

Regulation, Audit and Accounts Committee

27 June 2016 – At a meeting of the Committee held at 10.30 a.m. at County Hall, Chichester.

Present: Mrs Millson (Chairman), Mr Bradbury, Ms James, Mr M.G. Jones, Mr Lanzer, Mr Patel and Mr Waight.

Declarations of Interest

1. Mrs Millson declared a personal interest in Item 5 Internal Audit – Annual Audit Report 2015/16 as a member of the PropCo Panel.
2. Ms Eberhart (Director of Finance) declared a personal interest in Item 6 External Audit Reports as her daughter is about to start employment with Ernst & Young (EY).
3. Mr Lanzer declared a personal interest in Item 8 Financial Statements 2015/16 as a member of the Local Government Pensions Scheme.

Minutes

4. Item 135 refers. The Chairman reported that the Health and Social Care Select Committee (HASC) is assessing the level of scrutiny and information provided for it at its meeting in December 2015, in the light of the suspension of the Chief Executive of the South East Coast Ambulance Service. The matter will be discussed at the next meeting of HASC.
5. The Chairman requested that in future it is helpful if notification can be given of urgent matters in advance of the meeting.
6. Resolved – That the minutes of the meeting of the Committee held on 21 March 2016 be approved as a correct record and that they be signed by the Chairman.

Draft Annual Governance Statement 2015/16

7. The Committee considered a report by the Executive Director Corporate Resources and Services and the Director of Law, Assurance and Strategy (copy appended to the signed minutes).
8. Mr Gauntlett (Senior Advisor Democratic Services) introduced the report and advised that there was a change to the report received in March which referred to the action taken on Business Continuity.
9. The Committee raised the following points on the Action Plan: -
 - Issue 1 Risk Management – The Chairman reported that the Committee will have an item on the agenda at its meeting in November on the review of Risk Management by the Risk Working Group and the outcome of the Risk Management Project. Mr Gauntlett advised that Natasha Edmunds, Director Workforce, Organisation Development and Delivery Support will

update the Committee on the progress of the review at the September Committee and report on progress with the appointment of a Corporate Risk Manager.

- Issue 3 Devolution – concern was raised that the Action Plan reflected a level of joint working with partners which was more advanced than in the statements on the 3SC proposals which had previously been provided for members. Members would not want to be presented with a fait accompli about 3SC devolution at a County Council meeting and need to be better informed about the proposals in a timely way. Mr Gauntlett agreed to ask the Director for Law, Assurance and Strategy to provide an update for all members and the Chairman will contact the Leader about the Committee's concerns and report back. The Committee also asked for more clarity about the future commissioning role of the County Council. Ms Eberhart advised that the County Council commissions at all times to ensure a commercial approach.
- Issue 4 Care Capacity – concern was raised that there was no tangible progress in the provision of more capacity for residential care in the county. Mr Jones asked to see the list of planning applications for care provision as described in the Action Plan. Mr Gauntlett agreed to ask the Action Owner to provide this list.
- Issue 7 Children's social care budget – concern was raised that the ongoing pressure against the Children's Services budget was now more acute than as reported in the Action Plan. Mr Gauntlett agreed to ask the Action Owner to provide more detail and an overview about the budget pressure and he will check that the Children and Young People's Services Select Committee (CYPS) is also looking at this issue.
- Issue 9 Commissioning, procurement and contract management – Mr Jones asked about progress with the completion of the procurement register and that it should be scrutinised by the Performance and Finance Select Committee (PFSC). Ms Eberhart advised that the register was nearly complete, it will be a public facing document and published on the County Council's website. Mr Carter (Head of Commercial Services) was also asked to comment on concerns raised about the lack of monitoring of existing contracts. In response Mr Carter advised that the need for better contract management had been recognised and training and awareness of best practice will be initiated as part of a commercial pipeline proposal. The benefits of better procurement can be lost by poor contract management. He also confirmed, with regard to his own directorate that in-sourcing is never precluded as an option.
- Issue 10 Aspire – Mr Jones expressed disappointment that this service had not been sourced internally and why in-sourcing was not always considered first as routine. CYPS had recommended to the Cabinet Member that in-sourcing was considered. Mr Gauntlett advised that the County Council considers the best way possible to deliver its services.
- Issue 11 Capita Support Services and Information Technology Services Contract – Mr Jones was concerned that scrutiny of the reset of the

contract by PFSC would be too late and there was a need for greater transparency with regard to this contract. The points made by Mr Jones regarding scrutiny for issues 9, 10 and 11 will be taken forward and a report brought back to the Committee.

- Issue 13 Training and Induction – concern was raised that the system was based on input rather than output and takes no account of people's differing learning styles. Mr Lanzer (Cabinet Member for Corporate Relations) undertook to take responsibility to investigate and for improving the effectiveness of induction training.

10. Resolved – That

- (1) the draft Annual Governance Statement attached at Appendix A is approved and
- (2) the draft action plan for 2015/16 attached at Appendix B is approved and a full update is submitted to the Committee on 28 November 2016.

Internal Audit – Annual Audit Report 2015/16

11. The Committee considered a report by the Director of Finance and the Head of Internal Audit (copy appended to the signed minutes).

12. The report was introduced by Mr Gavin Jones, Head of Internal Audit who informed the Committee that the Authority has a satisfactory level of assurance which is an improvement over the last two years. He highlighted the following: -

- the pace of progress with the risk management review needs to be increased;
- there has not been a significant improvement in contract management performance;
- there are still compliance issues with regard to the One Way to Buy process;
- consideration should be given to introducing mandatory training on key governance policies such as data security;
- the estates management function has received a no assurance audit opinion as a strategy formalising the approach has not been documented;
- there needs to be a formal Member approval to adopt the PropCo Programme Policy.

13. The Committee raised these issues in the discussion that followed: -

- Statutory requirements (mainly electrical, gas and lift maintenance) - Mr Waight felt that the audit report should have more impetus with regard to the point that the necessary reporting of required management information is 'progressing'. Mr Stevens (Programme Director) advised that initially performance was only 82% compliant and that this had now increased to 95%. The Committee asked why there was an issue with individual supplier's systems as the County's investment in SAP should have resulted in better integration of systems and data recording. Mr Lanzer agreed to ask the County Council's Chief Information Officer

Roland Mezulis to report back to the Committee in September. He reported that the SAP Optimisation Programme was in progress.

- Lack of strategy for estates management function – Ms Marjoram (Executive Director Residents' Services - interim) advised that the Strategic Asset Management Plan had now been commissioned and an update report will be brought to the next meeting of RAAC in September. There is a need to maximise strategic objectives.
- Lack of Cabinet Member sign-off for PropCo Policy – Ms Eberhart advised that the Policy had been considered and supported by the Performance and Finance Select Committee on 27 June. Mr Waight welcomed the need for timely, effective scrutiny of business cases.
- Buy-in of specialist IT audit resource – Mr G Jones advised that this was necessary as it would be more expensive to employ a permanent member of staff and fund continued professional development training.
- Contract Management performance – Mr M Jones felt that the report should reflect the fact that improvement was not across the board. He was concerned about small and medium contracts and the problems caused by changes of personnel at director level. Ms Marjoram assured the Committee that with regard to the Balfour Beatty contract there will be a transfer of knowledge between the outgoing and incoming directors and a clear timeline for re-procurement of the new contract has been developed in addition to stronger governance and tight contract management. There will be member involvement in the re-procurement including scrutiny and a member group set up by the Cabinet Member for Highways and Transport.

14. Mr Waight proposed an addition to the resolution – '.....and that statutory requirements are brought up to date as soon as possible'. This was seconded by Mr Patel.

15. Resolved – That the progress by the services to implement high priority Internal Audit recommendations in the annual audit report for the year ended 31 March 2016 is monitored and that statutory requirements are brought up to date as soon as possible.

External Audit Reports

16. The Committee considered and noted reports by the External Auditor, EY (copies appended to the signed minutes).

17. The Chairman reported that Kate Handy was retiring and Mark Justesen had now left EY and that in future Paul King will be the principal contact from EY for the County Council. The Committee thanked Kate Handy and Mark Justesen for their outstanding, open and useful audit reports.

Treasury Management Compliance Report – Fourth Quarter 2015-16

18. The Committee considered a report by the Director of Finance (copy appended to the signed minutes).

19. The report was introduced by Mrs Chuter, Chief Accountant, who confirmed that the County Council had complied with all statutory and regulatory requirements in the fourth quarter. Mrs Chuter highlighted the following key points: - Standard Chartered Bank and Deutsche Bank had been removed from the County Council's counterparty list following their poor full year results for 2015. The County Council aims to diversify its investments to minimise the risk of bail-in. Non-bank investments include £16m in long term (three year) investment with other UK local authorities using the funds previously invested with Investec. The County Council has increased the amount held in deposits with instant access, this is due to holding the 2015/16 LEP capital grant money and maintaining liquid funds for the planned Novartis site purchase. The County Council holds £20m in the Payden Sterling Reserve Fund as it continues to make gains. The County Council will monitor both its performance and the availability of other suitable investment opportunities.

20. Resolved – That the report be noted.

Financial Statements 2015/16

21. The Committee considered a report by the Executive Director Corporate Resources and Services and Director of Finance (copy appended to the signed minutes)

22. The report was introduced by Mrs Chuter who advised that key milestones have been achieved for both the West Sussex and Pension Fund accounts. Preparations are in hand for a change to the timetable in 2017/18 when the financial statements will need to be ready by the end of May.

23. The Committee raised these issues in the discussion that followed: -

- Icelandic banks – Mr Waight highlighted the noteworthy outcome that 98% of the claim value had been repaid to the County Council.
- Officer remuneration – Mr Waight asked about the increase in staff in 2015/16 with remuneration above £50,000. Mr Lanzer agreed to enquire of HR about a possible reason, which could reflect higher numbers of employees reaching the higher salary bands, and will feedback to the Committee.
- Ms James asked about unused funds for the National Living Wage – Ms Eberhart confirmed that an amount has been set aside but also advised that this report refers to the past financial year.
- Mr M. Jones asked about the payments to external companies in respect of senior officer remuneration, whether officers are given a choice about this as part of their interim arrangements and the length of contracts. Ms James also expressed concern about level of turnover. Ms Eberhart advised that contractual arrangements would have been negotiated with

each individual, she assured the Committee that interim staff were now being replaced by permanent employees.

24. Resolved – That

- (1) The financial statements both for West Sussex County Council and the West Sussex Pension Fund for 2015/16 (prior to submission for external audit), as attached at Appendix A, along with the risk register for each, as attached at Appendices B and C are reviewed.
- (2) The new accounting policy relating to the fair value measurement which has been adopted and applied in the 2015/16 financial statements to reflect the requirements of International Financial Reporting Standard 13 is approved.

Waste Strategy Review – Update

25. The Committee received a report by the Executive Director Corporate Resources and Services and Head of Commercial Services (copy appended to the signed minutes).

26. Mr Carter (Head of Commercial Services) introduced the report and summarised the reasons for a review of the Waste Strategy.

27. The Committee raised these issues in the discussion that followed: -

- Mr Waight referred to policies which had expired in 2015, including recycling targets, organic waste and opening hours for waste sites and asked when members will be consulted on the new policies and new ideas. He also referred to the County Council's policy on incineration which had expired in 2015.
- The Committee asked for a clear timeline with definite targets for the County Council to achieve which are related to but distinct from district and borough targets. The Committee was also concerned about the apparent drift in the timescales for the review of the strategy.
- The Committee agreed that a further report is brought to the Committee with a detailed road map and that the Cabinet Member for Residents' Services is invited to attend. The Chairman agreed to write to the Cabinet Member to raise the Committee's concern and recommend a more holistic approach to the Strategy Review.

28. Resolved – That

- (1) progress with the Waste Strategy Review is noted;
- (2) a further report is brought back to the next meeting of Committee and the Cabinet Member for Residents' Services is invited to attend.

Date of Next Meeting

29. The Committee noted that its next scheduled meeting will take place on 16 September 2016 at 10.30 a.m. at County Hall, Chichester.

The meeting ended at 12.50 p.m.

Chairman