

BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

Minutes of the Meeting held on 05 September 2024 at 6.00 pm

Present:-

Cllr M Andrews – Chairman

Cllr E Connolly – Vice-Chairman

Present: Cllr J Beesley, Cllr M Phipps, Cllr V Slade, Cllr M Tarling,
Cllr C Weight, Lindy Jansen-VanVuuren and Samantha Acton

Also in Cllr M Cox
attendance:

28. Apologies

Apologies were received from Cllr S Armstrong. Cllr E Connolly joined online.

29. Substitute Members

There were no substitute members.

30. Declarations of Interests

There were no declarations of interest received for this meeting. For the purpose of Transparency Cllr V Slade advised in relation to agenda item 6 - Budget and Medium Term Financial Plan that a family member had an EHCP.

31. Confirmation of Minutes

The minutes of the previous meeting held on 25 July 2024 were approved as a correct record subject to an amendment to the seventh paragraph of clause 17 that the 'adequate' be changed to 'inadequate'.

The Committee was advised that the answer provided to Mr McKinstry's question at the last meeting was being reconsidered and any clarification would be provided to the Committee at its meeting on 17 October.

32. Public Issues

Two Statements were received for this meeting from Mr Redman as follows:

Statement 1

In 2023, a procurement decision record was issued for the temporary catering van at Highcliffe Castle. The council would not release the names of businesses mentioned on the PDR because it was considered commercially sensitive information. Information Governance's decision was referred to the Information Commissioners Office and the council released

the information quickly when challenged by the ICO, without requiring the ICO to make a decision.

Commercial sensitivity is not a catch all reason for not publishing PDRs and I hope this committee and council will review this decision and publish PDRs to help transparency and accountability. I thought this was a requirement when PDRs replaced waivers.

Statement 2

The three line defence detection system has a fundamental flaw, it is retrospective. It will not prevent non-compliance and will only detect non-compliance if stumbled across after it happens.

The three line defence detection system would not prevent the Bayside scandal happening again. No manager or service director is going to report themselves for non-compliance. Strategic Procurement will be oblivious to what is happening unless a PDR is raised and Internal Audit will be a year or so behind the event when non-compliance may be picked up through one of their audits.

The council would not waste taxpayers money if it had proactive controls to prevent non-compliance in the first instance. Knowing all PDRs will be published would help.

33. Presentation – Budget and Medium Term Financial Plan (MTFP) decision making process, governance and safeguards

The Chief Finance Officer gave a presentation on the Budget and Medium Term Financial Plan Decision Making, a copy of which appears as Appendix 'A' to these Minutes in the Minute Book. The Committee received information around the governance for the process, an outline of good governance in the public sector, information on what a budget was as a financial expression of the Council's ambitions and priorities and the budget setting process and timeline. The Committee was informed that services were required to manage their income and expenditure within the limits of the budget allocated for them. It was explained that it was unlawful to set a deficit budget and that the budget was set annually within the context of a three-year MTFP. The Committee also considered the budget framework procedure rules and the safeguards in place. A number of issues were raised by the Committee and responded to throughout the discussion, these included:

The impact of the Dedicated Schools Grant override. This would not be a concern until the 2026/27 budget but there were issues regarding the ability to ensure cashflow for the deficit which was expected to be in the region of £100million for the 2025/26 budget. The DfE was looking into BCPs current situation, and a response was expected on this issue. A basic principle of local government finance was that borrowing could only be for capital expenditure and the position was now that all of the Council's treasury management advantage had been utilised.

The impact of managing income and expenditure within an allocated budget for statutory services. It was noted these were based on a forecast and that

if a service could not deliver within the budget it would need to seek an amendment to the budget through Council.

Cashflow difficulties as a result of the DSG deficit. It was noted that other authorities shared these issues but that the BCP deficit was at the extreme end. Spending on SEND was in excess of £30million more than the government grant.

Processes and support systems in place to navigate the budget process. All authorities needed to ensure that appropriate support mechanisms were available and structured support mechanisms were in place including reaching out to the MHCLG and keeping CIPFA involved in the process.

Targeted funds received by local government including those for homelessness prevention. It was hoped that the MHCLG were fully aware and engaged with these issues. It was noted most councils were waiting to see what the government position was and the outcome of the October budget. The deficit in relation to reserves was high and there had been higher reserves previously.

The composition of spending between statutory and non-statutory services. There hadn't been a detailed costing in terms of statutory and non-statutory spending. It was noted that the process of clarifying statutory obligations may be helpful in future years if the budget setting process became more difficult.

Thresholds for certain decision-making processes. It was noted that the values set out in the BCP Constitution were agreed by Council and had been tested since the inception of BCP. These have been benchmarked against other similar sized local authorities and would be reviewed on an annual basis.

The Chairman proposed and it was agreed that the slides from the presentation should be shared with all Councillors.

34. Presentation – Procurement Arrangements (including changes resulting from the Procurement Act 2023)

The Director of Commissioning and Interim Head of Strategic Procurement gave a presentation on Procurement arrangements and changes resulting from the Procurement Act 2023, a copy of which appears as Appendix 'B' to these Minutes in the Minute Book. The Committee was advised that the act was due to come into effect in October 2024. The Committee was given an overview of the way that the Council seeks to procure goods, services, works and concessions and would help in understanding the Council's requirements linked to the new Procurement Act, and also some of the requirements around compliance with the current legal arrangements. The team would be moving to the Finance Service from Commissioning at the end of September. A large proportion of the team were responsible for contract management within Adult Social Care. The Governance arrangements were outlined, including those for procurements above £30k

which were placed on the regional portal 'Supplying the Southwest'. Works above this but below the PCR 15 threshold could now be advertised more locally if appropriate. There were a number of process which procurement contracts needed to go through including recorded decision records. The changes in regulations through the Procurement Act 2023 were outlined. A number of issues were raised and responded to during consideration of this item, including:

Key Performance Indicators for Contracts – how often was the data captured to ensure that contractors were delivering. It was noted that the contract management would set these, but the timing may be different for different contracts. In many cases this would be monthly up to 6 monthly. Larger contracts were required to have at least 3 KPIs and for the performance information to be published.

Pipeline Contract Valuation Threshold – It was noted that the Procurement Board needed to make a decision on this and there were a couple of options being considered,

In reference to public statements made earlier in the meeting the Committee asked about the three lines of defence detection system being retrospective. The first line was that management was expected to ensure guidelines were followed and that there were no breaches, they could intervene at any point prior to the award of the contract. The second line was going through procurement for anything above £30k and the third was where internal audit would be involved. It was noted that the second and third lines were real time controls and Audit also provided advice and support to prevent things going wrong not just retrospective compliance checks.

The effectiveness of the three lines of defence. It was noted that there was a waivers report and the four new categories which were discussed in the presentation would be reported. Procurement would report breaches to internal audit and also consult on issues around financial regulations.

Changes due to the new regulations for those tendering for work were considered. It was noted that once approved as an exceptional person for a particular service this would cover all local authorities across the country. In terms of detail this remained to be seen but with three platforms currently registered, suppliers could register for which geographical areas they were interested in.

The change in requiring the most economically advantageous tender to the most advantages with a range of benefits including social value and how this would be manifest. It was noted that the Social Value of contracts would need to be relevant and proportionate to the subject matter of the contract. There was not currently a joined up approach to this and further thinking and development was required.

It was noted that if the Council was openly advertising for a procurement opportunity this would be published on the contract platform and emails were not sent to suppliers directly.

The Chairman requested that the slides be circulated to all Councillors.

The meeting ended at 7.44 pm

CHAIRMAN

This page is intentionally left blank

Budget & MTFP Decision Making Process

Governance and Safeguards

Audit & Governance Committee

5 September 2024

Governance

Corporate governance comprises of the arrangements put in place to ensure that the intended outcomes for service users and stakeholders are defined and achieved, while acting in the public interest at all times.

It is about doing the right things, in the right way, for the right people, in a timely, inclusive, open, transparent, honest and accountable manner.

The framework for managing the council. Who can make decisions, who can act on the council's behalf and who is accountable for how the council and its staff behave and perform.

Good Governance in the Public Sector



Budget

Financial expression of the Council's ambitions and priorities

Needed to enable Council to plan, authorise, monitor and control the way money is allocated and spent.
Must ensure resources are:

- Required in accordance with the law and properly authorised.
- Used only for the purpose of achieving policies, objectives, and service priorities.
- Held securely for use when required.
- Used appropriately to avoid waste, inefficiency and/or loss.

Unlawful for the Council to budget for a deficit.

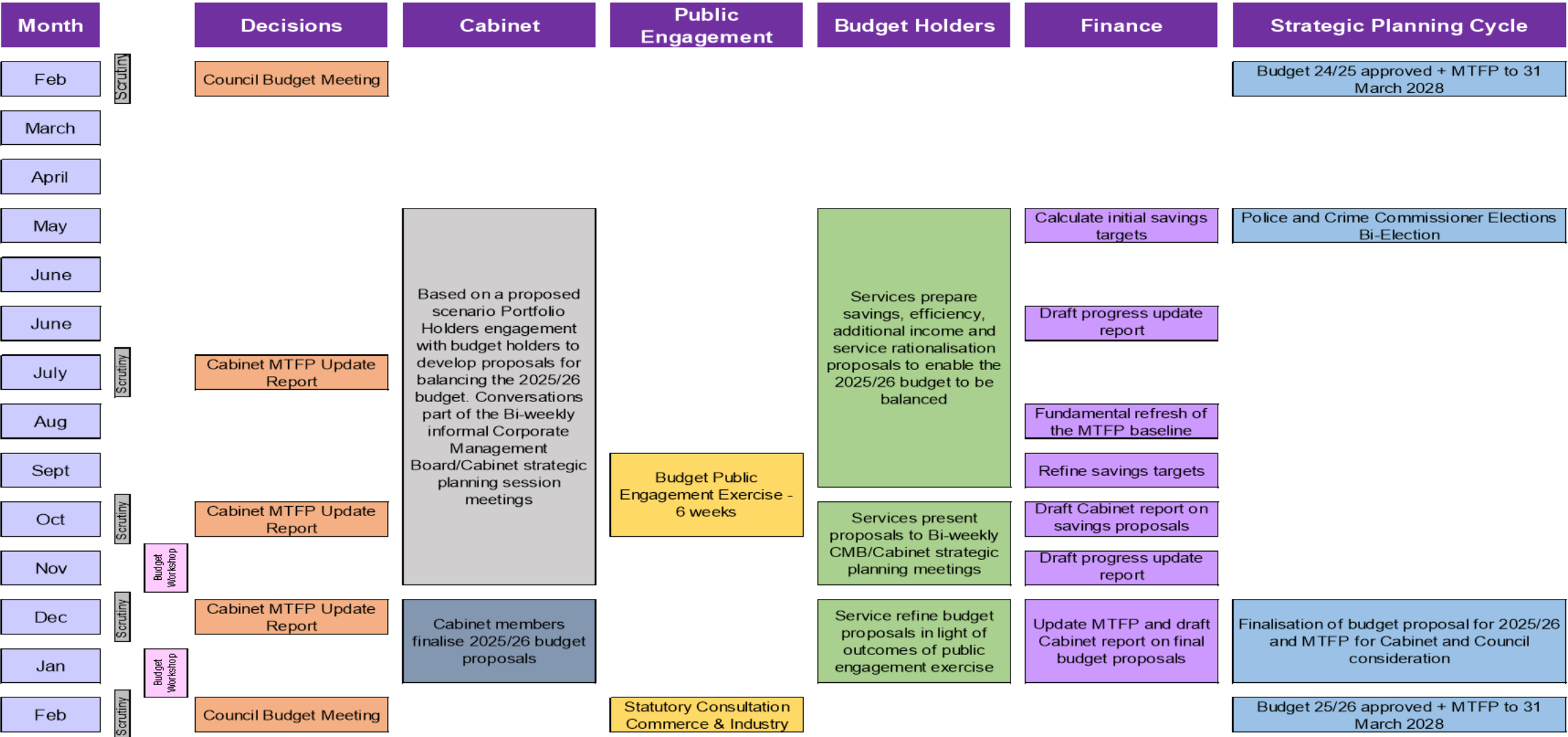
Produced annually and delivered in the context of a 3-year Medium Term Financial Plan (MTFP)

- Include Capital Programme, Treasury Management Statement

Services are required to manage their income and expenditure within cash limits of Budget allocated to them.

Budget Process

11



Formal Budget Framework

- Leader & Cabinet:**
- Responsible for developing budget proposals working with officers
 - Responsible for proposing the Budget to Council
 - Responsible for monitoring performance against the Budget
- Council:**
- Responsible for setting the Budget
 - Any alternative proposal submitted by any councillor or group of councillors must be done no less than 3 working days before the Budget setting meeting.
 - If Council supportive of the alternative proposal must ask Leader & Cabinet to reconsider Budget proposal. It is required.
 - To give Leader instructions to reconsider in light of objections.
 - Specify a period of at least 5 working days within which Leader & Cabinet may reconsider

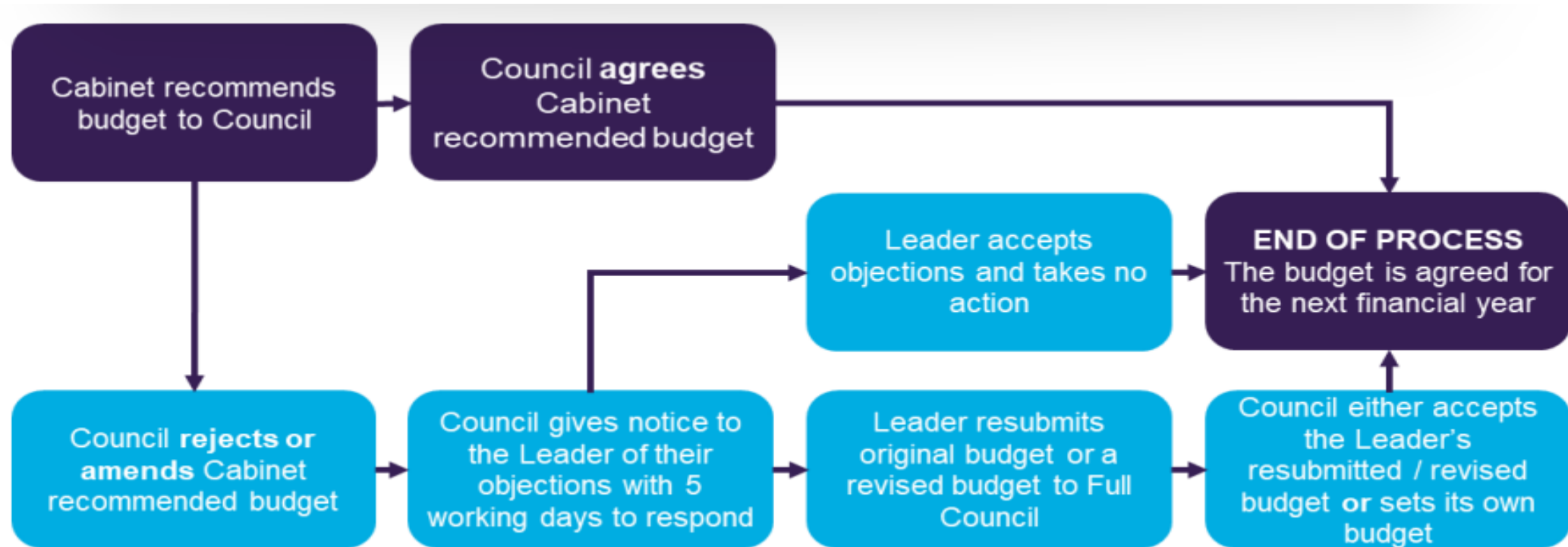
13

If **Leader** accepts objection, or fails to act in specified period, budget as amended becomes effective

If **Leader** disagrees with Council's objection or submits revised proposal, in light of the objection, then Council must meet again to reconsider.

Budget and Policy Framework Procedure Rules

- Based on 2024 Update of Constitution.



Budget: Safeguards (part 1 of 2)

- **section 25 Report** (formal advice) from the Chief Financial Officer
 - Included in Budget Report (Appendix 10 2024/25)
 - Tendency to be co-authored by the Chief Executive
 - Highlights robustness of the budget estimates and the adequacy of reserves
 - Focus on financial risks
 - Protocol that independent advice undertaken on any unusual or innovate items.
- **Legal Advice**
 - Budget report will include any specific legal advice from the monitoring officer.
- **External Auditor**
 - Monitors budget progress through formal reports and informal conversations with Portfolio Holder for Finance, Chief Executive, and Director of Finance
 - Retain ability to provide advice to Leader or Council (as per letter to Leader in January 2023)
 - Comment on financial sustainability as part of their annual Value for Money judgement.

Budget: Safeguards (part 2 of 2)

• Budget Monitoring

- Required by good practice & accounting code of practice.
- Requires action to maintain equilibrium.

• Virements

- Process transferring budget sums from one budget line to another in light of experience or to reflect anticipated change.

Over £1m	Council
Over £500k up to £1m	Cabinet
Over £100k up to £500k	Corporate Director
Up to £100k	Service Director

- All decisions should only be made after the advice of the Director of Finance (DoF)
- DoF delegated to correct errors in the budget upload, in virements, and to distribute centrally held budgets provided no change to net budget or council tax requirement.

Scrutiny – Enhanced arrangements for 2025/26

- **Step 1.** Budget Skills Training for Councillors (29 July 2024)
Independent Training based on approach taken by Dorset Council - Andrew Hardingham (previously Plymouth s151 Officer)
- **Step 2.** Directorate Budget Awareness – September 2024
Each Corporate Director to give a presentation to relevant scrutiny committee and undertake a Q&A on their budget, pressures, assumed savings etc.
- **Step 3.** Budget Task and Finish Groups – October 2024
Four task and finish groups focusing on issues in each Directorate – 1 group for each directorate
- **Step 4.** Budget Workshop – All Member Invite - 8 November 2024
Short presentation to provide the outline of the budget
- **Step 5.** Feedback – All Member Invite – 18 November 2024
Each Task & Finish Group feedback to the Overview & Scrutiny Board
- **Step 6.** Budget Workshop – All Member Invite – 22 January 2025
Short presentation to provide the outline of the proposed budget post public consultation and draft 25/26 LG Finance Settlement
- **Step 7.** Scrutiny Committee – All Member Invite – 3 February 2025
Scrutiny 2025/26 budget proposals and any recommendations to Cabinet
- **Step 8.** Cabinet – 5 February 2025 – Propose budget to Council.
- **Step 9.** Council – 25 February 2025 – Ask to approve 2025/26 budget

Questions

Procurement Arrangements Audit & Governance Committee September 2024

Stuart Bickel, Interim Head of Strategic Procurement
Phil Hornsby, Director of Commissioning

The Strategic Procurement Team (SPT)

- Corporate team, centre of expertise, 24 FTEs, 12 procurement + 12 contract management
- Service is currently positioned in Commissioning (moving to Finance)
- Organised by Category:
 - Wellbeing / People
 - Operations / Place
 - Resources
- Role includes:
 - 2nd line defence (1st line being management) especially leading procurements over £30k
 - Governance / quality standards via Part G of Financial Regulations
 - identify opportunities for organisation-wide contracts and frameworks

Governance arrangements - Normal

- Financial Regulations (Part G), Public Contracts Regulations 2015 (PCR15)
- Adverts above £30k controlled by SPT – advert on Supplying the Southwest
- Email quotes below £30k – led by service
- Contract Register above £5k – automated alerts trigger reviews
- Procurement Decision Records (PDRs) – numbered decision records:
 - Define
 - Procure
 - Award
 - Extend

Governance arrangements – flexibilities afforded

- Financial Regulations (Part G), Public Contracts Regulations 2015 (PCR15)
- Works >£30k & <PCR15 threshold - keep it local based on local market capacity and capability
- PDRs record where we rely on Part G, Regulation 5.a.:
 - Accelerated procurement where the Council would suffer significant negative impact if the full operational or strategic procurement approach is applied.
 - Unable to invite or obtain 3 bids or competition absent for technical reasons
 - Payments in advance for goods, services or works
 - Propose not to use an available Corporate Contract

Procurement Regulations 2024 (PR2024) & the Procurement Act 2023 – from 28 October 2024

General:

- Consolidation of the current procurement regimes (PCR15, CCR16) under one act.
- Procurements and contracts running under the PCR15 remain under PCR15.

Plan / Define:

23

- Publication of an annual 18-month forward-looking **Pipeline Notice**
 - Benefits suppliers who are sighted on business growth opportunity; benefits council with resource gaps
- **Preliminary Market Engagement Notice** (encouraged)
 - Benefits client teams by learning from the market and embracing innovation
- Conflicts of Interest assessment duty
- **Key Performance Indicators** – For contracts >£5m – at least 3 KPIs must be set

Procurement Regulations 2024 (PR2024) & the Procurement Act 2023 – from 28 October 2024

Procure:

- 3 procedures – Open, Competitive Flexible and Direct Award (where justified)
 - Flexibility benefits council but risk of non-compliance
- **Conditions of Participation** (was Standard Supplier Questionnaire)
- **Central Digital Platform** – includes central debarment list.
 - Benefits suppliers (simple), benefits council (fewer barriers to bidding)
- **MAT** (Most Advantageous Tender) (was MEAT, drops *economically*)
- **Tender Notice** (was Contract Notice); Transparency Notice for direct award; **Procurement Termination Notice** for no contract award
- **Contract Award Notice** triggers standstill (8 working days)
- **Contract Details Notice** (follows award >£5m)
- Increased transparency via new notices – resource impact in procurement

Procurement Regulations 2024 (PR2024) & the Procurement Act 2023

Manage

- **Contract Performance Notice** – Publish annual KPI data for every contract over £5m and report any breaches and poor performance (not light touch)
- **Contract Change Notice** – To be published before a contract >£5m is modified (not light touch).
- **Payments Compliance Notice** – Publish 30-day payment performance stats every six months.
- Publish quarterly information about contractual payments > £30,000.
- **Contract Termination Notice** – To be published when a contract ends (not light touch).

Procurement Regulations 2024 (PR2024) & the Procurement Act 2023

Communications / resources

- [Knowledge Drops](#) (see Sections 1 to 6 for Contracting Authorities). High level overview videos for those with regular procurement interactions
- CIPFA led virtual 1.5-hour briefing session on the new Act for senior managers on Tuesday 24 September

Questions?

This page is intentionally left blank