUHC’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2021

The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council’s risk appetite. In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but the Council will also consider investing for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated.

The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods more than one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
5. **Non-specified and loan investment limits.** The maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of £100m.
 6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.
 7. **Transaction limits** are set for each type of investment in 4.2.
 8. This Council will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
 9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
 10. This Council has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.
 11. All investments will be denominated in **sterling**.

However, this Council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.

The above criteria are unchanged from last year.

4.2 Creditworthiness policy

This Council applies the creditworthiness service provided by the Link Group utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- "watches" and "outlooks" from credit rating agencies;
- Credit Default Swaps spreads that may give early warning of changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of Credit Default Swaps spreads. The end-product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will, therefore, use counterparties within the following durational bands:

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Typically, the minimum credit ratings criteria the Council use will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Financials benchmark and other market data daily. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition, the Council will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour
			Colour (and long-term rating where applicable)	Counterparty Limit £m	Transaction limit £m	Time limit		
Banks *			yellow	£20m	£10m	5 years		
Banks			purple	£20m	£10m	2 years		

Banks	orange	£20m	£10m	1 year
Banks – part nationalised	blue	£20m	£10m	1 year
Banks and Building Societies	red	£10m	£5m	6 months
Banks and Building Societies	green	£10m	£5m	100 days
Banks	No colour	Not to be used	-	-
Limit 3 category – Council’s banker (where “No Colour”)	-	Minimal balances	Minimal balances	1 day
Debt Management Agency Deposit Facility (UK Government)	UK sovereign rating	Unlimited	£100m	6 months
Local authorities (sector limit £150m)	n/a	£10m	£10m	5 years
Housing associations (sector limit £25m)	Colour bands	£5m	£5m	As per colour band
	Fund rating**	Counterparty Limit		Time Limit
Money Market Funds CNAV ¹	AAA	£30m		liquid
Money Market Funds LVNAV ²	AAA	£30m		liquid
Money Market Funds VNAV ³	AAA	£30m		liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark pink / AAA	£30m		liquid
Ultra-Short Dated Bond Funds with a credit score of 1.50	Light pink / AAA	£30m		liquid

* The yellow category is for UK government debt or its equivalent.

** Fund ratings are different to individual counterparty ratings.

CNAV¹ – Constant Net Asset Value

LVNAV² – Low Volatility Net Asset Value

VNAV³ – Variable Net Asset Value

Creditworthiness.

Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, more recently the United Kingdom sovereign debt rating has been placed on Negative Outlook by the three major rating agencies. It is possible that the UK

sovereign debt rating will be downgraded, the Council will not set a minimum rating for the United Kingdom.

Credit Default Swaps prices

Although bank Credit Default Swaps prices, (these are market indicators of credit risk), are currently at average levels, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

Other Local Authorities

The Council will invest with other local authorities, the investment can only be placed with the prior approval of the Council Leader, the Chief Executive and the Service Director of Finance or deputies in the case of leave. If a local authority that the Council has invested in subsequently issues a section 114 or is given a capitalisation directive, or any other untoward financial event experienced by an authority who the Council held an investment in will be reported to the Audit and Governance Committee at the earliest opportunity.

Buckinghamshire Council's Bank

The Council frequently receives cash without prior notification from the sender. There is a possibility that a large receipt or several smaller receipts could be received once the daily treasury dealing process is completed resulting in overnight cash at the Council's bank exceeding the counterparty limit as defined by the treasury management strategy. If this occurs the cash will be invested with other counterparties in line with the treasury management strategy the following day.

4.3 Other limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

- a) **Non-specified treasury management investment limit.** The maximum total exposure of treasury management investments to non-specified treasury management investments is limited to £100m treasury management investment portfolio.
- b) **Country limit.** The Council will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AAA** from Fitch (or equivalent). The cash limit for AAA sovereign rated countries is £20m per country and £40m in aggregate – Australia, Denmark, Germany, Luxembourg, Netherlands, Norway, Singapore, Sweden and Switzerland are AAA. These lists will be added to, or deducted from, by officers should ratings change in accordance with this policy.
- c) **Other limits.** In addition:
 - limits in place above will apply to a group of companies;
 - sector limits will be monitored regularly for appropriateness.

4.4 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
£m	2022/23	2023/24	2024/25
Principal sums invested for longer than 365 days	£25m	£25m	£25m
Current investments on 31 st December 2022 more than 1 year maturing in each year	£0m	£10m	£0m

4.5 Investment performance / risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of overnight, 7-day SONIA (Sterling Overnight Index Average) compounded rate.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report to the Audit and Governance Committee.

4.7 External fund managers

£19.5m of the Council’s funds are externally managed in a pooled property fund by CCLA (Churches, Charities and Local Authorities). A significant proportion of the Council’s funds are invested in liquid Money Market Funds (MMF), there is a limit of £30m per MMF but no overall sector limit.

The Council fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund manager. To aid this assessment, the Council is provided with a suite of regular reporting from its managers.

Related Matters

The CIPFA Code requires the Council to include the following in its treasury management strategy.

Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment).

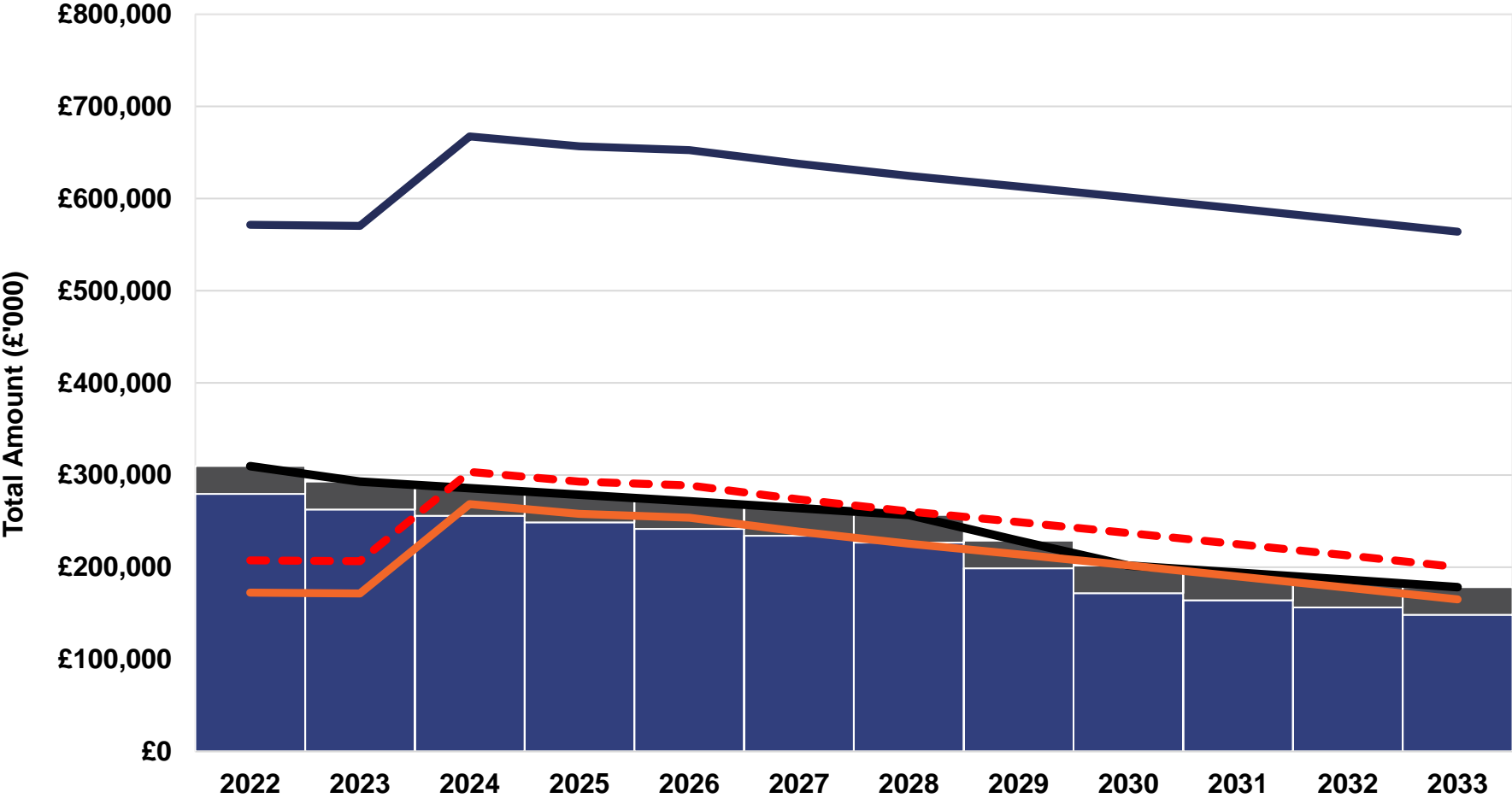
The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy. The Council will only use derivatives for risk management purposes, not for speculative purposes.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure it fully understands the implications. After undertaking due diligence and seeking advice from the Council's treasury advisers, the Council will only enter into financial derivatives if there is a strong case and the proposal is approved by the Cabinet Member for Accessible Housing and Resources. The Chairman of the Audit and Governance Committee will be notified before the Council enters into financial derivatives.

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Liability Benchmark



- PWLB Loans
- LOBO Loans
- Variable rate loans
- Net Loans Requirement (forecast net loan debt)
- - - Liability Benchmark (Gross Loans Requirement)
- Market Loans (excl LOBO loans)
- Short Term inc LA Temporary Borrowing (<1 year)
- Existing Loan Debt Outstanding
- Loans CFR

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Audit and Governance Committee

Date:	1 February 2023
Reference number:	N/A
Title:	Risk Management Group Update
Cabinet Member(s):	N/A
Contact officer:	Maggie Gibb, Head of Business Assurance (& Chief Internal Auditor)
Ward(s) affected:	N/A
Recommendations:	Members are recommended to note the report.
Reason for decision:	Summarise why the recommended option is preferred

1. Executive summary

- 1.1 The purpose of the report is to provide an update on the Risk Management Group (RMG) meeting held on 16 December 2022.
- 1.2 The Council's Risk Management Framework including the Terms of Reference for the Risk Management Group was approved by the Audit and Governance Committee in June 2021.

2. Content of report

- 2.1 The Corporate Director for Children's Services attended the meeting along with the Development Manager, Head of Finance and Service Director for Education.
- 2.2 The Children's Services directorate has a well-established Risk Escalation Framework, with risk being a standing item at the senior leadership team meetings. All Risk Escalation Frameworks are due for review and update during Q4 of 2022/23 to ensure they remain fit for purpose.

- 2.3 Since joining Buckinghamshire Council in September 2022, the Corporate Director for Children's Services has engaged in a thorough review of the strategic, service, and key financial risks within his directorate in conjunction with the Corporate Risk Management team.
- 2.4 Since the Service last presented to Risk Management Group, the Service has been subject to four regulatory inspections. In December 2021, Ofsted conducted their Inspecting Local Authority Children's Services (ILACS) reinspection of services for children in need of help and protection, children looked after and care leavers. This inspection found that Buckinghamshire was no longer 'Inadequate', and the overall judgement of Children's Services was 'requires improvement to be good'.
- 2.5 The key risk themes were as follows:

CS-CSC-03 Recruitment & Retention - IF we are unable to attract, retain and develop a workforce that is competent, confident, motivated and works together in business-critical roles THEN children will not receive the support they need leaving vulnerable children at greater risk of poorer outcomes. In addition, capacity to improve services will be compromised and may hinder our ambition to be good.

CS-CSC-10 Unregulated Placements - IF there is not central Government intervention in the external placements market in line with the recommendations of the Care Review, THEN continued shortage of supply will lead to further excessive costs, poor placement choice, more Buckinghamshire children being placed further away from the county, further unregulated placements being made and poor outcomes.

CS-CSC-14 Unaccompanied Asylum-Seeking Children - IF the government continues to direct the Council through the mandated National Transfer Scheme, THEN this will place further pressure on our children in care and leaving care teams and as a result will hinder our ambition to be good.

CS-CSC-18 Placement Sufficiency - IF we fail to develop a Placement Sufficiency Strategy that accurately reflects the current position and clearly articulates the service's plans to increase the availability of provision for our children and young people THEN we will not meet their needs or provide them with a safe place to live and thrive within Buckinghamshire.

CS-E-07 SEND Improvements - IF we do not make sufficient progress against the Written Statement of Action (WSOA) THEN this will impact on the quality of services provided to children and families and create reputational damage to the council.

CS-E-13 Government policy changes - IF changes in government policy place any additional unfunded burden on our council, THEN the service will have limited capacity to deliver statutory functions.

2.6 Children's Services key financial risk themes were summarised as follows:

CS-KF-01 Debt Management - If there is an inability to implement efficient debt recovery then this will create a pressure on service budgets. This includes debts that are incorrectly raised to the wrong debtor or for incorrect amounts and debts raised with other public sector agencies such as other LAs and the CCG.

CS-KF-02 Children's Social Care increased demand and unit costs - If increased demand for Children's Services continues at a rate which outstrips demand growth built into future budgets, then this will create additional budget pressures leading to requirements to reduce services in other areas. Increased costs may arise due to increases in demand and/or increases in average unit costs.

CS-KF-03 SEND increased demand and unit costs - Numbers of pupils needing Education, Health, and Care Plans (EHCPs) are projected to increase over the medium term. If demand for placements in specialist provision continues to increase, there is a risk that the High Needs Budget will continue to overspend and the DSG deficit will increase.

CS-KF-05 Maintained school's financial issues - If schools get into financial difficulty, then there is a risk that the LA will need to write off any deficits for schools that are rated Inadequate by Ofsted and are required to convert to academy status with a sponsor.

CS-KF-06 Financial Management Culture - If a strong financial management culture is not in place within Children's Services, then there is increased risk of overspend.

CS-KF-09 Payment Performance - If invoice payments are not made in a timely way there will be an increase in complaints and reduced reputation with external suppliers.

CS-KF-10 Agency Staffing Costs - IF we are unable to attract and retain permanent staff THEN our reliance on agency staff will continue to create pressures within staffing budgets.

CS-KF-11 Loss of School Improvement Monitoring and Brokerage Grant - IF the council is unable to agree de-delegation of funds from maintained schools, THEN there is a risk that the council will not be able to fund core school improvement activity.

CS-KF-12 Unaccompanied Asylum-Seeking Children - IF the government continues to direct the council under the National Transfer Scheme, THEN this will increase the financial burden on the council

2.7 The risks were discussed in detail, as well as the mitigating actions being challenged by the members.

2.8 Risks which had been de-escalated or closed were included in the report from the Children's Services directorate.

- 2.9 The Service Director for Highways and the Procurement Lead and Mobilisation Director attended the meeting to provide the Risk Management Group with a detailed update on the transition of the highways contract from a single provider to an alliance partnership to take effect from 1 April 2023. The key risks and mitigating actions were presented to RMG, and numerous member questions were answered.
- 2.10 An independent review is also being carried out by Mazars to provide assurance over the effectiveness of the transition to the new arrangement, and the findings will be reported to the Audit and Governance Committee at a future meeting.

3. Other options considered

- 3.1 This should include information on the pros and cons of each option.

4. Legal and financial implications

- 4.1 None.

5. Corporate implications

None

6. Local councillors & community boards consultation & views

- 6.1 N/A.

7. Communication, engagement & further consultation

- 7.1 N/A.

8. Next steps and review

- 8.1 The next meeting of the Risk Management Group is to be held on 30 January 2023.

9. Background papers

None



Audit and Governance Committee

Date:	1 February 2023
Reference number:	N/A
Title:	2022/23 Business Assurance Strategy Update (incl. Internal Audit Plan)
Cabinet Member(s):	N/A
Contact officer:	Maggie Gibb, Head of Business Assurance (& Chief Auditor)
Ward(s) affected:	N/A
Recommendations:	Members are recommended to note the report
Reason for decision:	N/A

1. Executive summary

- 1.1 The report outlines the Internal Audit, Risk Management, Business Continuity, Assurance and Counter Fraud work being undertaken by the Business Assurance Team for the year ending 31 March 2023.
- 1.2 The Council continues to work towards a combined assurance model, with Internal Audit operating as the third line of assurance. The 2022/23 Internal Audit, Risk Management, Assurance and Counter Fraud work plans were produced with reference to the strategic and directorate risk registers; and informed through discussion with Senior Leadership Teams for each directorate.

2. Content of report

- 2.1 The Business Assurance Strategy; including the Internal Audit Plan was agreed by the Audit Board and by the Audit and Governance Committee in July 2022. Quarterly

reporting to directorate leadership teams/ boards, CMT and the Audit Board continue to take place which enables us to keep work plans under continuous review to reflect emerging risks and priorities across the Council. We also seek the views of the directorates on the work of the Business Assurance Team to enable continuous improvement and ensure that we are meeting the needs and expectations of the organisation as best we can.

2.2 Delivery of the Business Assurance work plans help ensure that there is an appropriate governance and control framework in place and that risk management is embedded across the Council to enable the achievement of set objectives. The Internal Audit Plan continues to be dynamic in nature with activities reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities.

2.3 Progress against the approved Business Assurance Strategy has been presented to, and agreed by, the Audit Board (S151 Officer, Monitoring Officer and Director of Legal Services).

3. Other options considered

3.1 N/A.

4. Legal and financial implications

4.1 None.

5. Corporate implications

5.1 None.

6. Local councillors & community boards consultation & views

6.1 N/A

7. Communication, engagement & further consultation

7.1 N/A.

8. Next steps and review

8.1 An update on delivery of the Business Assurance Strategy and a summary of the internal audit output will be presented as a standing agenda item at Audit and Governance Committee meetings.

9. Background papers

9.1 2022/23 Business Assurance Strategy and Internal Audit Plan.

10. Your questions and views (for key decisions)

10.1 If you have any questions about the matters contained in this report please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone 01296 382343 or email democracy@buckinghamshire.gov.uk.

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BUCKINGHAMSHIRE COUNCIL

Business Assurance Update

Including Progress against the Internal Audit Plan 2022/23

Maggie Gibb

Head of Business Assurance (& Chief Internal Auditor)

February 2023

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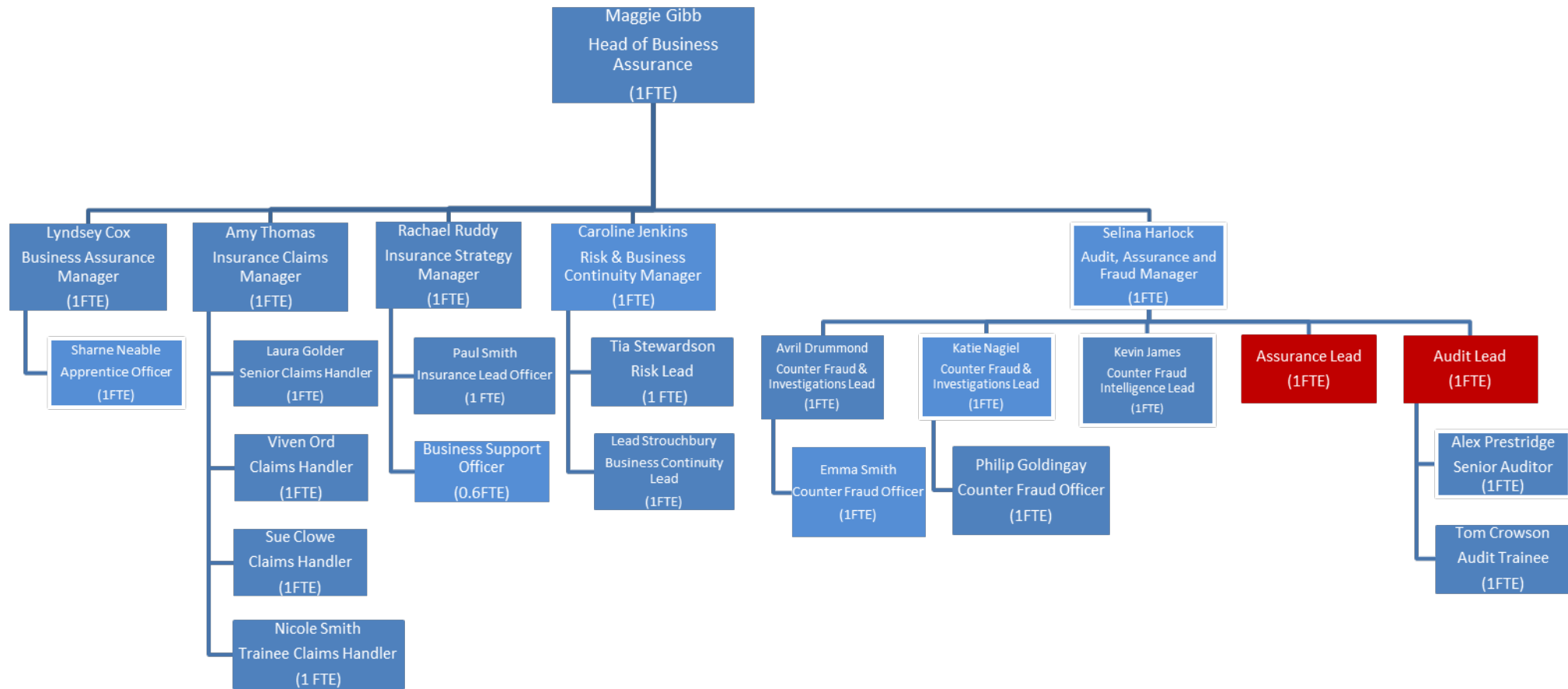
1. Introduction

- 1.2 The Business Assurance Team is responsible for delivering the Council’s Risk Management, Assurance, Internal Audit, Counter Fraud, Insurance and Business Continuity services. The team operates under the Service Director for Legal and Democratic Services within the Deputy Chief Executive Directorate. The team has continued to work towards implementing the Council’s Assurance and Risk Strategy through delivery of work programmes which include; assurance reviews of the Council’s financial and operational systems, computer audit reviews, corporate and social housing fraud investigations, fraud awareness, corporate governance and risk management reviews, and compliance reviews to check adherence to policies, procedures and systems.
- 1.2 This report outlines the work carried out by the Business Assurance Team for FY 2022/23 to date. The Business Assurance work plans continue to be dynamic in nature as they remain flexible and evolve throughout the year to reflect; the changing risks faced by the Council, the maturity of the assurance framework and to meet the needs of unplanned demands and other emerging priorities. Quarterly updates on Business Assurance activities continue to be presented to each directorate leadership team providing them with an overview of the Internal Audit and other assurance activities including progress on implementation of audit actions; and a risk management update on escalated risks with status of risk reviews.

2. Resources

- 2.1 The new Business Assurance structure went ‘live’ from 1st November (see below). We continue to resource work plans with a mix of in-house staff and a partnership arrangement with the APEX London Audit Framework. This arrangement enables us to request specialist resource such as IT auditors and contract auditors, whilst allowing for a flexible approach that enables us to respond swiftly to urgent requests for resource such as for investigations.

Vacant Post



3. Risk Management

- 3.1 Work has continued embedding risk management across Council with all Directorates ensuring that risks are identified and uploaded onto Pentana, the corporate risk management system in a timely manner as well as horizon scanning and keeping a watching brief on emerging risks. Following the implementation of the new Business Assurance structure and recent recruitment, the new Risk Lead has joined the team Business Assurance and supporting the Risk and Business Continuity Manager to further embed the risk management framework. Deep dive risk reviews across certain service areas have also commenced to reflect changes to teams and ownership of risks following recent Service Reviews and to ensure risks are relevant and current, are updated with realistic target scores, and have internal controls and mitigating actions.

- 3.3 Work has also begun with services to gain greater visibility of how programme and project risks are being captured and escalated across the directorates. There will be greater focus on ensuring that programme and project leads have received their risk management training and are aware of how to capture and monitor their identified risks.
- 3.4 Following feedback from the recent Medium Term Financial Planning (MTFP) and Budget Scrutiny processes, we currently reviewing the key financial risk process across the organisation, including the reporting to directorate and the Corporate Management Team budget boards. An update on this will be provided to the Risk Management Group meeting on 6 March 2023.
- 3.5 The last meeting of the Risk Management Group was held on 16 December 2022, an update on this meeting will be provided in a separate report. The Risk Management Group are also due to meet on 30 January 2023, and an update from this meeting will be provided to the Audit and Governance committee in March.

4. Business Continuity Management (BCM)

- 4.2 The Business Continuity Management (BCM) function is now being delivered alongside the Risk Management function. Following the implementation of the new Business Assurance structure and recent recruitment, the new BCM Lead will be joining Business Assurance and supporting the Risk and Business Continuity Manager to implement the new Buckinghamshire Council Corporate Resilience Framework & Standards. This is a One Council approach that allows us to have a clear understanding of how the Council responds to an emergency or disruption, both within the organisation and externally. The Council Resilience Group, who provide governance over the Corporate Resilience Framework and Standards, first met in September 2022 and is due to meet again next month. The team have also established a good partnering relationship with the Resilience Team and will continue this link going forward and work has commenced with the services to review and refresh their business continuity plans.
- 4.3 As part of the Buckinghamshire Council Corporate Resilience Framework & Standards and the Council Resilience Group, the Organisational Resilience Delivery Group (ORDG) met in January. The purpose of the ORDG is to deliver holistic assurance over organisational resilience of the Council's policies, procedures, people, infrastructure and will focus on particular risk areas. The first focus area that we will be covering as part of ORDG will be Cyber Resilience – how the Council will prepare, respond and recover.
- 4.4 The Winter Framework and Cell which is operational until the end of March 2023, also provides reassurance and coordination in the event that we need additional support for service winter plans should we have significant incidents over winter. The Winter Cell meets monthly to get a status report on where services are with their winter preparations and preparedness.
- 4.5 In November 2022, we held Exercise Faraday, an exercise to test and exercise our preparedness against planned or unplanned power outages as we suspect we have some of these events over the winter period given Central Government planning assumptions. The

exercise consisted of a scenario that builds over two days with a final workshop to review lessons identified. We had approximately 30 responses across the organisation to the exercise and a well participated workshop.

5. Internal Audit

- 5.1 The Internal Audit Function, supported by Mazars (through the APEX London Audit Framework) has been progressing with the delivery of the approved 2022/23 audit engagements. Since the last Audit and Governance Committee meeting in November, the team have finalised three audit report reports, nine grant certifications, six audits are at draft report stage and 11 engagements are at the fieldwork stage.
- 5.2 From the approved plan, there are seven audits that we have recommended for deferment (see yellow highlight in Appendix 1 for changes to the Internal Audit Plan);
- i. Teachers' Pensions Audit: Teachers Pensions are in the process of moving all employers over to the new reporting system. This incorporates three existing processes into one which will eventually make submissions more accurate and help reduce the risk of incorrect variances between service and contribution data. The deadline for this should have been April 2022, but as Local Authorities went into discussions with their payroll providers it became more apparent that the complexities of the new Guidance were proving difficult to put into practice, due to this Teachers Pensions removed the deadline and is liaising with each authority to help resolve the issues. Buckinghamshire Council were not prepared to "go live" with the new system until our provider SAP (financial system) could guarantee a report which worked with little manual intervention. This is on-going and the plan is to move

across to the new reporting system from January 2023. For these reasons we propose that the audit be undertaken as part of the FY2023/24 audit plan

- ii. Continuing Health Care (CHC): The Buckinghamshire, Oxfordshire and Berkshire West Integrated Care System (BOB ICS) are reviewing the CHC function across the whole BOB. This will inform how CHC commissioning will be undertaken in future. We recommend that the audit be deferred for this year while wait to see what BOB review outcomes which may mean CHC remains with the Council or moves up to BOB level.
- iii. K2 Systems Audit: The AURA programme which is focussed on the Council's financial/HR system improvements is including a review of the K2 system and how the financial data and related controls will operate going forward. We recommend that this deferred to FY23/24 based on the progress of the programme to avoid duplication.
- iv. Shop4Support: The AURA programme which is focussed on the Council's financial/HR system improvements is including a review of the Shop4Support system, and a detailed review is currently being undertaken by the Traded Services Task and Finish Group. We recommend that this be deferred to FY23/24 based on the progress of the AURA programme to avoid duplication.
- v. IT/ Infrastructure Resilience, Disaster Recovery and Backups, Change/ Patch Management (3 IT audits): These audits were identified as part of the IT Audit Need Assessment and the audit timing was based on the expected progress of the ONE Programme. IT Services are going through a significant transitional change as efforts are currently focussed on replacing the inherited legacy IT networks, that comprise of differing network providers and technologies e.g. different solution that enable staff to work remotely. Additionally, in a joint procurement with Bucks Health Trust (BHT), BT have been selected as our network partner. This joint Council/BHT network will provide the critical IT backbone on which our respective organisation will run their IT

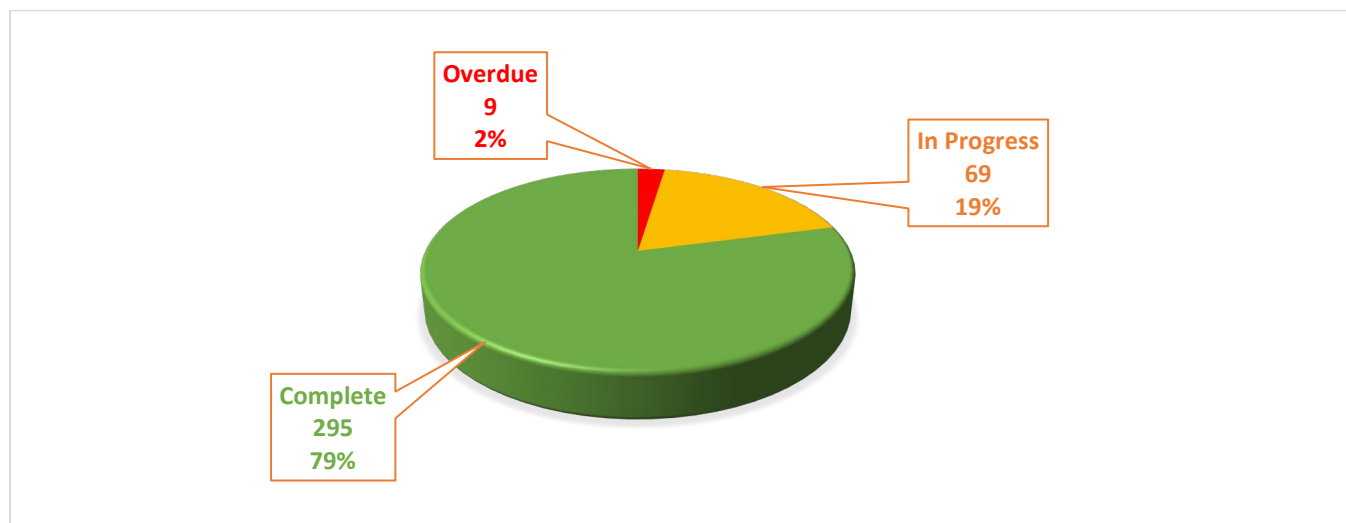
systems. It will also enable a collaborative approach to joint working e.g. Council and BHT staff accessing each other's systems. This new network will be managed by the Council's IT Team replacing the legacy expensive and non-responsive outsourcing arrangements. In managing the network in-house the Council has made substantial financial savings . It should be noted that implementing such a large change project during the Covid crisis has proved to be a major challenge. The scale of this project is substantial as the new network covers 197 Council offices, schools, and roadside traffic management equipment locations, as well as 19 Fire Stations and 24 BHT premises (including all Buckinghamshire hospitals). It is connected to two externally hosted and jointly funded data centres, that are replacing a total of nine legacy server rooms across the partners. With the BT contract signed in December 2020 this project was directly impacted by the Covid crisis. Furthermore, the worldwide transistor chip shortage caused a major delay in the delivery of new hardware and that continues to this day. Chinese factories in lockdown and issues relating to exporting out of Hong Kong have all impacted the progress of this project. Despite these challenges the IT Service had continued to make good progress. In October the legacy network contract with Udata (Capita) was terminated and all legacy Walton Street services were migrated onto the new network. In December the legacy Wycombe contract was terminated and all services were migrated to the new network. The final legacy IT network at Amersham has been further delayed due to the transistor chip shortage. A delivery date from Cisco is still not confirmed but our expectation is that this work will be completed in early 2023. Once all legacy networks have been migrated we will update and replace the various office Wi-Fi solutions and migrate all IT users onto a new remote access Virtual Private Network (VPN) solution. The aim is for all this work to be completed by the Spring. It's only then that any audit will provide maximum value and, critically, it's only then that the service will have the IT resources available to support an audit programme.

Whilst we recommend that the audit activity be deferred to 2023/24 plan, we recognise that the IT Service are not being complacent about the security of the current IT environments which remain a mix of old and new. Through Managed Security

Service (MSS) there is a 24/7 cyber monitoring environment in place with a proven triage process to investigate and respond to cyber alerts. The cyber partner who manages the MSS also scans the dark web for any Council data. The National Cyber Security Centre (NCSC) scans our IT environments for any vulnerability. Additionally before Christmas the networks were subject to an external penetration test to identify any weaknesses (funded and managed externally by DLUHC). Internally the IT team run a number of scans and checks to ensure the security of the IT environments. With staff and Councillors being the biggest security threat the team will continue to raise cyber awareness through monthly Boxphish training courses which supplemented by proactive Phishing email exercises. Additionally since November 2022 IT Services started piloting a new cyber capability that monitors the very depth of our operational environment checking or any IT account seeking to exploit its access or gain enhanced IT access. Lastly, we continue to run the NCSC's Exercise in a Box workshops to check and validate our approach to National Cyber Security Centre (NCSC) operational scenarios.

- 5.3 Using the audit tool, 'Pentana', Internal Audit have been monitoring implementation of audit actions. Follow-up of management actions is a continuous task that is undertaken by the auditors alongside their assigned audit engagements. The chart below provides a summary on the implementation status of the audit actions:

Summary Status of Management Actions



5.4 Progress against implementing audit actions is reported to each of the Directorate leadership team meetings on a regular basis, and outstanding audit actions were reported to the Corporate Management Team (CMT) on 19 January 2023. There are only nine out of 373 (2%) audit management actions which are overdue for implementation (see chart below showing status of all actions). Of the nine actions:

- **three** are held within the Adults and Health Directorate – actions are all well progressed, expected to be closed off in January
- **one** action is owned by Children’s Services – with the SEND Team now fully staffed as of end of December, the action will be addressed by end of January.
- **five** actions are held within Resources – substantial progress has been made against all actions, and we are assured that these will be completed by end of January.

- 5.5 The Audit Board, chaired by the Service Director of Finance (S151), reviews progress against the Business Assurance Strategy, in particular delivery of the Internal Audit Plan.. Appendix 1 shows the current progress updated against the Internal Audit Plan.

6. Business Assurance

- 6.1 The Business Assurance Team continues to progress with the COVID grant assurance as the requirements from central government for returns, reconciliations and pre/post assurance checks continue. The team liaise with the services and support in the collation of the required returns, reconciliations and certification where required. Since the last committee update, the team have finalised three assurance engagements and these are summarised below:
- 6.2 **Better Buckinghamshire Programme Assurance:** Following unitarisation in April 2020, the Better Buckinghamshire Programme was created to drive cost and operating model efficiencies, whilst embracing new ways of working; this was driven via individual Service reviews and staff consultations, with continuous improvement plans developed following the completion of these consultations. This review was carried out to establish the current progress being made within the programme and to provide assurance over the key organisational design principles of the programme with focus on Legal Services, Customer Service Centre, Highways & Technical Services and Economic Growth & Regeneration Services. From the deep dives, key themes were identified and recommendations were raised around; the Business Cases, Planning, Change Management, Risk Management and Efficiency Realisation including Monitoring and Report. The findings from this review were reported to CMT and the Service Improvement Team are taking the actions forward.
- 6.3 **New Highways Contract Assurance:** To support the strategic transition from a single major highways contractor to multiple service providers, the Business Assurance Team will perform a three-phased advisory review of the programme ahead of the April 1st 2023 go-live date.

The objective of Phase 1 is to provide assurance across multiple pillars in the transition, identifying practical recommendations which can feed into the next phases of the review. The scope of work:

- Review of detailed documentation such as transition plans, governance arrangements, contracts, and monitoring arrangements during the decommissioning stage.
- Review of the project documentation in respect of risk and change management.
- Conduct interviews with key stakeholders involved in the transition to gain a deeper understanding of governance, current processes, change management, improvement opportunities, risks and challenges, and interdependencies.

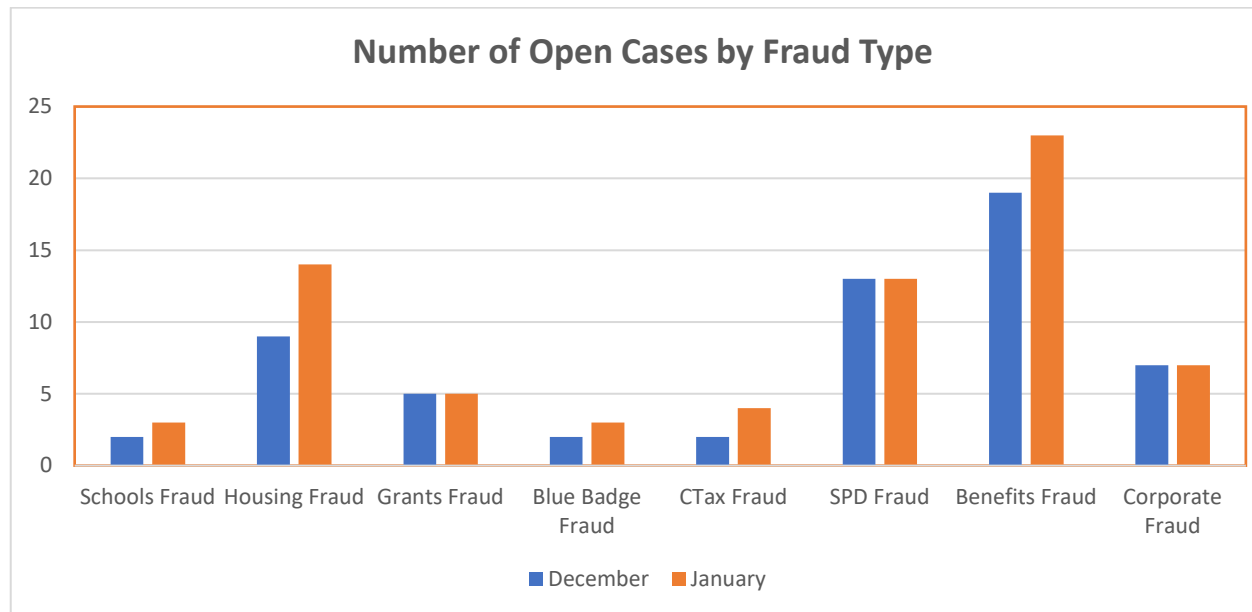
It was agreed with management that our focus would be on:

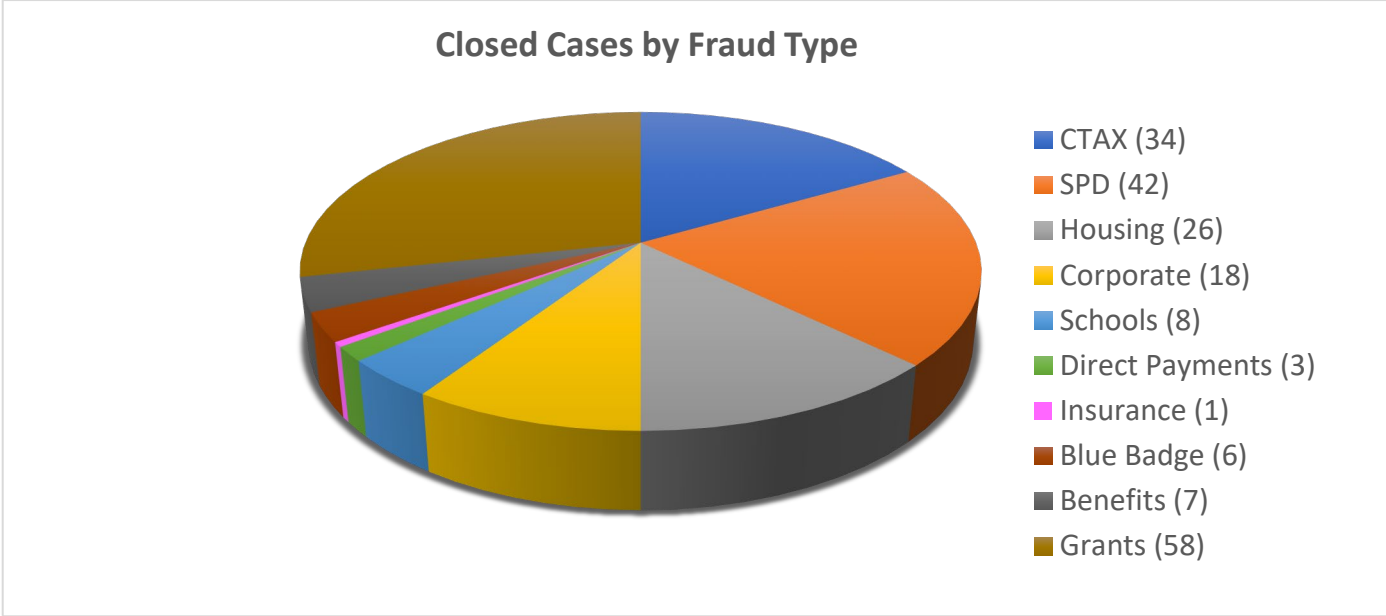
- Identification of gaps in the current process with our recommended solutions.
- Identification of risks to effective change management/ transformation in order to achieve the vision.
- Comparison of the council's approach to best practice principles and provision of insights from other councils.

The review identified some areas of good practice, however across six key themes 18 recommendations were raised and the service are taking these forward as they progress with the programme.

7. Counter Fraud

7.1 The Business Assurance Team procedures alone cannot guarantee the detection of fraud and corruption, nor can we give an overall assurance opinion on counter fraud, therefore management have responsibility for ensuring that there are adequate controls in place to manage the risk of fraud and corruption. The size and complexity of the authority means that some irregularities are inevitable, and when these arise the Fraud Team deploy resources to investigate these. Whilst responding to fraud allegations raised internally and externally, the team also had a proactive schedule of activity the includes Fraud Awareness Training and probity reviews. The tables below provides a summary of the fraud cases that the team have been managing this year:





8. Appendix 1 - Summary of Internal Audit Activity

Corporate				
Service	Audit Title/ Activity	Objectives/Risk/Concerns	Status Update	
Cross-cutting	Assurance Framework	Develop a means of identify and mapping the main source of assurance across the Council and coordinating them to best effect.	On-going	
	Covid-19 Pre and Post Payment Assurance Plan	Undertake require assurance reviews and returns in line with government requirements.	On-going	
	Grants	Undertake grant certification in line with grant conditions	On-going	
Deputy Chief Executive				
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model	Status Update
Policy & Communications	GDPR	Deferred from 21/22 plan. To ensure that the Council is compliant with GDPR requirements. To ensure that there is adequate process for the identification, review and reporting of a personal data breach.	HIGH	Draft Report
Policy & Communications	Complaints	Deferred from 21/22 plan. To ensure that there are robust and effective systems are in place for the complete, accurate and timely recording, processing, and acknowledging of complaints. Including effective monitoring framework, which delivers accurate, timely and relevant information for management review.	HIGH	Completed
Legal & Dem Services	Legal Processes	Deferred from 21/22 plan. To ensure that there are adequate arrangements in place for the services to engage with the legal team, cases are recorded, monitored and costs tracked appropriately.	LOW	Not started
Policy & Communications	Community Boards	Deferred from 21/22 plan. To evaluate the governance arrangements, risk management and financial management is adequate, transparent and board objectives are monitored and reported on.	HIGH	Fieldwork in-progress
Policy & Communications	Devolution	Deferred from 21/22 plan. To evaluate the processes and procedures in place to ensure an effective transfer of services and assets to town and parish councils in line with the approved policy.	LOW	Not started

Service Improvement	Corporate Performance Framework	To assess the adequacy of the Council's performance and reporting arrangements.	MEDIUM	Fieldwork in-progress
Service Improvement	Helping Hand Programme Assurance	Evaluate the delivery of the programme and ensure that objectives are met, risks are adequately managed and value for money is evident.	MEDIUM	Fieldwork in-progress
Service Improvement	Better Buckinghamshire Programme Assurance	Ensure that the programme is effectively managed to deliver set objective in a timely manner and within budget.	MEDIUM	Completed
Adults & Health				
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model	Status Update
Integrated Commissioning	Direct Payments	Audit deferred from 20/21 & 21/22 audit plan End to end process reviewing adequacy and effectiveness of controls in place.	HIGH	Fieldwork in-progress
Adult Social Care	Continuing Health Care:	End to end process review evaluating arrangements in place with the CCG (includes client assessment/ eligibility and financial management).	HIGH	Defer to 2023/24
Adult Social Care	Seeleys Establishment Audit	Review of compliance with practice and set process and manuals. Work to be undertaken ahead of next CQC inspection to demonstrate progress against the improvement plan	MEDIUM	Fieldwork in-progress
Integrated Commissioning	Disability Facilities Grant	Grant verification in line with the terms and conditions.	N/A	Fieldwork in-progress
Integrated Commissioning	Commissioning and Financial Management of Spot Contracts	End to end process reviewing adequacy and effectiveness of controls in place.	HIGH	Audit scoping in-progress
Integrated Commissioning	E-brokerage	End to end process reviewing adequacy and effectiveness of controls in place.	MEDIUM	Audit scoping in-progress
Public Health	Joint Strategic Assessment.	Focus of review to be agreed with the service	TBC	Not started
Finance	A&H Debt Recovery (Unsecured Debt)	As debt recovery was paused during the pandemic and the debt recovery process has been moved to Finance Operations team, the audit will be reviewing adequacy and effectiveness of controls	MEDIUM	Audit scoping in-progress
Children's Services				
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model	Status Update
Education	Schools Thematic Review	Review of key controls for sample of schools selected per the risk assessment.	HIGH	Three Schools Completed
Social Care	Direct Payments (including clawbacks)	End to end process reviewing adequacy and effectiveness of controls in place	HIGH	Fieldwork in-progress

Social Care	Placement and Panel Decisions	There is an increase in spend within placements and assurance is required that controls are adequate. Requested by the Corporate Director.	HIGH	Not started
Education	SEND Ofsted Improvement Plan Assurance	Evaluate the completeness adequacy of the improvement plan against the findings raised in the Ofsted report.	MEDIUM	Not started
Social Care	Social Care Ofsted Improvement Plan Assurance	Evaluate the completeness adequacy of the improvement plan against the findings raised in the Ofsted report.	MEDIUM	Completed
Education	SEND Process review – Focused on ECCOH	End to end review of processes and evaluation of controls to identify inefficiencies in process and improvements to data quality.	HIGH	Fieldwork in-progress
Social Care	Section 17 Payments	End to end process reviewing adequacy and effectiveness of controls in place.	MEDIUM	Draft Report
Social Care	Supported Families Programme	Grant Verification	N/A	On-going
Education	Related Party Transaction Assurance (SFVS)	verification work in line with DfE guidance	N/A	Not started
Communities				
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model	Status Update
Highways & Technical Services	Parking On/Off Street	End to end review of processes and evaluation of controls on the new system.	HIGH	Draft Report
Transport Services	Home to School Transport	End to end review of processes and evaluation of controls on the new system.	HIGH	Fieldwork in-progress
Neighbourhood Services	Household Recycling Centres	New contract in place, review of processes at the HRC; and contract management with new contractor.	MEDIUM	Not started
Neighbourhood Services	Business Licenses and Permits – Process review	End to end review of processes and evaluation of controls on the new system.	LOW	Not started
Neighbourhood Services	Waste Management	End to end review of processes and evaluation of controls on the new system.	HIGH	Fieldwork in-progress
Culture, Sports & Leisure	Higginson Park	Financial Controls Audit	LOW	Audit scoping in-progress
Culture, Sports & Leisure	Farnham Park	Financial Controls Audit	LOW	Audit scoping in-progress
Highways & Technical Services	New Highways Contract Assurance	Provide assurance on the processes being proposed for the new contract arrangement	HIGH	Phase 1 - Complete

Planning, Growth & Sustainability

Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model	Status Update
Housing & Regulatory Services	Enforcement (Housing)	Audit deferred from 21/22 audit plan. End to end process reviewing adequacy and effectiveness of controls in place.	MEDIUM	Not started
Housing & Regulatory Services	Homelessness and Temporary Accommodation	Audit deferred from 20/21 & 21/22 audit plan, merged with Temporary Accommodation audit. This area has not been looked at before and it's a high-profile area in terms of the significant financial spend and reputational risk resulting from housing people in temporary and emergency accommodation for lengthy periods	HIGH	Draft Report
Planning & Environment	Building Control	Audit deferred from 20/21 & 21/22 audit plan End to end process reviewing including finance, regulatory compliance and performance.	MEDIUM	Not started
Property & Assets	Property Maintenance	Audit deferred from 20/21 & 21/22 audit plan End to end process reviewing adequacy and effectiveness of controls in place.	HIGH	Not started
Property & Assets	Property – Reactive Works	Audit deferred from 20/21 & 21/22 audit plan End to end process reviewing adequacy and effectiveness of controls in place.	HIGH	Not started
Housing & Regulatory Services	Disability Facilities Grant (Use of the funding)	Audit deferred from 20/21 & 21/22 audit plan. Review the process for commissioning housing adaptations and the use of the DFG fund. To include review of contractors used, VfM.	MEDIUM	Not started
LEP	LEP & BBF Assurance	Evaluation of key financial controls	MEDIUM	Not started
Strategic Transport & Infrastructure	Project Assurance	Strategic Transport & Infrastructure review of project management controls include reporting and escalation arrangements in place within the service.	HIGH	Completed
Finance	K2 Systems Audit	Large volume and value of transactions processed; therefore an evaluation of key controls will be undertaken.	HIGH	Defer to 2023/24

Resources

Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model	Status Update
Business Operations	Blue Badges, Administration and Enforcement	To ensure that badges are only issued to residents who satisfy one or more of the eligibility criteria (as updated by the Disabled Persons (Badges for Motor Vehicles) (England) (Amendment) Regulations 2019 (S.I. 2019 No. 891) on 30 August 2019 to include 'hidden' disabilities) set out in the legislation that governs the scheme.	LOW	Audit scoping in-progress

Business Operations	Business Support – Accounts Payable and Accounts Receivables	Review of financial controls and compliance to corporate procedures.	HIGH	Audit scoping in-progress
Business Operations	Shop4Support	End to end sales process review	MEDIUM	Defer to 2023/24
HR & OD	Teachers Pensions – new system in place	New system in place, review process and controls in place	MEDIUM	Defer to 2023/24
HR & OD	Payroll Follow-up	Ensure that the actions from the 2021/22 audit have been fully implemented.	MEDIUM	Not started
HR & OD	Learning and Development	To review organisational spend on learning and development to ensure consistency and quality of training.	HIGH	Not started
Finance	Capital Programme	To ensure business cases are adequate, approved and projects on the programme are sufficiently monitored.	HIGH	Fieldwork in-progress
Finance	Procurement Compliance	Ensure that procurement rules are clearly documented and followed in all procurement exercises.	MEDIUM	Audit scoping in-progress
Finance	Year End Assurance - Journals and Accruals	Compliance with financial controls	LOW	Not started
Finance	Pensions	Evaluation of key controls	LOW	Not started
Finance	Completeness and Effectiveness of the Finance Assurance Pack	Evaluation of the adequacy of controls monitoring and assessment on the effectiveness of the assurance pack.	MEDIUM	Audit scoping in-progress
Finance	Scheme of Delegation – Financial and Non-Financial delegations	Evaluation of the Scheme of Delegation to ensure that these are understood by all and complied with when making decisions.	MEDIUM	Audit scoping in-progress
Finance	Council Tax	Evaluation of key financial controls	HIGH	Draft Report
Finance	National Non-domestic Rates	Evaluation of key financial controls	HIGH	Draft Report
Finance	Council Tax Reduction Scheme/ Housing Benefits	Evaluation of key financial controls	HIGH	Draft Report
Finance	Key Financial Systems	Evaluation of key financial controls	MEDIUM	Not started
IT	IT/Infrastructure Resilience – Per Audit Needs Assessment	A number of IT/Infrastructure resilience-related risks feature in the Council's IT Risk Register. The audit will address; consideration of the impact of the pandemic on IT/infrastructure resilience, People, process and technology perspective, including a high-level review of the IT architecture and technology in place.	HIGH	Defer to 2023/24
IT	Disaster Recovery and Backups – Per Audit Needs Assessment	Disaster recovery was noted as having a residual risk score of 10 in the Council's IT risk register with a fully tested strategy and plan required to provide the Council assurance that full business continuity can be provided. This audit would test controls in regard to backup scope, frequency, offsite location, testing and recovery.	HIGH	Defer to 2023/24

IT	Change/Patch Management	This audit will consider the following: - Change to infrastructure and applications are governed through a consistent policy/process; - The change process addresses the request, impact, authorisation, testing, deployment of changes; - Comparison with LG peers concerning good change control practice commonly identified; - Patch management is undertaken across the estate in a complete, accurate and timely manner.	HIGH	Defer to 2023/24
Counter Fraud Plan				
Proactive/ Probity Activity	NFI data matches	Support services with collating the NFI data and determining an approach for prioritising the instances that require investigation.		
	Blue badge abuse	Investigate blue badges that have been in place for long periods and ensure that these are valid.		
	Covid grant recovery	Undertaking post payment assurance and identify and investigate instances of possible false claims		
	Schools	Lessons learnt from 21/22 investigations to be shared with all schools and presented via schools forum.		
	Fraud awareness training	Hold formal sessions to groups across the Council to raise awareness of what the Business Assurance Team's responsibilities are in relation to fraud and counter-fraud, different types of fraud, fraud risks, whistleblowing procedures etc.		
	Internal Communication on Fraud	Send messages across the Council to promote 'good practice' and raise awareness of potential indicators of fraud and staff responsibilities.		
	Policy Reviews	Review and refresh the key fraud policies, including; Anti-Fraud and Corruption Policy.		
Reactive Activity	Assess cases referred via whistleblowing channels and investigate where necessary.			
Continuous Improvement	Embed the case management system			
	Fraud networking and chairing of key networks			
External Clients				No. of Days
BMKFA	Audit plan approved and date for audit delivery agreed with the clients. Plan to be delivered by February 2022 ahead of their external audit.			110
Academies	Audit plans approved and key days for audit delivery agreed with the Academies			30



Report to Audit & Governance

Date: 1st February 2023

Title: Contract Procedure Rules – Waivers & Breaches

Author: Simon Davis, Head of Strategic Procurement

Recommendations:

i. Note this report and the work of the Strategic Procurement Team.

1. Summary

1.1 This report provides a six monthly summary in relation to compliance with the Council's Contract Procedure Rules (CPR's), compliance with the Public Contracts Regulations 2015 as well as summarising waivers and breaches. It also provides a quick summary of the current procurement culture in the Council.

- Pages 1-8 Main report
- Appendix 1 page 9 - Waivers over the last 12 months
- Appendix 2 – Note on Procurement Action on Past Breaches (Confidential session)
- Confidential Appendix 3 – Breach report

2. Background

2.1 The Committee have received previous reports on this subject, the last presented on 28th July 2022 which covered the last 6 months of the financial year 21/22. This report is a six-month update and covers the first 6 months of financial year 22/23. The Council is subject to Procurement Legislation when entering into contracts with suppliers. These laws must be followed regardless of the types of goods, services or works.

The reporting period covers the following period:

1st April 2022 until 30th September 2022

The CPRs state that Corporate Directors are responsible for procurement exercises and contract management activities. This responsibility is then delegated to Service Directors & Heads of Service.

3. Contract Procedure Rules relating to Contracts, Waivers and Breaches

The Procurement & SRM Team provide service areas with a monthly report of all contracts on CMA. In addition to this, a quarterly update report of all contracts over £50k due to expire within the next 18 months is sent to Contract Managers which the team proactively follow up to ensure appropriate action is being taken. In addition, when a waiver is requested, service areas are required to complete mandatory actions to reduce both the risk of future waivers and breaches. Compliance checking is undertaken to ensure these actions are followed up and that those members of staff involved in purchasing activity are both adequately trained and ensuring contracts are up to date.

3.1 Rules 6.31 to 6.37 state that all purchases over £25K (inc. VAT) must be subject to competition. Where the estimated whole life cost of a contract is:

Up to and including £25,000 for Goods, Services and Works:	A minimum of 1 written quotation is required. This can be a written confirmation by an officer of an oral quotation. Where possible local suppliers should be given the opportunity to bid.
Over £25,000 and up to the Procurement Threshold for Goods & Services (including the Light Touch Regime):	A minimum of 3 written quotations requested. Where possible local suppliers should be given the opportunity to bid.
Over £25,000 and up to the Procurement Threshold for Works:	A minimum of 4 written tenders requested. Where possible local suppliers should be given the opportunity to bid.
Relevant Procurement Threshold and over:	Full Tender Process or compliant Framework Agreement.

Table1: Internal Thresholds – All thresholds now include VAT

3.2 Rule 6.18 allows a Waiver to the requirement for competition and allows a contract to be placed by direct negotiation with one supplier. This needs to be agreed and documented in advance. Waivers under this Rule, however, cannot be granted if over the relevant legal procurement thresholds.

£213,477	The goods and services threshold.
£5,336,937	The works threshold.
£663,540	The Light Touch Regime (LTR) threshold (This is a procurement regime for social and other specific services such as social care; education services; healthcare).

Table 2: Relevant Legal Procurement Thresholds effective Jan 2022 (including VAT)

3.3 If a direct award is made which is above the relevant procurement threshold (if a legal alternative such as a Framework is not used) or a contract has rolled on after its end date then a breach has occurred, and officers are 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.

4. Waivers

4.1 Service areas can complete waiver forms to waive internal rules, but not contracts that are subject to the Procurement Regulations such as contracts over the legal procurement threshold, unless legal advice states otherwise. Service areas must demonstrate in advance why a waiver is needed and must include evidence to prove this is best value. The Procurement team carries out commercial assessments on all waivers using a risk-based approach. Legal and financial input is requested when appropriate.

4.2 Waivers are signed off by sign off by:

1. S151 Officer (delegated to the Head of Strategic Procurement);
2. Relevant Corporate Director;
3. Relevant Cabinet Member.

4.3 The main factors considered in how the risk rating is arrived at include:

- The value of the contract and previous spend on the contract.
- Reasons for the Waiver.
- Any risks associated with the supplier.
- Whether the marketplace is prone to challenge.
- The requirement is a one-time requirement.
- There is an on-going requirement, but a compliant procurement process is underway or substantially planned.
- Possible reputational damage.

4.4 Waiver summary April 2022 – September 2022

Summary of all Waivers registered during Q1 – Q2 2022/23

Summary FY 2021/22	Qtr.1	Qtr. 2	Total
Total number of Waivers registered	15	13	28
Lowest value Waiver	£15,058	£15,000	
Highest value Waiver	£828,002	£2,173,500	
Total number of Waivers raised retrospectively	8	6	14

Total value of retrospective waivers	£1,031,950	£1,411,818	£2,443,767
Total value of all waivers processed	£2,221,489.42	£4,998,297	£7,219,786

Table 2: Summary of all Waivers registered during Q1 – 2 2022/23

There were a total number of 28 Waivers registered in this 6-month period.

➤ **Quarter 1**

- There were 15 completed Waivers.
- The total value of Waivers approved during this period was £2,221,489.42
- The highest value Waiver was for £828,002. This was for Revenues and Benefits remote processing support – Backlog. Legal advice was sought and agreed under Regulation 32(2)(b)
- The lowest value Waiver was for £15,058.

➤ **Quarter 2**

- There were 13 completed Waivers.
- The total value of Waivers approved during this period was £4,998,297.85.
- The highest value Waiver was for £2,173,500 for the E-Scooter Agreement. Legal advice was sought & agreed. The value of the waiver and the overall value of the existing contract and the extension of the trial is below the Concessions Contract Regulations threshold of £5,336,937 including VAT.
- The lowest value Waiver was for £15,000.

It should be noted, that waivers are not negative. They are a tool for the Council to get a quick solution at best value and are subject to a high level of assurance.

5. Waiver Data tables

	QUARTER 1 - 22/23		
	NO. REGISTERED	WAIVER VALUE	WAIVER RISK RATING
ADULTS & HEALTH			
Community Safety Service	2	£212,000.00	Low
Public Health	2	£115,058.00	Low
ADULTS & HEALTH Total	4	£327,058.00	
CHILDRENS SERVICES			
Integrated Commissioning	1	£43,383.96	Low
School Improvement	1	£27,000.00	Low
CHILDRENS SERVICES Total	2	£70,383.96	
COMMUNITIES			
Cemeteries & Crematoria	1	£120,000.00	Low
COMMUNITIES Total	1	£120,000.00	
PLANNING, GROWTH & SUSTAINABILITY			
Climate Response & Grants & Adaptations	1	£177,898.00	Low
Housing	1	£40,197.78	Low
Property & Assets	1	£44,000.00	Low
Property FM	1	£51,400.00	Low
PLANNING, GROWTH & SUSTAINABILITY Total	4	£313,495.78	
RESOURCES			
Business Operations	1	£92,320.00	Low
Corporate Business Support	1	£430,229.68	Medium
Revenues & Benefits	1	£828,002.00	Low
Service Finance	1	£40,000.00	Low
RESOURCES Total	4	£1,390,551.68	
GRAND TOTAL	15	£2,221,489.42	Low Risk 14 Medium Risk 1

Table 3: Summary of Waivers for Q1 22/23

	QUARTER 2 - 22/23		
	NO. REGISTERED	WAIVER VALUE	WAIVER RISK RATING
ADULTS & HEALTH			
Housing and Equipment	1	£855,755.00	Low
Prevention in the Community Team	1	£380,225.25	Low
ADULTS & HEALTH Total	2	£1,235,980.25	
CHILDRENS SERVICES			
Adult Learning	1	£30,000.00	Low
Personalisation Team - Integrated Commissioning	1	£25,000.00	Low
Education	1	£1,169,318.00	Medium
CHILDRENS SERVICES Total	3	£1,224,318.00	
COMMUNITIES			
Parking Services	1	£140,000.00	Low
Neighbourhood Services	1	£77,000.00	Low
COMMUNITIES Total	2	£217,000.00	
PLANNING, GROWTH & SUSTAINABILITY			
Property & Assets	1	£65,000.00	Low
Planning Improvement Board/Planning Policy	2	£47,499.60	Both Low
Strategic Transport & Infrastructure	1	£2,173,500.00	Low
Town Centre Regeneration / Economic Development Team	1	£20,000.00	Low
PLANNING, GROWTH & SUSTAINABILITY Total	5	£2,305,999.60	
RESOURCES			
Business Rates	1	£15,000.00	Medium
RESOURCES Total	1	£15,000.00	
GRAND TOTAL	13	£4,998,297.85	Low Risk 11 Medium Risk 2

Table 4: Summary of Waivers for Q2 22/23

5.1 Tables 3 and 4 above shows the number of contract waivers granted in the last two quarters to September 22. Appendix 1 lays out the number of waivers and contract values over the last four quarters to analyse any trends over the last year. Barring an increase in Quarter 4 21/22 which was because of increased waivers in Planning, Growth and Sustainability there is a steady level of waivers being granted. The Procurement Team will be engaging more with Directorates in 2023, mainly through their Budget Boards with a more granular level of data including the forward-looking procurement pipeline timelines, so that we can have encourage better planning and procurement preparation and see a reduction in the number of waivers coming through.

6. Breaches to Public Contracts Regulations 2015

- 6.1 One breach has been reported to the Statutory Officers in the period since the last report. This is contained in confidential Appendix 3.
- 6.2 At the Audit and Governance meeting in July a request was made for what action Procurement had taken on incidences of past breaches. This is contained in confidential Appendix 2.

7. Publication of Opportunities and Award Notices

- 7.1 The Public Contracts Regulations 2015 require Local Authorities to publish contract opportunities and award notices on the Government website Contracts Finder where the value is above their own quotation threshold. Over the relevant legal procurement threshold these must be advertised on the 'Find a Tender Service'.
- 7.2 The Local Government Transparency Code 2015 requires all contracts with a value of £5K and higher to be published. The Council meets this requirement and uploads all contracts to its internal Contract Management Application (CMA) to ensure it has oversight and governance on all procured contracts.
- 7.3 The Cabinet Office monitors potential breaches raised by suppliers via a Procurement Review Service (previously the Mystery Shopper Service). Procurement Review Service will contact public bodies to investigate any potential breach and ask for any evidence. The Procurement Review Service shall then make a ruling on the proposed course of action including any lessons for the future. The Council has not been subjected to any investigation by the Cabinet Office' Procurement Review Service for this period.

8. Procurement & Contract Management Training

- 8.1 An additional **243** training sessions have been attended in Q1 and Q2 2022/23 bringing the cumulative total since 1st April 2020 to 1,318.

Training Courses	F/Y 20/21	F/Y 21/22	F/Y 22/23 (April – September)
Understanding Procurement	182	176	65
Understanding G-Cloud (launched April 2022)	0	0	23
Pro-Contract e-Sourcing Tender portal	91	66	36
Modern Slavery in the Supply Chain training	108	32	25
Contract Management Development (CMD)	61	103	38

Contract Management Application (CMA)	119	72	44
Best Practice Self-Assessment training	44	21	12
Total	605	470	243

Table 5: Summary of Procurement & SRM training to September 2022

9. Procurement Legislation Changes

9.1 In May 2022 the Procurement Bill was published in Parliament. A&G Committee received an update in July on the proposed Bill. There is no further update at present, however a plan has been drafted for the roll out of this new legislation. The plan covers, training, internal communications, the need to change documents and changes to the CPRs.

Directorate	Quarter 3 FY 21/22		Quarter 4 FY 21/22		Quarter 1 FY 22/23		Quarter 2 FY 22/23	
	No. of Waivers registered	Total Value	No. of Waivers registered	Total Value	No. of Waivers registered	Total Value	No. of Waivers registered	Total Value
ADULTS & HEALTH	0	£0.00	2	£98,317.00	4	£327,058.00	2	£1,235,980.25
CHILDRENS SERVICES	2	£82,008.00	1	£305,000.00	1	£120,000.00	2	£217,000.00
COMMUNITIES	2	£49,381.74	3	£223,745.00	2	£70,383.96	3	£1,224,318.00
DEPUTY CHIEF EXECUTIVE	1	£635,000.00	2	£69,831.00	0	£0.00	0	£0.00
PLANNING, GROWTH & SUSTAINABILITY	4	£13,773,221.58	9	£566,294.33	4	£313,495.78	5	£2,305,999.60
RESOURCES	1	£35,136.85	3	£1,117,225.00	4	£1,390,551.68	1	£15,000.00
TOTAL	10	£14,574,748.17	20	£2,380,412.33	15	£2,221,489.42	13	£4,998,297.85

Table 6: Summary of all Waivers registered in the past 12 months

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Date	Items
28 July 22	<ol style="list-style-type: none"> 1. Action log 2. Appointments to the Risk Management Group Verbal Report 3. 20/21 Accounts Verbal Update 4. Treasury Management Annual Report 2021/2022 5. Annual Governance Statement Verbal Update 6. Internal Audit Charter 7. Work programme 8. 2022/23 Business Assurance Strategy (including Internal Audit Plan) 9. Business Assurance Strategy Update (Q1) 10. Contract Procedure Rules - Waivers & Breaches (part confidential) 11. 21/22 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential)
27 September 22	<ol style="list-style-type: none"> 1. Action log 2. Buckinghamshire Council Statement of Accounts 20/21 3. Farnham Park Sports Fields Charity Annual Report and Financial Statements 21/22 4. Higginson Park Trust Fund Accounts 21/22 5. 21/22 Annual Report of the Chief Internal Auditor 6. 22/23 Business Assurance Strategy Update 7. Audit Committee – Review of Effectiveness 8. Annual Governance Statement – Process 9. Risk Management Group Update 10. Work Programme 11. 22/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential) 12. 21/22 Annual Report of the Chief Internal Auditor - Summary of Completed Audits and Audit Action Tracker (confidential)

23 November 22	<ol style="list-style-type: none"> 1. Buckinghamshire Council Statement of Accounts 20/21 and 21/22 Update 2. External Audit Risk Assessment 3. Buckinghamshire Council Pension Fund Accounts 21/22 Update 4. Treasury Management Mid-Year update 5. Treasury Management loans to other local authorities 6. Annual Governance Statement 7. Business Assurance team structure update 8. Risk Management Group update 9. 2022/23 Business Assurance Strategy Update (incl. Internal Audit Plan) 10. Work programme 11. Action log 12. 22/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential)
1 February 23	<ol style="list-style-type: none"> 1. Buckinghamshire Council Statement of Accounts 20/21 and 21/22 Update 2. Treasury Management Strategy 3. External Auditors Annual Report 4. Risk Management Group update 5. 2022/23 Business Assurance Strategy Update (incl. Internal Audit Plan) 6. Contract Procedure Rules - Waivers & Breaches (part confidential) 7. Work Programme 8. Action Log 9. 22/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential)
29 March 23	<ol style="list-style-type: none"> 1. Buckinghamshire Council Statement of Accounts 20/21 and 21/22 Update 2. Pension Fund Accounts 21/22 3. Constitution Working Group Update 4. Risk and Business Continuity Management Strategy 5. Whistleblowing Policy 6. Anti-Fraud and Corruption Policy 7. Anti-Money Laundering Policy

	<ul style="list-style-type: none"> 8. 2022/23 Business Assurance Strategy Update (incl. Internal Audit Plan) 9. Risk Management Group update 10. 2023/24 Draft Business Assurance Strategy (incl. Internal Audit and Counter Fraud Plan) 11. Work Programme 12. Action Log 13. 22/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential) 14. 22/23 Fraud Cases Update (confidential)
10 May 23	<ul style="list-style-type: none"> 1. Audit Committee – Review of Effectiveness 2. Annual Business Continuity Management Update <p><i>Other items TBC</i></p>

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Audit and Governance Committee action log

Last updated: 19th January 2023

No.	Action required	Lead	Date raised	Due date	Action taken	Date resolved (grey when resolved)	Status
1	Local Member Engagement That an update be provided on assessing member engagement in Cabinet and Cabinet Member decisions. 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.	Maggie Gibb / Governance Officer	25-Jan-22	30-Jun-22	Update Sept 22: Work to be progressed as part of Corporate Governance review being undertaken by Principal Governance Advisor. Update Nov 22: Work to be achieved by end of March 2023; initial scoping taking place with Deputy Monitoring Officer and to be taken forward by Principal Governance Officer.		Ongoing
Page 121	Draft Annual Governance Statement To seek views from Committee Members on the contents of the Annual Governance Statement 2021/22	Glenn Watson	28-Jul-22	14-Oct-22	Update Sept 22: Committee member views sought 10/08/22. Two responses received from the Chairman & Vice Chairman. Comments included in the draft AGS 2021/22 for Committee on 27/09/22. 27/09/22: Deadline for comments extended to 14 October. Update Nov 22: Following the September Committee meeting, members of the Committee were re-consulted on a revised draft AGS - on 18 and 28 October. Comments were made by Cllr Clarke and Cllr Newcombe (deputy chair and chair). Comments incorporated and final revised version agreed by Deputy Monitoring Officer and Monitoring Officer and indicative supporting comment from Cllr Newcombe. To be considered again by Committee on 23/11. Update Jan 2023: Annual Governance Statement approved by Committee on 23 November 2022. Finance and External Auditor informed. Leader and Chief Executive were provided with the final, approved version and agreed (December 2022) to add their signatures. Committee noted that the process for the 22/23 AGS would begin earlier in 2023 to allow greater consultation with the Committee; and that it would be drafted in a more accessible, pictorial style akin to other council publications.	01-Feb-23	Closed
3	Farnham Park Sports Field Charity and Higginson Park Trust To ensure that the 22/23 accounts, and subsequent years are signed by a separate officer to the S151 officer on behalf of the Council as Trustee	Dave Skinner	27-Sep-22	01-Apr-23	Update Nov 22: Alternative officer being considered Update Jan 23: Proposal is that one of the Assistant Directors will sign off FPT and HPT accounts and they have sufficient seniority as Deputy S151's. Will need to think about how this works with preparation and separation of duties but that will be the working premise.		Ongoing

Agenda Item 11

No.	Action required	Lead	Date raised	Due date	Action taken	Date resolved (grey when resolved)	Status
4	2021/22 Statement of Accounts To assess early indication of external audit work required on the accounts and whether an additional A&G meeting should be scheduled in December/January	Dave Skinner / Maggie Gibb	27-Sep-22	31-Oct-22	Update Nov 22: Verbal update to be provided as part of the update on accounts Update Jan 23: Close Action as already covered. Will provide an update on Statement of Accounts at each meeting.	01-Feb-23	Closed
5	2022/23 Business Assurance Strategy Update To clarify whether there were any proceeds of crime orders or compensation ordered by the Court for the counter fraud offence sentence referred to in the November meeting papers	Maggie Gibb	23-Nov-22	01-Feb-23	Update Jan 23: Will provide update on recovery of fraud cases for 22/23 at March A&G meeting		Ongoing
6	Work Programme - Constitution update To consult with the Service Director for Legal and Deomcratic Services as to when most appropriate to bring a future Constitution update to the Committee	Maggie Gibb	23-Nov-22	01-Feb-23	Update Jan 23: Added to work programme for March.	01-Feb-23	Closed

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