



Audit Committee Agenda

Wyre Borough Council
Date of Publication: 5 November 2018
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**Audit Committee meeting on Tuesday, 13 November 2018 at 6pm
in the Civic Centre, Poulton-le-Fylde**

1. Apologies for absence

2. Declarations of interest

Members of the Committee will declare any pecuniary or other significant interests they have relating to items on the agenda.

3. Confirmation of minutes

(Pages 1 - 26)

Confirmation as a correct record of the minutes of the meeting of the Committee held on 24 July 2018.

4. Annual Review of Audit Committee's Performance

(Pages 27 - 38)

Report of the Head of Finance (Section 151 Officer).

5. Internal Audit and Risk Management - Progress Report

(Pages 39 - 64)

Report of the Head of Finance (Section 151 Officer).

6. Annual Review of Financial Regulations and Financial Procedure Rules

(Pages 65 - 182)

Report of Head of Finance (Section 151 Officer).

(Note: Appendix 1 is NOT printed with this pack, but it can be viewed on the Council's website via the link included in the report)

7. Annual Review of Council's Counter Fraud Policies

(Pages 183 - 186)

Report of the Head of Finance (Section 151 Officer)

8. Annual Audit Letter 2017/18

(Pages 187 -
196)

Letter from the Council's external auditors for 2017/18, KPMG.

9. Housing Benefit Subsidy Claim Audit 2016/17 Update

The Head of Finance (Section 151 Officer) will make a verbal report.

10. Date of next meeting

The next meeting of the Committee will be held on Tuesday 12 March 2019 at 6pm in the Council Chamber.



Audit Committee Minutes

The minutes of the Audit Committee meeting of Wyre Borough Council held on Tuesday, 24 July 2018 at the Civic Centre, Poulton-le-Fylde.

Audit Committee members present:

Councillors Rita Amos, Emma Anderton, Lorraine Beavers, Ron Greenhough, Graham Holden, Tom Ingham, Lesley McKay, Paul Moon, Cheryl Raynor, Ann Turner, Lynn Walmsley and Val Wilson

Apologies:

Councillor(s) Tom I Balmain and Brian Stephenson

Officers present:

Clare James, Head of Finance and Section 151 Officer
Paul Harrison, Deputy Head of Finance
Roy Saunders, Democratic Services and Scrutiny Manager

Others:

Amanda Latham, Director at KPMG LLP
Paul Hewitson, Director at Deloitte LLP

No members of the public or press attended the meeting.

11 Declarations of interest

None.

12 Confirmation of minutes

Agreed that the minutes of the Audit Committee meeting held on 19 June 2018 be confirmed as a correct record.

13 Statement of Accounts (Post Audit) 2017/18

The Head of Finance (Section 151 Officer) submitted a report on the Statement of Accounts following the completion of the audit and the final capital and revenue position for the financial year 2017/18.

The Head of Finance introduced the report and explained the format of the Statement of Accounts. She referred, in particular, to the introductory,

contextual and background information in the narrative report and to the various detailed financial statements set out in Appendices 1 to 4b. She reminded Members that they had received training on the format and content of these documents when the unaudited accounts had been submitted to the Audit Committee on 19 June.

As in previous years, in order to assist with the interpretation of the report and to demonstrate robust Member scrutiny prior to approval, the Head of Finance submitted a set of Questions and Answers (attached as an annex to these minutes), which highlighted a number of issues arising from the accounts. The Head of Finance and the Deputy Head of Finance drew attention in particular to the following questions and answers:

- Q1 (non-financial information)
- Q2 (revenue variances)
- Q3 (housing benefit variances)
- Q5 (subsidy position at Marine hall and Thornton Little Theatre)
- Q9 (Hillhouse Enterprise Zone)
- Q10 (Audit, Risk and Insurance activity)
- Q11 (council tax summons fee income)
- Q15 (employee costs)
- Q21 (additional interest received)
- Q22 (revenue slippage)
- Q23 (three highest areas of revenue slippage)
- Q26 (main items of capital expenditure)
- Q27 (spending on cultural and leisure facilities)
- Q31 (comprehensive income and expenditure statement)
- Q32 (surplus on the provision of services)
- Q33 (property, plant and equipment)
- Q36 (earmarked reserves – vehicle replacement and street cleansing maintenance)
- Q38 (rental income from investment properties)
- Q39 (trading operations)
- Q42 (collection fund)
- Q43 (heritage assets)
- Q44 (recommendation from previous audit)

Members of the Committee raised questions and made comments, as the Statement of Accounts was considered, supported by the questions and answers document, including references to:

- the level of subsidy for the Marine Hall;
- housing benefit overpayments;
- the viability of the Spa on the Breck facility at the Poulton Leisure Centre;
- options to be submitted by the YMCA for the ongoing provision of services under the leisure management contract with the aim of driving down the subsidy;
- income from investment properties;
- the effectiveness of advertising and marketing of the council's trading operations;
- measurement of the financial "performance" of the council's cemetery services, including the possible need for a clearer breakdown in future years of both direct fixed costs and variable costs dependent on the

number of burials and levels of other activities.

The Head of Finance thanked the Financial Services Team and officers across the council for their enthusiasm, hard work and commitment which had enabled a set of full, accurate and fair accounts to be produced within the new tighter statutory deadlines.

Agreed:

1. That the Accounting Policies selected and applied by the Council (as required by International Accounting Standard No. 8: Accounting Policies, Changing in accounting Estimates and Errors), set out in Note 2 of the Statement of Accounts, be approved.
2. That the Council's Audited Statement of Accounts 2017/18 be approved.
3. That the major variations in expenditure and income, the proposed slippage and the resulting impact on the level of the Council's reserves and balances at 31 March 20128 be noted.

14 Management Representation Letter 2017/18

The Head of Finance submitted the Management Representation Letter for 2017/18, the content of which had been determined by KPMG LLP.

Amanda Latham, on behalf of the Council's external auditors KPMG LLP, said that the wording of the letter was "fairly standard" and that it had not been necessary to require that any concerns to be referred to in the letter.

Agreed that the contents of the Management Representation Letter for 2017/18, be noted and that the Chairman of the Audit Committee and the Head of Finance be authorised to sign it and send it to KPMG LLP.

15 Report of those charged with governance (ISA 260) 2017/18

Amanda Latham (Director KPMG LLP) submitted the External Audit (ISA 260 Report) for Wyre Borough Council for 2017/18. She referred to the work that had been carried out to discharge their statutory audit responsibilities and provided Committee Members with an overview of the report, summarising the headline messages for the Authority and key findings, as follows:

- That, subject to a few minor outstanding queries being resolved, she anticipated that an unqualified audit opinion on the Authority's 2017/18 financial statements would be issued by the deadline of 31 July 2018;
- That no issues or material risks had been identified arising the council's valuation of property plant and equipment or pensions liabilities (the two areas of potential significant risk which had been

identified in the external audit plan);

- That their 2017/18 value for money conclusion was that the Council had made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people and she anticipated that that she anticipated that an unqualified value for money opinion would be issued;
- That one low priority area for improvement had been identified, relating to a more frequent reconciliation of rateable value information provided by the Valuation Office with information in the council's Northgate business rates system.

Amanda Latham commended the very good work of the council's Finance Team and thanked officers for dealing promptly and efficiently with all audit queries.

The Chairman (Cllr McKay) thanked Amanda Latham and her team for their work as the Council's external auditors. She introduced Paul Hewitson, from Deloitte, who would now be taking over as the Council's external auditors and would be attending the next meeting of the committee in that capacity.

Agreed that the External Auditors Report to those charged with Governance, (referred to as the ISA 260 report) for 2017/18, be noted.

16 Next Meeting

Agreed that the next meeting of the Committee be held at 6pm on Tuesday 13 November 2018.

Annex to Minutes

The meeting started at 6.00 pm and finished at 7.35 pm.

Date of Publication: 30 July 2018.

Statement of Accounts 2017/18 – Questions and Answers

The following questions and answers will help to demonstrate that the Council's Accounts were subject to robust member scrutiny prior to approval.

First some questions on the Narrative Report which is included in the Statement of Accounts and starts on Page 2.

Question No. 1 (Page 3)

Why is there non-financial information in the statement of accounts? Surely this document should be concerned with key financial information and nothing else?

In 2015/16, a new requirement of 'Telling the Story' of the Statement of Accounts was introduced and this had to include non-financial information. This section is intended to give the reader some broad context about the organisation, how it is run and what it does. We are asked to follow certain principles set down in CIPFA's code of practice but generally speaking we have flexibility to include whatever we think will most help the reader of the accounts. Our non-financial information covers aspects like the geographical nature of the borough, our business plan priorities and even extracts from our Life in Wyre survey, all intended to illustrate the nature of what we do. Feedback from last year's equivalent Audit Committee indicated that this was serving its purpose in making the accounts more accessible but also that we needed to be clearer about what year the information related to. Hopefully we've addressed this and made it easier to follow as some of the information is forward looking and some is backward looking by necessity.

Question No. 2 (Page 10)

Starting with the revenue variances, should we not be concerned to see increased spending/reduced income of nearly £2.3m and reduced spending/increased income of a similar amount?

Revenue slippage continues to grow year on year and in relation to 2017/18 the value (net of reserve funding) is £1,260,900. Approximately 20% of the slippage listed represents external funding that has not yet been spent so it would be counter-productive to refuse it on the basis that the money would ultimately be repaid to the funding body. As this expenditure still needs to be incurred, the saving is returned to balances to be spent in the following year.

Whilst we will explore the other variances in a bit more detail below, in summary, **additional income** from planning fees and new burdens grant, summons fees, service charges, Enterprise Zone business rates and interest totals £252,466. **Savings** in employee costs, fuel, vehicles, waste collection, cemeteries, theatres, planning consultants, audit, risk and insurance, business rates, tools and equipment, public conveniences and printing and stationery budgets total £609,244. These positive variances have been used to compensate for **reduced income** on Rent Allowances – in total unbudgeted costs of £141,044. The net savings of £720,666 together with other miscellaneous under spends of £161,649 and the previously forecast top-up to general balances of £1,308,956 have been used instead to top up the Capital Investment Reserve by £184,260, the IT Reserve by £92,011 and the Vehicle Replacement Reserve by £1,915,000 leaving a difference of £48,056 which represents a reduced top-up to balances.

When you consider that our gross expenditure on services for last year was £54m, a net saving of £2,191,271 equates to 4.1%. This is higher than last year owing to the decision not to top-up general balances but instead transfer the underspend to earmarked reserves and this will be covered in more detail at question 36 in particular.

Looking at the areas of increased spending or reduced income....

Question No. 3 (Page 10)

I understand that there is a large adverse variance on housing benefit payments (also known as rent allowances) of £141,044 and would like to understand what has contributed to this?

The reduced income of £141,044 equates to less than half a percent of the gross benefit expenditure budget and was the result of the following factors:

1. An increase in benefit payments made of £37,139;
2. A lower level of income from the government in terms of subsidy £36,991 – whilst the budget assumed a rate of 99.5% the actual was 99.3% and when you consider that payments total nearly £29m, this small change in the % really does make a difference.
3. Debtors raised for overpayments of discretionary housing payments were £4,668 higher than expected.
4. Debtors raised for overpayments of housing benefit i.e. where somebody has been paid something to which they are not entitled and the top-up to the corresponding bad debt provision were a net £71,582 lower than expected owing to the introduction in March 2017 of a new Payment Deductions Project, the impact of which is now more fully understood having become embedded over the last year. As such, forecasts have been adapted and tightened to reduce the variation in future years.

Moving on to areas of reduced spending and increased income...

Question No. 4 (Page 10)

Cemeteries were in a deficit position in 2016/17, how have they performed in 2017/18?

Performance (excluding any notional charges) across all of the cemeteries since 2010/11 is shown in the table below. Although cemeteries income outperformed budget by £20,513, overall the cemeteries operated at a deficit of £10,820, an improvement of nearly £5,000 on the previous year. This is largely owing to support services recharges incurred in generating the additional income and the increased cost of responsive maintenance at Fleetwood Cemetery.

The council will continue to monitor the situation in future years.

- 2010/11 - a deficit of £23,648
- 2011/12 - a deficit of £45,818
- 2012/13 - a deficit of £7,393
- 2013/14 - a surplus of £7,528
- 2014/15 - a surplus of £35,311

- 2015/16 - a surplus of £1,357
- 2016/17 - a deficit of £15,788
- 2017/18 - a deficit of £10,820

Question No. 5 (Page 10)

What is the subsidy position at Marine Hall and Thornton Little Theatre (TLT) and how is the reduced expenditure of £21,000 at Marine Hall explained?

In 2017/18 the overall subsidy at Marine Hall, excluding capital charges was £315,125 and the equivalent subsidy at TLT was £116,522. This compares to figures in 2016/17 of £252,918 and £117,957 respectively.

Whilst TLT is holding steady in terms of its subsidy level, Marine Hall has seen a worsening position over the last 12 months with an increased subsidy of nearly 20% compared to the previous year. This trend was reported to Audit Committee in May 2018 as part of the summary findings in Internal Audit's Annual Report.

2017/18 has seen significant changes to the staffing and management of the theatres following the sad death of the Head of Leisure and Culture in January 2017 and as such it should not be seen as a typical year. The savings of £21,000 mean that the subsidy was lower than anticipated with additional staffing and agency costs being offset by increased bar income.

The ten year average subsidy for Marine Hall is £309,146 and for Thornton Little Theatre this is £95,870. Subsidy levels can fluctuate year on year as a result of one off spend such as repairs and maintenance but a subsidy level of between £225K and £250K has been delivered in recent years and this should remain the target going forward.

Following the recent internal audit review, a number of actions have been documented and work continues to restore the subsidy to its previous lower levels.

Question No. 6 (Page 10)

Income from planning fees is higher than we expected. Looking back over say the last five years – is there evidence to suggest that we are constantly underestimating income?

The estimated and actual income for 2017/18 and the previous 4 years can be seen below:

- 2014/15 - Actual income of £824,673 compared to a revised estimate of £786,690 – up £37,983
- 2015/16 - Actual income of £696,135* compared to a revised estimate of £602,580 – up £93,555
- 2016/17 - Actual income of £761,943 compared to a revised estimate of £670,000 – up £91,943
- 2017/18 – Actual income of £606,039 compared to a revised estimate of £582,670 – up £23,369

(*Prior to allocation of £41,350 used to fund future year additional costs)

Despite increasing the Revised Estimates to reflect the trend in higher levels of planning fee income, nearly £200,000 in planning fee income was received in just the last quarter of the

financial year, after the Revised Estimates had been set, demonstrating the unpredictability of when developers chose to submit their applications. This also reflects the late change in statutory fees which came into effect from mid-January. Our estimate was much closer to the final outturn figure than in previous years but it is still very difficult to gauge demand accurately. The Head of Planning predicted last year that many developers would submit planning applications in advance of the adoption of the Local Plan which it is hoped will be towards the end of 2018 and we saw a decline in planning income of £156,000 compared to 2016/17 so this downturn supports that view and will need to be monitored carefully ongoing.

Question No. 7 (Page 10)

Planning income has increased and yet we are reporting a saving of £21,542 on consultants. How has this been achieved?

The consultants fees budget covers general external support on application consultations from organisations such as the Greater Manchester Ecology Unit, ADAS Environmental Consultants and Lancashire Archaeology. It also includes an amount for specialist consultants (including those referred to above) for additional support in respect of planning appeals. The savings have arisen as a result of having very few appeals last year where we have had to engage that additional support.

The difficulty arises in that a few major appeals could very quickly swallow up those savings so a prudent approach is taken when setting the budget. Unfortunately we cannot easily predict at the beginning of the year how many appeals we are going to have and what matters will require us to engage consultants so a best endeavours approach is taken and reviewed at Revised Estimates and this approach will continue to be taken.

Question No. 8 (Page 10)

We are showing additional Planning Policy income of £35,485 but I wasn't aware of any fees and charges raised in this area. What does this relate to?

£5,485 of additional income is a New Burdens Grant from central government in relation to developing a Brownfield sites register. The remaining £30,000 is for a Local Authority Custom Build Grant. Work in relation to both of these activities will be undertaken as part of the normal duties of the planning team and therefore the one-off grants were offered up as a saving.

Question No. 9 (Page 10)

I know that we have a new Enterprise Zone (EZ) at Hillhouse, Thornton but what does the increased income of nearly £43,000 represent?

In June 2016, Wyre entered into a Memorandum of Understanding (MOU) with what was the Department for Communities and Local Government to establish an EZ at Hillhouse, Thornton. This meant that the EZ would benefit from 100% growth of business rates retention for 25 years with 100% protection from any future reset or redistribution. Wyre's baseline funding would not be disadvantaged and we would act as accountable body for the EZ. The MOU allowed for officer time to be recovered and this represents the first time such a claim has been made. Owing to the timescales for business rates returns to be audited, the growth in 2016/17 is only confirmed in

2017/18 and as such all claims are made in arrears. The growth in the first part-year operation of the EZ was £55,289. In 2016/17, we incurred consultants' fees of £5,000 and internal costs of £37,849 in staff time across a number of services but mainly in relation to the Planning, Engineering and Economic Development Teams (£26,790) and back office functions such as the Finance, Legal and Management Teams (£11,059). These teams have been instrumental in actively promoting and administering the EZ to generate investment in the site and attract new business which will ultimately lead to increased business rates growth to be invested in the site's infrastructure.

Question No. 10 (Page 10)

A saving of £23,300 has been achieved in relation to the Audit, Risk and Insurance activity. Does this mean that the work identified in the Audit Plan has not been carried out?

In May 2017 we agreed to an interim arrangement with Lancaster City Council to share our Chief Internal Auditor (CIA) one day a week in return for an agreed sum. This meant that we had to remove our CIA from the Audit Plan for 55 days between 22 May 2017 and 21 May 2018. Responsibilities were passed to the Senior Auditor where appropriate and a contingency budget was held in the event that further support from Lancashire County Council's audit team was required. A review of regular audits was undertaken to identify areas of strong performance that were suitable to be audited on a less frequent basis. Owing to the uncertainty around the General Data Protection Regulations, their raising as an area of Significant Concern in the Annual Governance Statement last year and the potential impact on the team it was important that a provision for additional resource was maintained. Ultimately there were no internal investigations last year that required additional support and the reconfiguration of the Audit Plan was successful which meant that a saving was achieved.

The saving was further enhanced by a 6-month arrangement with Lancaster City Council to share our Insurance Officer, two days per week, when their in-house post became vacant. Both arrangements have just been extended for a further 12 months and credit goes to the team for making this work to provide value for money for both authorities.

Question No. 11 (Page 10)

Council Tax summons fee income was greater than expected in 2016/17 and a positive variance has again been reported in 2017/18. Has our summons income stabilized and what other action can we take to pursue outstanding council tax debt?

In 2016/17 the council issued 5,771 summons earning income of £432,825 compared to 6,572 summons earning income of £492,900 in 2017/18. This is an increase in the number of summons issued of 801 or just under 14% and an increase in income of £60,075. However, the income is reduced as a result of summonses which are subsequently withdrawn, court and bailiff costs. The net income for 2016/17 was £377,681 and for 2017/18 was £392,851.

The council must comply with legislation which states that the customer must receive a bill followed by a reminder for any missed payments. If the customer ignores the reminder then in effect the council has no option but to issue a summons and obtain a Liability Order through the Magistrates Court. Only then can we proceed to attach the debt to benefits or earnings or refer the debt to Enforcement Agents (previously referred as the Bailiffs). Other options include committal to prison, placing a charging order on their home or bankruptcy proceedings. All reminder notices

clearly explain the consequences of not paying and offer assistance to the customer via the council's debt free advice service. Every time a summons is issued, costs of £75 are awarded to the council (£72 net of court fees) and added to the customer's council tax debt recognising the administration costs incurred in chasing the payment. Challenges continue to be made in relation to the costs charged and any future decision to set a lower fee will impact significantly on the council's level of income.

Within the net income figures above are new Civil Penalties introduced in 2017/18 and in total, 25 Council Tax civil penalties were issued at £70 each. This is another lever we can use to encourage recovery of debt and we are the first authority in Lancashire to commence using the penalties. Their use means that evidence of 'aggravated circumstances' exists which forces the DWP to investigate potential fraud below their normal threshold.

A recent recovery case involved a non-payer who owed the council £7,540, a sum which had accumulated between May 2012 and October 2015. Despite repeated attempts, the debtor had refused to engage with the council and had not made any offer of payment. The council was advised that the debtor did not own any property so a charging order was not appropriate but their income details were unknown. Bankruptcy proceedings were instigated. However, in order to avoid being made bankrupt, the debtor has now entered into a repayment plan. To date a total of £2,860 has been recovered.

The council will continue to pursue non payers recognising the duty that it owes to the majority of residents who do pay.

Question No. 12 (Page 10)

An underspend of more than £27,000 has been reported in relation to Domestic Waste Containers. How does this compare to previous years and why have costs reduced?

The introduction in 2014/15 of a charge for the delivery and administration costs associated with providing replacement bins (not applicable to boxes) is likely to have encouraged residents to take good care of their waste containers, thus reducing the need for more frequent replacements. Developers have also become accustomed to the charge and many now build this into their development costs and request the full suite of containers in bulk. Replacement boxes continue to be provided free of charge. The table below shows the expenditure on containers, the annual underspend over the last three years and the total income generated from admin fees. It shows that we currently recover less than 40% of the cost of replacement containers from residents.

Description	2017/18 £	2016/17 £	2015/16 £
Expenditure on Containers (includes collection of spares)	108,733	125,609	126,447
Container Underspend	27,447	14,471	7,793
Administration Fee	(40,768)	(17,790)	(13,656)

Question No. 13 (Page 10)

Public Conveniences have achieved savings and additional income of nearly £12,500. Does this mean more people are ‘spending a penny’ in our award winning toilets?

Yes, income has been greater than expected by nearly £7,300 (£47,278), an improvement on 2016/17 of around £6,300. The highest income earning facility was at Rough Lea Road Car Park and it was also the most improved compared to 2017.

Added to this, when the contract was outsourced to DANFO, a fixed element was paid annually for pension obligations to staff that transferred across under TUPE (Transfer of Undertakings (Protection of Employment)) Regulations. As former council staff have retired or left the company, these costs have reduced and we ceased having to pay the £9,090 annual sum in 2017/18 with a part year impact saving us £5,200.

Question No. 14 (Page 11)

Last year we reported savings on bulky household, clinical and hazardous waste of £25,260 and in 2017/18 this has been replicated with a similar saving of £25,507. Why haven't we amended our forecasts if these savings are year-on-year?

Whilst there have been savings on bulky household, clinical and hazardous waste it should be noted that in 2016/17 both clinical and hazardous waste remained as operating at a loss. However, bulky household waste did generate a surplus for the first time.

In 2017/18 a similar picture has emerged with both clinical and hazardous waste operating at a loss and bulky household waste generating a modest surplus.

This is a combination of reduced costs in relation to vehicle maintenance, additional income from an increase in the charge from £18 to £19.50, with demand holding steady and additional income from an increase in take-up of Regenda customers using the service (paid for by Regenda).

The net savings for each of the services were as follows:

- bulky household - £21,520 saving (£11,100 net surplus)
- clinical - £1,040 saving (£2,960 net subsidy)
- hazardous - £2,950 saving (£2,050 net subsidy)

Question No. 15 (Page 11)

Employee Costs (including car allowances) show a saving of £344,000 – what % of the total salary budget does this equate to and why is this higher than last year's figure?

The updated revised estimate for staffing costs was £9.9m. The saving on employee costs across all services is £344,117 representing a saving against the budget of approximately 3.5%. The underspend reflects an awareness of the Council's financial position with many teams choosing not to fill established posts and seeing if they can manage but at the same time not feeling comfortable enough to offer up the savings in case things don't work out. A large part of the savings, just over £95,000 relates the Contact Centre and posts held vacant owing to the scale and complexity of both the internal developments and the national policy changes it responds to. Similarly, nearly £74,000 relates to Parks and Open Spaces where an internal recruitment process to a new manager post was successful towards the end of 2017/18 and several posts have been held vacant pending a review of the service. Many of the employee savings will be formally

declared via staffing reviews as part of the £2m target which the senior leadership team has committed to deliver.

Within the above underspend, car allowance savings of £9,395 were achieved against a budget of £77,310. Part of the saving will be attributable to vacant posts and general reductions in mileage and next year's global budget has already been reduced by £2,500 and will be subject to further review.

Question No. 16 (Page 11)

We have reported savings in fuel costs for a number of years (2017/18 c£14,000) and these have been declared on a rolling basis. Last year it was agreed that further savings would be taken but I see that we have again underspent. Were savings declared in 2017/18 and are further savings likely?

Overall fuel consumption has reduced (excluding fuel purchased on behalf of our waste contractor) with 2017/18 consumption being lower by just over 3,500 litres than the previous year. There have been no major changes to the fleet although we did replace a diesel van with our first electric car and this will have contributed to the reduced fuel consumption. In 2016/17 the average fuel price for White Diesel, which makes up the majority of all fuel purchases, was 91p per litre and in 2017/18 it rose to 94p. Despite effective fleet management and the deployment of vehicles efficiently the volatility of fuel prices means that costs can vary beyond the control of managers. The fuel budget was reduced by nearly £4,000 in 2017/18, so the underspend is in addition to this, and it will continue to be monitored with a view to reducing the total budget further in 2018/19 but this is dependent on forecast fuel prices.

Question No. 17 (Page 11)

NNDR or business rates is an area that wasn't reported last year – why the saving of £74,489?

The vast majority of this saving (£73,764) related to the Civic Centre and of this £57,257 represented the outcome of an appeal on the Valuation Office Agency's (VOA) 2010 Rateable Value List which has only just been settled. The remaining £16,507 related to the same appeal but for the period 2015 to 2017. It has taken a long time for the appeal to be determined owing to limited resources at the VOA and high demand under the old appeals system. A new system of 'Check, Challenge and Appeal' has been in place since April 2017 and this has so far vastly reduced the number of appeals going through the system. In fact there were no appeals in Wyre at all on the new 2017 List last year.

Question No. 18 (Page 11)

Printing and stationery (excluding elections and the Rossall scheme) has underspent by £10,639 against a budget of £60,600 – this is a significant saving equating to 17.6% of the budget - do we know the reasons for this variance?

This underspend can be broken down further as follows:

- Printing is £7,838 under budget with savings being reflected in Benefits Administration (£5,265), Off Street Parking (£1,961) and NNDR (£1,059) with several smaller under and overspends across a number of other cost centres;
- Stationery is £4,574 under budget with the largest savings being reflected on Benefits Administration (£1,266) and Contact Centre Systems Support (£1,120).
- An overspend (£1,772) on photocopier paper/charges make up the difference but this is spread across multiple cost centres with no unders/overs exceeding £350.

Based on the 2017/18 and 2016/17 outturn positions, a number of areas have now established a pattern of underspending for which the opportunity for permanent savings will be explored. The introduction of 'hybrid mail' in late 2017/18 identified areas for reducing these costs as part of reducing our postage expenditure and this and the introduction of a Citizen Access Portal will also inform the budget reductions over the next 12-24 months.

Question No. 19 (Page 11)

Overall, Tools and Equipment budgets have been underspent by £13,646. Within the total budget, what are the main under and overspends?

Two areas overspent significantly in 2017/18, namely Engineering (£3,146) and Parks and Open Spaces (£2,742).

Five areas underspent by more than £1,000 and these were as follows: Taxi Licensing (£1,036), Development Management (£2,193), Contact Centre Systems Support (£2,483), Care and Repair (£3,000) and Fleetwood Market (£4,301).

The majority of the underspends were small balances of less than £500 and all material differences will be reviewed as part of the process of identifying ongoing savings. However, some savings don't reflect the reality of the requirement not to generate a surplus on certain activities or areas where a service charge may be recoverable etc.

Question No. 20 (Page 11)

The Tenant's Service Charge income has increased by £10,218 compared to the budget. If we recharge based on consumption, what asset/s does this relate to and why was the forecast lower?

The variance is largely a result of increased consumption at the Poulton Youth and Community Centre which is currently rented by the McKee School for two years with an option to extend. In 2016/17 their charge amounted to £8,445 (7 months only) and this rose to £14,885 in 2017/18. The charge is based on the area they occupy as their utilities are all connected via the Civic Centre and separate meters was not a viable option. The budget in 2018/19 will be amended to reflect the now established level of consumption.

Question No. 21 (Page 11)

I see that there is additional interest received of £20,614 – why is this?

The interest received in the year was £82,834 compared to the revised estimate of £62,220. Whilst an improvement against the forecast, this was around £13,000 less than the £95,871 earned in 2016/17 largely owing to reduced rates of interest. The increase in investment income over that budgeted is owing to an improved cash-flow situation towards the end of the year, partly due to external grant monies being received in advance of expenditure and the efforts of the officers responsible for treasury management activity investing longer term when cash-flow allowed and securing higher interest rates than budgeted. The additional income was reported to Council on 14 June 2018 as part of the annual report entitled 'Treasury Management Activity 2017/18.

Looking now at Revenue slippage...

Question No. 22 (Page 11)

Can you explain what is meant by revenue slippage?

Spending officers ask for unspent budgets to be moved to the next financial year to avoid paying for previously committed works from their new year's budget. In other words they ask us to 'slip' the underspend against their budget so that next year they can spend their full budget and the underspend from the previous year. Often, the request relates to a one-off budget provision which has either been externally funded or met from earmarked reserves. A full list of revenue slippage for 2017/18 totalling £1,260,900 can be seen at Appendix 3b.

Slippage on capital schemes which were being funded by revenue totals £2,200 and after recognising that some of the slippage is funded from earmarked reserves the value of slippage that impacts on the level of balances going forward is £1,260,900. Essentially, this is the value of the apparent underspend in 2017/18 which will ultimately be incurred in 2018/19.

Question No. 23 (Page 11)

Looking at the table which summarises revenue slippage (with the full listing being shown at Appendix 3b), can I ask you to explain, the three highest requests hopefully giving me a better understanding of why slippage occurs?

The highest value of slippage (£291,160) relates to a potential VAT adjustment that the council may be required to pay concerning disabled facilities grants i.e. a potential declaration of unpaid VAT for which confirmation is currently being sought. Several local authorities have submitted appeals to the VAT Tribunal concerning the VAT treatment of DFG agency fees. These cases are currently standing behind the case concerning Cheshire Independent Living, to be heard later this year (delayed from December 2017), which will consider arguments potentially relevant to the DFG position for local authorities. The result of the appeals will dictate whether the service is viable going forward. However, advice from Mazars has now been taken and they are acting on our behalf to liaise with Her Majesty's Revenue and Customs (HMRC) to determine whether Wyre is required to declare unpaid VAT which may also incur a penalty charge and interest. The value of any repayment plus other charges is unlikely to be as high as the amount set aside based on advice received and as such an underspend is likely to occur.

The second highest value of slippage (£216,080) relates to homelessness. Of this, £83,570 relates to flexible homelessness funding that has been earmarked to continue to deliver supported accommodation for vulnerable families who are homeless or threatened with homelessness and

are resident in Wyre. The funding will also be used to employ staff to deliver the Housing Options service that will be undergoing some changes owing to the Homeless Reduction Act. Service users will be provided with bespoke advice and personal housing plans and this will require an increase in staffing resources. A further £104,000 relates to a Trailblazer bid led by Blackpool to deliver homelessness prevention works to Fylde Coast councils. Wyre are delivering prevention work by way of a bond guarantee scheme, a tenancy officer, tenancy training and tenancy support for persons within Wyre who are threatened with homelessness. A further £25,210 has been made available to ensure all councils are prepared for the Homeless Reduction Act which was implemented in April 2018. The new Act will impact on service delivery, which includes staff time and the implementation of a new IT system and reporting mechanisms. It is envisaged that the funding will go towards staff delivering to the expectations of the Homeless Reduction Act. Finally, £3,300 in relation to prevention has been slipped to assist homeless individuals and families to access alternative accommodation or funding to prevent eviction due to rent arrears.

The third highest value of slippage (£178,230) relates to Local Plan Consultancy fees and this was also on the list last year. The slippage reflects the rescheduling of works relating to the Local Plan, with the planning enquiry stage having just taken place in May. The savings have been earmarked to meet future unbudgeted costs depending on the outcome of this and any subsequent stages which may require amendments to the plan or additional evidence.

Question No. 24 (Page 11)

Just before we leave revenue slippage and looking at the full list at Appendix 3b (page 125), can you tell me about the item regarding the Care and Repair Service where we show projects subject to re-phasing of £180,285 which is met by external grant funding of the same amount. This seems a large amount to be carrying forward although it has reduced compared to last year's value (£235,011) – why haven't we managed to spend more of the money?

Care and Repair have been extremely successful in securing external funding to support a number of ongoing projects that include Winter Warmth initiatives, a social isolation project, a project to help prevent hospital admissions for patients with long term health conditions, a dementia project and a project to provide increased security for vulnerable households. These projects will have various start dates, with some having commenced in and prior to 2017/18 and others commencing in 2018/19. The timescales for delivery and reporting requirements are agreed with the funders in advance. The money is usually ring-fenced although some grants have a greater degree of flexibility in how they are spent.

Care and Repair have to date managed to provide these projects without additional staffing resource and the flexibility of funders around delivery timescales is therefore a key factor. In order to continue to attract external funding we must make the best use of the funds provided and ensure that they have a positive impact on recipients.

<u>Project</u>	<u>Amount</u>
	£
Affordable Warmth	98,227
Social Isolation / Affordable Warmth	21,000
Long Term Conditions	40,000
Winter Warmth Initiative	5,260
Dementia Initiative	4,320
Other Projects	11,482

TOTAL	180,285
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Question No. 25 (Page 11)

I see that at 31 March 2018 we have nearly £11.8m in our revenue balances – why are we still trying to find efficiency savings?

The Council prepares a 4 year Medium Term Financial Plan which forecasts what we expect our income and expenditure to be in each of those years and shows the impact on our revenue balances. The latest update reflects a gap between expenditure and income in 2021/22 of approximately £2m and in effect, our level of balances only allows the Council to continue with its current spending plans until 2024/25 before it runs out of money. In 2019/20 our Revenue Support Grant ceases and following the absence of a Finance Bill in the Queen’s Speech last year there is even greater uncertainty around what will replace this critical funding stream. There is an action in the Council’s Business Plan (2018 Update) to ‘progress our programme of efficiency savings to ensure a balanced budget’ and regular progress reports will be provided to Cabinet and Overview and Scrutiny in order to bring the expenditure and income projections back into balance.

Moving on to Capital Expenditure...

Question No. 26 (Page 12)

It is clear from the table on page 12 that our main item of expenditure, accounting for 79% of our capital outturn at £10m, is Sea Defences. What exactly does this include?

Schemes categorised as sea defences for the 2017/18 financial year are as follows:

Scheme	Value £
Cell Eleven Monitoring – External costs/In house fees	15,692
Wyre Beach Management Study	20,004
Rossall Sea Wall Improvement Works – External costs/In house fees	9,932,310
Total	9,968,006

Firstly, cell eleven monitoring attempts to assess the impact of the tides – with the scheme title being a reference to the particular region of the coastline, namely, Wales and the North West of England.

Secondly, Wyre Beach Management scheme expenditure to date is for an application for studies to prepare a business case for the scheme (as identified in the Wyre Core Coastal Defence Strategy). This has been submitted to the EA and is anticipated to receive formal signoff this summer. The studies (including computational modelling, public consultation and monitoring to provide evidence to prepare the business case) will be undertaken over the next 14 months. The scheme is currently estimated at £22 million and if approved this will be fully supported by Grant in Aid.

Thirdly, Rossall Sea Wall Improvement Works are being funded by the £63.2m award from the Environment Agency (EA), with contributions from Fleetwood Town Council and Regenda. The scheme was opened on the 1st June with some landscaping and art installation works to be completed over the summer.

Question No. 27 (Page 12)

I see that we have spent £100,431 on Cultural and Leisure Facilities in 2017/18. This reminds me that as a result of improving the Poulton and Thornton Leisure Centres in 2014/15 we were meant to reduce our revenue subsidy (£356,239) by approximately £130,000 in 2015/16 to £225,229, with a further reduction of £25,000 in 2016/17 to £200K and an agreed two-year average subsidy of £172,500 in 2017/18 and 2018/19. Bearing in mind the 2015/16 and 2016/17 subsidy targets were both met (and improved upon), what does the final position in 2017/18 look like?

The expenditure has been routinely monitored throughout the year and the final outturn reported by the YMCA for 2017/18 was £238,505 which is £66,005 more than the agreed subsidy and £40,507 more than the subsidy level achieved in 2016/17. Late costs reported in May 2018 but not previously consulted on with the council related to a management restructure at the end of the financial year. This resulted in one-off termination costs for one Director with an impact on Wyre's subsidy of approximately £15,000.

As reported last year, although the YMCA performed better than the targets set in 2015/16 and 2016/17 this was helped by the novelty of the new facilities and the reduced maintenance costs. The Splash Pad continues to operate at a loss, increasing from £13,520 in 2016/17 to £19,385 in 2017/18 and this is built into the agreed subsidy target although not formally part of the contract.

The Council's Leisure Management Contract includes an incentive for the operator to reduce costs by allowing the YMCA to keep 50% of any savings below the operational subsidy and pay a 50% share of any expenditure incurred above the operational subsidy. In 2017/18, it was agreed that owing to the uncertainty around the reduced subsidy level any under or overspend would be carried forward and the overall impact assessed at the end of March 2019. In other words, over two years a total subsidy of £345,000 has been agreed and based on the 2017/18 outturn, only £106,495 remains for 2018/19.

In January 2018, the YMCA agreed to present various options for consideration by the Service Director for Health and Wellbeing, for substantially reducing the subsidy and these are currently awaited. However the 2018/19 forecast has been produced and this shows a reduced subsidy target of around £100K which if achieved would bring them back in balance over the two year period.

Question No. 28 (Page 12)

Staying with Capital Expenditure, I can see that we've spent £155,513 on Flood Grants. How many households that were flooded in Storm Desmond and Storm Eva between December 2015 and January 2016 does this represent?

In the winter of 2015/16 Wyre experienced severe flooding with the greatest concentration of properties flooded in Churchtown, St Michaels and Garstang although other outlying properties were also affected. A Bellwin incident was declared and the council submitted a claim to central government to recover the proportion of costs which were eligible that had been incurred in 2015/16. Further funds were made available to households for Resilience grants of up to £5,000 per property and these were promoted by the council on our website, letters to affected properties and via house-to-house visits. Prior to the closure of the scheme we had received 89 applications

for the resilience grants of which 84 were approved in principle, pending submission of supporting documentation. The scheme has now closed and in total we have paid out for 81 of the applications, with three deciding not to complete their submissions. We will have paid out a total of £351,048 in resilience grants by the end of 2017/18 with successful take-up by 84% of affected properties (97 in total). Within those 81 households that have claimed resilience grants, 75 have claimed for their own properties and six households have signed over their maximum grant allowance to the council to be used to purchase two mobile pumps for deployment in the borough should similar flooding occur. This demonstrates the hard work by the Head of the Contact Centre and the Compliance Manager in particular in promoting and supporting claimants and also maximizing the grant opportunities for community schemes.

Question No. 29 (Page 12)

In the table showing reasons for the variance to the Updated Revised Estimate, why is there £3m of capital slippage into future years?

The individual schemes making up this value can be seen in Appendix 2 Table 2. The largest item accounting for the vast majority of the slippage is:

<u>Scheme</u>	<u>Slippage</u> <u>£'000</u>	<u>Reason</u>
Rossall Seawall Improvement Works	2,921	Risk monies that have not yet materialised.

The current 2018/19 Rossall scheme budget is £10.4m but this includes approximately £6m of risk monies that may or may not be drawn down, depending on circumstances, and may ultimately be a saving on the scheme. Changes will be reported via the normal capital programme reporting process with a Cabinet report due in October 2018.

Question No. 30 (Page 13)

It is useful to see the different grants and contributions in the financing table but when the Capital Programme is financed from Revenue to the tune of £0.43m what does this mean?

Revenue funding of £426,415 has been applied during the year reflecting a number of contributions including:

- Capital Investment Reserve (£28,709) – used primarily for the creation of the Digital Hub at Fleetwood Market;
- Handyperson Service (£22,200) – used for the rolling replacement of Handyperson vans;
- Vehicle Replacement/Street Cleansing Maintenance Reserve (£172,114) - used for the rolling replacement of the vehicle fleet and the creation of the MOT Test Centre; and,
- IT Reserve (£202,979) – used for replacement Servers and Hardware.

And finally, some questions on the rest of the Statement of Accounts:

Question No. 31 (Page 36)

The Comprehensive Income and Expenditure Statement shows that our gross income and expenditure on Neighbourhood Services and Community Safety accounted for 83% of our total gross income and nearly two-thirds of our total gross expenditure. This seems disproportionate, why is it so different compared to the other Portfolios?

The biggest element of the 'Neighbourhood' Portfolio in 2017/18 relates to Housing Benefit on which we spent £29m and received just under 99.3% subsidy in government grant. Once this element is stripped out the Portfolio's income and expenditure is in line with the others.

Interestingly, the Portfolio with the highest net spend is Street Scene, Parks and Open Spaces at £3.4m with Street Cleansing, Domestic Waste Collection and Parks and Open Spaces being the three most expensive elements accounting for nearly 90% of the net expenditure in this portfolio.

Question No. 32 (Page 36)

The Comprehensive Income and Expenditure Statement (CIES) appears to show that we have made a surplus on the Provision of Services of £11m but the Narrative Report on page 11 shows an increase in balances of £1.3m. Why is the contribution to balances not £11m?

Note 8 commencing on page 59 illustrates the adjustments that are needed to reconcile the Accounts prepared in accordance with proper accounting practice to the resources available as specified by statutory provisions which ultimately influences the level of council tax that we levy from our residents.

The total comprehensive income and expenditure which can be seen on page 36 of £10,929,127 is reflected in both usable and unusable reserves and is analysed in the Movement in Reserves Statement on page 37. The first column of this statement shows the General Fund Balance which increases from £10,531,480 at the start of the year to £11,792,380 at the end of the year, an increase of £1,260,900. The statement shows the surplus on the CIES of £10,929,127 and the aggregate adjustments that explain the difference.

And now turning to the Balance Sheet on page 38...

Question No. 33 (Page 38)

Looking at the Property, Plant and Equipment line, why has this increased by nearly £11m and why are no assets classed as being surplus or held for sale when Garstang Business Centre was in the process of being sold?

Property, Plant and Equipment has been valued at £124m in 2017/18 and Note 13 on page 66 shows a more detailed breakdown. The key difference year-to-year is shown in the Assets Under Construction column against the Additions line:

- £9.9m has been included for the Rossall Coast Protection scheme, being the value of the works under construction at year-end.
- Other changes include general upwards revaluations of assets (£2.1m) reflecting the current market and additions such as £166K of enhancements carried out to existing assets. Additionally some of the assets valued this year are valued using Depreciated Replacement Cost which is based on current costs to rebuild the assets. These costs have naturally increased since the assets' last valuation five years ago.

Garstang Business Centre is currently classified as an investment asset. As such, under the rules governing asset classification there was no reason to reclassify it because we are effectively holding onto it for capital appreciation.

Also, when it is eventually disposed of, it will be disposed straight out of the investment asset category, not transferred to either surplus, or assets held for sale so it doesn't fall into either of these categories at that point. Essentially it's a technical distinction for accounting purposes but it is an asset that we are disposing of and the final completion date is expected to be on or before 31st October 2018.

Question No. 34 (Page 40)

This is the second year we've included the new Expenditure and Funding Analysis (EFA) Note to the financial statements. What is it meant to be telling me that's different to say, the CIES on page 36?

There are some similarities between the two...

- Both the CIES and the EFA are presented according to the organisation's structure so in our case, the Cost of Services sections are both shown by Portfolio and both net to £13,112,718 in 2017/18.
- Both the CIES and the EFA also show the surplus or deficit on the provision of services and again they both net to £10,929,127 in 2017/18.

Where they differ is that the CIES includes all the notional adjustments or 'book entries' that accountants make to comply with our Generally Accepted Accounting Practices (GAAP). This means that the CIES includes entries for capital charges and accruals for instance so whilst it is useful for comparing to budgets and performance during the year it doesn't show the amount to be funded from taxation.

The EFA on the other hand takes the council's annual expenditure and reconciles the position on the CIES to the position on the General Fund, stripping out the accounting adjustments made for capital charges etc. In addition to showing the Surplus in 2017/18 as £10,929,127 it also shows the reconciliation to the General Fund which confirms that we have £11,792,380 in balances as per our earlier Question 25. The EFA therefore shows a truer picture of what expenditure has been allocated where for decision-making purposes.

Question No. 35 (Page 64)

Looking at Note 9 on page 64 'Movements in Earmarked Reserves', the New Homes Bonus Reserve is significant at just over £2.8m – what is it being used for?

The Government introduced New Homes Bonus to provide a financial incentive to reward and encourage local authorities to help facilitate housing growth. The first payment was made in 2011/12 and was based on the number of additional homes added to the council tax base which in effect reflected new houses built and long term empties returned to use. Payments were based on the national average council tax relevant to each property and were originally paid for a period of 6 years although following consultation this reduced to 4 years from 2017/18. There is an additional

payment of £350 for each affordable home delivered, again originally for a 6 year period (or 4 years from 2017/18). In two tier areas, 80% is paid to the District and 20% to the County.

Receipts in respect of the 2011/12, 2012/13 and 2013/14 financial years have been used to fund the shortfall in future income which results from the Council's acceptance of the Council Tax Freeze Grant in earlier years. The impact of a 5 year council tax freeze i.e. council tax income foregone is £569,000pa. A further top-up was made last year to New Homes Bonus Reserve of £401,873 meaning that the reserve will not be used up until the end of March 2023 and will therefore cushion us for a further 5 years, giving us more time to find the necessary savings.

The increased scale of the funding distributed by the Government in the form of New Homes Bonus effectively meant that payments needed to be financed by reductions in formula grant. As a result, at Wyre the New Homes Bonus from the 2014/15 financial year onwards has been used to compensate for the loss of formula grant. Whilst the Government has awarded New Homes Bonus for 2018/19 they have reduced the legacy payments from 6 to 4 years (with 2017/18 acting as a bridge year in which 2013/14 legacy payments were received for a fifth year) and introduced a threshold below which no NHB will be paid. In 2018/19 the impact of this threshold is a 40% reduction on what we would have received had it not been implemented.

The Government have also signaled that from 2019/20 the award of any New Homes Bonus may be contingent on a number of factors such as a Local Plan being in place and may only be paid on planning applications granted in the first instance, so no bonus would be paid for planning applications only granted on appeal. These changes have not yet been confirmed and we await further information.

Question No. 36 (Page 64)

Staying with Earmarked Reserves, the Vehicle Replacement/Street Cleansing Maintenance Reserve has been topped up by £1,915,000. Why has such a significant sum been set aside and when will it be spent?

The reserve has been topped up to reflect early discussions and soft market testing undertaken with both our existing and alternative waste collection contractors. Our current contract with Veolia expires in March 2020 and at this point, regardless of who is then commissioned to operate the service, new refuse collection vehicles (RCVs) will be required.

In order to achieve the best value for money for the council, and avoid financing costs and any overhead and profit margins being passed on to us by the contractor, the most economical solution will be for us to purchase the RCVs direct. Based on information provided by Veolia and verified by our Transport Manager, new RCVs will cost an additional estimated £1.9m. As there is a 6-12 month lead-in time from ordering the vehicles to delivery, it is anticipated that payment will be required in 2019/20 and the latest Reserves statement reflects this.

Whilst significant, the top-up reflects a prudent approach to what is a known future cost and means that we have earmarked sufficient monies to avoid external borrowing.

Question No. 37 (Page 64)

Can you explain what the Non-Domestic Rates Equalisation Reserve is for and how is this affected by our joining the Lancashire Business Rates Pool in 2016/17?

The new Business Rates Retention scheme was introduced in 2013/14 and this reserve was established because of the volatility of business rate income and the fact that the safety net support provided by the Government does not kick in until we have suffered a loss in business rates income of approximately £239,000. In fact, now that Wyre have joined the Lancashire Business Rates Pool, we have foregone our right to access the Government's safety net and must bear any loss in business rates income without limit. It was therefore critical that the forecast showed income levels above the safety net when determining whether to join the Pool or not. The advantage of being in the Pool is that we get to retain the levy that we would have paid over to Central Government, less 10% which goes to Lancashire County Council. If you turn to Note 42 on page 94 you will see that in 2017/18 this amounts to £466,171 less 10% which leaves a net benefit of £419,554 which had we not been in the Pool would have been payable to Central Government.

The top-up each year has been funded using the Section 31 Grant paid by the Government to compensate for additional Reliefs awarded after the baseline funding level was established, net of the levy which is calculated on income received above the previously notified baseline.

NDR income collected by the Council reduced by £435K in 2017/18 mainly as a result of a reduction to the provision for appeals and bad debts £225K offsetting the reduction in NDR income from ratepayers (£279K), transitional protection due to central government (£113K) and Enterprise Zone growth (£268K). The impact on Wyre was a decrease of business rates income of £174K when compared to the 2017/18 Revised Estimate. This loss impacts in the 2019/20 financial year and will be funded from earmarked reserves. When comparing the reduction in 2017/18 to Wyre's increased income in 2016/17 of £130K, which will top-up the general fund in 2018/19, this volatility supports the need for such a reserve going forward. The 2013/14 s.31 grant net of levy was released and used to fund revenue expenditure in 2015/16, 2014/15 s.31 grant net of levy was applied to reduce expenditure in 2016/17, 2015/16 will be used to contribute to the collection fund deficit in 2017/18 and 2016/17 will be used to fund expenditure in 2018/19. The 2017/18 s.31 grant net of levy will again be used to fund revenue expenditure in 2019/20. The delay in the release of the reserve is considered to be a prudent approach and ensures that funds are not released or utilised until they have been confirmed by Central Government.

Question No. 38 (Page 69)

Looking at Note 15 and the table on the top of page 69 showing rental income from investment properties. Why has this reduced by just over £240,000 since 2016/17.

The main reason for the reduction relates to Fleetwood Marsh Landfill site which ceased operation at the end of March 2017. This resulted in a loss of income of £255,000 in rent and royalties compared to the previous year. Only dead rent is now payable at the site (£15,000 p.a.). Discussions have been held with the current leaseholder who must submit plans for their restoration of the site imminently, unless they decide to re-commence tipping and an agreement with the council can be reached.

Question No. 39 (Page 80)

Turning to Note 29 on Trading Operations, I notice that whilst we've looked at industrial sites under investment properties we haven't mentioned Fleetwood Market. The table shows that the market made a surplus in 2016/17 but a deficit in 2017/18. Does this mean that the financial outlook for the market is declining?

It is correct to state that on the surface this looks like a reversal of fortunes with the market moving from a surplus to a deficit in the space of one year. However, once we strip out the notional accounting entries the true position is a surplus in 2016/17 of £147,120 and a surplus in 2017/18 of £52,856. The market is continuing to make a surplus but it has reduced significantly by £94,264.

Whilst income has remained constant across both years, increased premises related costs of £29,944 (largely building maintenance e.g. roof works, signage and painting and decorating), advertising, promotions and special events related costs of £22,863 (including £6K on Christmas lighting), employee costs of £14,695 (including a one-off redundancy payment) and increased support service recharges of £29,999 have reduced the surplus.

The opening of the new Digital Hub in 2018 which is based at Fleetwood Market should help to increase footfall to the market and raise its profile. Investment of £70,000 has been allocated to the market for improvements in 2018/19 and again these are intended to enhance the attractiveness of the asset to help increase our return.

Question No. 40 (Page 81)

The officers' remuneration at note 32 starting on page 81 shows six employees earning more than £50,000 in 2017/18 but only five are listed in the Senior Officers' table (of which only four are current members of staff) – why is this?

The officers' remuneration table includes payments to all staff regardless of their position or grade within the organisation and therefore includes officers who are not considered to be 'senior employees'. The Accounts and Audit Regulations describe 'senior employees' as an employee whose salary (excluding bonuses, allowances, benefits in kind or compensation payments) is £50,000 a year or more and who is either:

- A head of paid service or a chief officer;
- A head of staff; or
- A person who has responsibility for the management of the relevant body to the extent that the person has power to direct or control the major activities of the body (in particular activities involving the expenditure of money).

Salary costs for the Head of Engineering along with standby allowance for occasions when the post holder acts as the Severe Weather Officer and election fees has meant that the total remuneration in the year was slightly above the £50,000 limit at £50,610 in 2017/18. A similar picture emerges for the Head of Finance as when salary, allowances and election pay are taken into account, £53,575 was paid in 2017/18.

Question No. 41 (Page 86)

Note 38 shows termination benefits and on page 86 it indicates that we have had one compulsory redundancy during 2017/18 and two other departures agreed. In what sort of circumstances do we make a financial contribution in order to allow officers to leave?

Normally the termination benefits note deals with redundancy situations either compulsory or voluntary. Voluntary redundancy usually arises where changes to service delivery mean that there is an opportunity for existing staff, particularly those nearing retirement, to take voluntary

redundancy allowing others to retain their roles and avoid compulsory redundancy situations. A payback period of two years applies and costs should not exceed this threshold.

Occasionally the note also includes other settlement agreements reached where redundancy isn't appropriate but for other reasons it may be in the authority's best interests to release a member of staff. In these circumstances a settlement agreement may be reached and this could be in situations of ill health for instance although reasons vary.

Question No. 42 (Page 95)

Looking at the Collection Fund on page 95, how much do we collect in council tax and business rates and how much do we retain in Wyre?

Beginning with council tax...

In 2017/18 we collected nearly £61m in council tax, of which Wyre retained nearly £7.4m (including Parish and Town precepts, see Note 10, pg 65, £644,769) which relates to our 11% of the overall council tax bill. The largest share of the £60.8m, after adjustments, goes to Lancashire County Council (LCC) (£43.7m) with Police and Fire receiving the balance (£5.9m and £2.3m respectively). Under statute the regulations require the authority to pay the preceptors the estimated (surplus)/deficit in the year. The actual (surplus)/deficit will be reflected in the precepts paid in 2019/20.

Moving on to business rates...

In 2017/18 we collected just over £26m in business rates, of which 50% or £13m is paid over to Central Government, 40% or £10.4m to Wyre (but we get to keep less than a third of this because we're a Tariff Authority and our need is assessed to be lower than what we collect, see below), 9% or £2.3m to LCC and 1% or £0.3m to the Lancashire Combined Fire Authority. Again, the difference between the estimated and actual (surplus)/deficit in the year will be reflected in 2019/20.

And if you want to see a summary of the detail then if you look at page 10 of the narrative statement, you can see that our actual council tax income in 2017/18 increases by £131,483 in prior year surplus and our actual NDR income, net of the tariff, was just £3.4m.

Questions raised at the training session on the draft set of accounts...

Question No. 43

At the Audit Committee in June, Members were curious about Heritage Assets and why we only had two listed. Why aren't more assets included in this category?

Tangible Heritage Assets are defined on page 49 as assets with historical, artistic, scientific, technological, geophysical or environmental qualities and are held principally for their contribution to knowledge and culture. Our only Heritage Assets in 2017/18 were the Civic Regalia and the Eros Statue.

Assets that you may think of as Heritage Assets such as the Mount Pavilion in Fleetwood, the Lower Lighthouse also in Fleetwood or the War Memorial in Thornton-Cleveleys are actually categorized as Community Assets. The CIPFA Code describes community assets as assets that the authority intends to hold in perpetuity, and notes that there may in addition be restrictions on their disposal. Below is an extract from the code giving some examples:

Type of Asset	Community Asset	Heritage Asset
Parks (parkland)	✓	
Bronze statue of Queen Victoria in a park		✓
Archaeological sites		✓
Cemeteries and crematoria (land only)	✓	
Historic buildings held principally for their contribution to knowledge or culture (but not where they are used for operational purposes, e.g. a museum)		✓
Works of art, museum exhibits and statues		✓
Military and scientific equipment of historical importance		✓
Civic regalia (held principally for their contribution to knowledge or culture)		✓
Recordings of historically significant events		✓

And finally...

Question No. 44

Are there any recommendations from last year’s audit that remain outstanding?

There was one recommendation made in the External Auditor’s Report to those charged with governance, which was considered by the Audit Committee at their meeting 25 July 2017, which was awarded a Low Priority rating. Low Priority ratings refer to: “issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced”. The recommendation concerned all control account to general ledger reconciliations be signed and dated by the preparer and reviewer to provide evidence of adequate segregation of duties.

The current procedure now requires the preparer and reviewer to sign the control account reconciliations and as such the recommendation has been implemented.

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Report of:	Meeting	Date
Head of Finance (Section 151 Officer)	Audit Committee	13 November 2018

ANNUAL REVIEW OF AUDIT COMMITTEE'S PERFORMANCE

1. Purpose of report

1.1 To consider CIPFA's Self-Assessment of Good Practice contained within the CIPFA publication 'Audit Committees: Practical Guidance for Local Authorities and Police 2018' and identify the actions necessary to ensure that the Audit Committee meets best practice guidance and provides value to the authority.

2. Outcomes

2.1 The determination of an improvement plan for Audit Committee.

3. Recommendation

3.1 That the Audit Committee considers CIPFA's Self-Assessment of Good Practice at Appendix 1 and agrees those areas where further improvement is considered beneficial.

4. Background

4.1 Audit Committees are a key component of an authority's governance framework. Their function is to provide a high-level focus on assurance and the organisation's arrangements for governance, managing risk, maintaining an effective control environment, reporting on financial and non-financial performance and supporting standards and ethics.

4.2 An Audit Committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on, the authority's business.

4.3 Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential for delivering effectiveness.

4.4 Authorities are encouraged not to regard meeting the recommended practice as a tick box activity and are reminded that achieving recommended practice does not mean necessarily that the Audit

Committee is effective. To help give a more rounded opinion of the Committee’s effectiveness, further guidance is provided in CIPFA’s Audit Committee publication in respect of a knowledge and skills framework. This was used during the one-to-one meetings to guide Members on their training needs and to establish details of their required ‘core’ knowledge and also identify any specialist knowledge or experience the Member had that would add further value to the committee and the organisation.

5. Key Issues and proposals

- 5.1** The self-assessment at Appendix 1 has been completed by the Head of Governance (Chief Internal Auditor) and ratified by the Head of Finance (Section 151 Officer). Members will be asked to contribute to a discussion at the meeting with a view to ensuring the Audit Committee are still meeting the requirements of CIPFA’s ‘Self-Assessment of Good Practice’ and agree the areas that require attention highlighted in bold. Following the publication of the recently amended CIPFA guidance in March 2018, the self-assessment now contains five new questions which the committee are asked to consider; namely questions 13, 20, 21, 22 and 25.

Financial and legal implications	
Finance	There are no specific financial implications arising from the agreement of the improvement plan.
Legal	There are no specific legal implications arising from the agreement of the improvement plan.

Other risks / implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
ICT	x

Processing Personal Data

If the decision(s) recommended in this report will result in personal data being processed, a privacy impact assessment (PIA) will have been completed and signed

off by the council's Data Protection Officer before the decision is taken (as required by the General Data Protection Regulations 2018).

report author	telephone no.	email	date
Joanne Billington	01253 887372	joanne.billington@wyre.gov.uk	01.11.2018

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix 1 – CIPFA Self-Assessment of Good Practice

CIPFA self-assessment of Good Practice – November 2018

Good practice questions		Yes	Partly	No	Comments
Audit Committee purpose and governance					
1	Does the authority have a dedicated Audit Committee?	✓			The Audit Committee has been in place since December 2005.
2	Does the Audit Committee report directly to Full Council?	✓			A periodic report is submitted to Full Council with the last report being considered 6 September 2018.
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓			<p>The terms of reference currently set out the purpose of the Audit Committee in accordance with CIPFA's guidance 'Audit Committee's practice Guidance for Local Authorities and Policy 2013. However following the re-draft of this guidance in March 2018, the terms of reference will be reviewed in March 2019 to ensure they reflect any changes made.</p> <p><u>Action</u></p> <p>The Audit Committee's terms of reference will be reviewed in March 2019 to reflect any changes made in the recently amended CIPFA guidance.</p>
4	Is the role and purpose of the Audit Committee understood and accepted across the authority?		✓		The current membership have all received training on the role and purpose of the Audit Committee. However, more recently,

				<p>Full Council have delegated responsibility for ensuring the Council is complying with the Data Protection (DP) Regulations 2018 to the Audit Committee and their terms of reference have been amended. Whilst all Elected Members have been offered training in relation to the DP Act and more specifically their role as a Data Controller, more detailed training for the Audit Committee (AC) will be given following the May 2019 Election once the new AC has been appointed.</p> <p><u>Action</u></p> <p>Following the May 2019 election the new AC will receive training on the amended terms of reference.</p>
5	Does the Audit Committee provide support to the authority in meeting the requirements of good governance?	✓		<p>The Audit Committee (AC) provide assurance on the adequacy of internal control, risk management, the integrity of financial reporting, and the annual governance processes. See question 4 for details of new AC responsibilities in relation to compliance to Data Protection Regulations.</p>
6	Are the arrangements to hold the Audit Committee to account for its performance operating satisfactorily?	✓		<p>A review of effectiveness is completed annually and discussed with the Audit Committee. An action plan is formulated of any issues that need attention. See actions in bold.</p>

Functions of the Committee				
7	<p>Do the Audit Committee's terms of reference explicitly address all the core areas identified in CIPFA'S Position Statement?</p> <ul style="list-style-type: none"> ▪ good governance ▪ assurance framework ▪ internal audit ▪ external audit ▪ financial reporting ▪ risk management ▪ value for money or best value ▪ counter-fraud and corruption ▪ supporting the ethical framework 	✓		<p>The terms of reference currently set out the purpose of the Audit Committee in accordance with CIPFA's guidance 'Audit Committee's Practice Guidance for Local Authorities and Policy 2013. However following the re-draft of this guidance in March 2018, the terms of reference will be reviewed in March 2019 to ensure they reflects any changes made.</p> <p>See question 3 action</p>
8	<p>Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?</p>	✓		<p>Although the annual evaluation is completed by the Head of Governance (Chief Internal Auditor) and reviewed by the Head of Finance (Section 151 Officer), the annual review of effectiveness gives the Audit Committee the opportunity to assess if it is fulfilling the terms of reference.</p>
9	<p>Has the Audit Committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?</p>	✓		<p>The Audit Committee already participate by considering governance and risk. The Code of Practice on Treasury Management requires a body to be nominated and responsible for ensuring effective scrutiny of the Treasury Management</p>

					Strategy and policies. The Council has nominated the Overview and Scrutiny Committee (Cabinet 25/03/2015).
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	N/A	N/A	N/A	There have been no instances where coverage of core areas has been found to be limited.
11	Has the Audit Committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓			The Audit Committee does not take on any decision making powers that are not documented within its terms of reference.
Membership and support					
12	<p>Has an effective Audit Committee structure and composition of the Committee been selected? This should include:</p> <ul style="list-style-type: none"> ▪ separation from the executive ▪ an appropriate mix of knowledge and skills among the membership ▪ a size of committee that is not unwieldy ▪ consideration has been given to the inclusion of at least one independent member (where is it not already a mandatory requirement). 	<p>✓</p> <p>✓</p>	<p>✓</p>	<p>✓</p>	<p>Whilst individual Members of the Audit Committee (AC) may also serve on overview and scrutiny the audit committee is independent of the scrutiny function. The AC Chairman is not a member of the Executive.</p> <p>The Council has agreed that all members will complete a Councillor Development Plan and a Development Needs Analysis to ascertain general training needs. However this will be reviewed prior to May 2019.</p> <p>Current AC Members have had one-to-one's with the Head of Governance to review their competence against CIPFA's knowledge and skills framework, however this will be repeated after May 2019 once the new AC has been appointed. It is noted that two recently</p>

					<p>appointed AC Members have not had a one-to-one meeting. However it has been agreed that these will be postponed till after the May 2019 Election when appointment to committee's has been completed.</p> <p><u>Action on-going</u></p> <p>A new questionnaire specific to AC members and separate ones for other committees to identify their current level of knowledge will be devised and introduced ready for the 2019 Election.</p> <p>Following the appointment to committees in May 2019, all AC members will have a one-to-one meeting where any gaps in the required core knowledge and skills framework will be identified and addressed.</p> <p>As per the Annual Governance Statement, The Chief Executive will meet with the Leader of the Council prior to the May 2019 election to discuss committee numbers and also the required skillset of the AC.</p>
13 NEW	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the Full Council.			✓	The Audit Committee membership does not contain any independent members.
14	Does the Chairman of the Audit Committee have appropriate	✓			The Audit Committee Chairman was appointed

	knowledge and skills?				in May 2015. She holds an Associate Chartered Accountants qualification (ACA) and has previously worked in managerial roles within the audit environment.
15	Are arrangements in place to support the Audit Committee with briefings and training?	✓			Training is provided to the Audit Committee in accordance with their scheduled Audit Committee Work Programme. In addition, the Committee members will receive briefings as part of the Audit Committee agenda as and when required.
16	Has the membership of the Audit Committee been assessed against the <u>core</u> knowledge and skills framework and found to be satisfactory?	✓			The induction training in May 2015 covered the core areas of the knowledge and skills framework. The knowledge and skills framework was also discussed at the one to one meetings. In addition on-going regular attendance will ensure members complete the work programme thereby continually enhancing their knowledge and skills.
17	Does the Audit Committee have good working relations with key people and organisations, including external audit, internal audit and the Chief Financial Officer?	✓			Both the Head of Finance (Section 151 Officer) and the Head of Governance (Chief Internal Auditor) attend every Audit Committee meeting, with the exception of the July meeting to approve the Statement of Accounts, which the Head of Governance does not attend. Also a representative from our External Auditors is frequently in attendance.

18	Is adequate secretariat and administrative support to the Audit Committee provided?	✓			Each meeting is attended by an officer from the Council's Democratic Services Team. The meetings are minuted and published on the Council's Internet.
Effectiveness of the Committee					
19	Has the Audit Committee obtained feedback on its performance from those interacting with the committee or relying on its work?	✓			Feedback is sought annually from the External Auditor.
20 NEW	Are meetings effective with a good level of discussion and engagement from all members?	✓			Members routinely ask questions at Audit Committee and have written to the Executive where they want a further explanation and updates following audit reports.
21 NEW	Does the Audit Committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?		✓		<p>Following the receipt of a final audit report, the Audit Committee (AC) have the opportunity to call in Service Managers to challenge them on audit findings, outstanding actions or any associated risks. However, it should be noted that the AC have not requested that Service Managers attend the meeting for some time.</p> <p><u>Action</u></p> <p>Audit Committee members will be reminded that they have the opportunity to call in Service Managers to challenge them on audit findings, outstanding actions or any associated risks.</p>
22 NEW	Does the Audit Committee make recommendations for the	✓			A recent audit at Marine Hall identified the control

	improvement of governance, risk and control and are these acted on?				environment to be 'weak'. Audit Committee made recommendations for further audit intervention, more frequent updates and also requested the Chairman contacted the portfolio holder for assurance that the weaknesses were being addressed.
23	Has the Audit Committee evaluated whether and how it is adding value to the organisation?	✓			<p>Prior to attended their one-to-one meeting, Members were asked to complete a questionnaire in respect of their qualifications, specific knowledge and experience which may assist when adding value to the Audit Committee (AC) and/or the organisation.</p> <p>In addition, at the one-to-one meetings, Members were also asked to give examples of where they felt the AC added value and if there was anything else the committee could be doing to improve the value added to the organisation.</p>
24	Does the Audit Committee have an action plan to improve any areas of weakness?	✓			Actions contained within this checklist are highlighted in bold and will be implemented prior to the next annual review.
25 NEW	Does the Audit Committee publish an annual report to account for its performance and explain its work?	✓			A periodic report is submitted to Full Council with the last report being considered on the 6 September 2018. The report explains the work of the Committee and more specifically details the reports that been submitted to the Audit Committee during the

					year.
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Report of:	Meeting	Date
Head of Finance (Section 151 Officer)	Audit Committee	13 November 2018

INTERNAL AUDIT AND RISK MANAGEMENT - PROGRESS REPORT

1. Purpose of report

- 1.1 To review progress in relation to Internal Audit and Risk Management and consider progress against the action plan resulting from the 2017/18 Annual Governance Statement.

2. Outcomes

- 2.1 Effective leadership of audit and governance issues allowing the council to demonstrate that arrangements are in place to maintain a sound system of internal control.

3. Recommendations

- 3.1 Members are asked to note the progress reports attached at Appendices 1, 2, and 3.

4. Background

- 4.1 The Audit Committee has a clear role in relation to the authority's internal audit function and this involves:

- Formally approving, but not directing, the overall strategy to ensure that it meets the council's overall strategic direction;
- Approving the annual programme of audits (paying particular attention to whether there is sufficient and appropriate coverage); and
- Monitoring progress against the plan and assessing whether adequate skills and resources are available to provide an effective audit function.

- 4.2 The Audit Committee's role in relation to reviewing the work carried out will include formal consideration of summaries of work done, key findings, issues of concern and actions planned as a result of audit work. A key part of the role is receiving and reviewing regular reports from the Head of Governance in order to reach an overall opinion on the internal control

environment and the quality of internal audit coverage.

5. Key Issues and proposals

- 5.1 The progress reports in relation to Internal Audit, Risk Management and the action plan resulting from the 2017/18 Annual Governance Statement are attached at Appendices 1, 2, and 3.

Financial and legal implications	
Finance	The annual programme of audits is performed by the in-house team supplemented by 40 audit days, supplied by Lancashire Audit services and met from an existing budgetary provision.
Legal	Effective audit and risk management assist in good governance and probity of council actions.

Other risks / implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
ICT	x

Processing Personal Data

If the decision(s) recommended in this report will result in personal data being processed, a privacy impact assessment (PIA) will have been completed and signed off by the council's Data Protection Officer before the decision is taken (as required by the General Data Protection Regulations 2018).

report author	telephone no.	email	date
Joanne Billington	01253 887372	Joanne.billington@wyre.gov.uk	01.11.2018

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix 1 – Internal Audit Progress Report

Appendix 2 – Risk Management Progress Report

Appendix 3 – Annual Governance Statement 2017/18 - Action Plan update

INTERNAL AUDIT PROGRESS REPORT – MAY 2018 to NOVEMBER 2018

THE AUDIT PLAN AND DELIVERY

The Internal Audit and Risk Management Section is responsible to the Head of Finance (Section 151 Officer) for carrying out a continuous examination of the accounting, financial and other operations of the Council in accordance with Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015. The latter states that ***“the relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”***

Members of the Audit Committee should note that copies of internal audit reports are published on the council’s Intranet. Access to the supporting files is available to Members of the Audit Committee on request. The table overleaf summarises audit work performed since the last progress reported on the 8 May 2018.

Wyre Council attends the Lancashire District Council’s Audit Group and continues to participate in the Cabinet Office National Fraud Initiative data sharing exercise. The council also works closely with the Association of Local Authorities Risk Managers (ALARM) and our insurer, Zurich Municipal.

The annual contract with Lancashire Audit Services (LAS) provides 40 days of audit support at a rate of £325 per day for 2018/19. This is supplemented by work performed by the in-house team. The work completed by the in-house team is benchmarked against the work carried out by LCC to ensure that quality and standards are maintained.

All the major reviews conducted to date have been completed within or below the agreed timescales and to budget, and additional benefits continue to be derived from consultation with Lancashire Audit Services, given their wealth of experience and extensive client base.

Internal Audit will continue to provide the council with the necessary assurance about its various activities and associated systems, as outlined in the Council’s Internal Audit Charter.

Audit Work Performed May to November 2018

As summarised below the following reviews have been performed and reports issued since the last progress report was delivered in the Annual Audit report in May 2018.

Wyre Council Reports

AUDIT OPINION DEFINITIONS

Excellent	Controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council / Partnership against significant foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.
Good	Controls exist to enable the achievement of service objectives, good corporate governance and reduce significant foreseeable risks. However, occasionally instances of failure to comply with the control process were identified and opportunities still exist to reduce potential risks.
Fair	Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system and leave the Council / Partnership exposed to some minor risk. There is therefore the need to introduce some additional controls and improve compliance with existing controls to reduce the risk to the Council / Partnership.
Weak	Controls are considered inefficient with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Council / Partnership open to significant risk, which could lead to major financial loss, embarrassment or failure to deliver service objectives.
Poor	Controls are generally weak or non-existent leaving the system open to abuse or error. A high number of key risks remain unidentified and therefore unmanaged.

DEFINITION OF PRIORITY RANKINGS

Level 1	Non-compliance with Financial Regulations and Financial Procedures Rules, Employees Code of Conduct, staff instructions etc. which could have a <u>material effect</u> on the Council's finances or, a lack of or serious weakness in key control(s) which may impact on the Council's finances or operational performance.	Immediate Action Required
Level 2	Non-compliance with Financial Regulations and Financial Procedures Rules, Employees Code of Conduct, staff instructions etc. which have a <u>minor effect</u> on the Council's finances or operational performance.	Within 3 months
Level 3	A lack of, or weakness in an internal control which does not pose an immediate high level of risk, but if left unresolved could expose the Council to financial losses or reduce operational performance.	Within 6 months
Level 4	Suggestions for improvement of internal controls of a minor nature.	Within 9 months
Level 5	Suggestions for improvements, efficiencies in service delivery.	None

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
<u>Audit work from 2017/18 completed since May 2018</u>								
Procurement	Final Report Issued June 2018	0	6	0	0	0	Good	<p>A follow up of the findings identified in the Procurement review completed in December 2016 was conducted and areas have been identified where improvements could still be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • The Chest templates are not fully completed in all instances or supporting information stored in the evaluation folder; • The Contract Procedures rules have not been updated to include information on the calculation of contract values and the treatment of lots; • The contract register requires reviewing to ensure this includes all contracts; • Purchase orders are not raised for all building maintenance invoices resulting in payment being incorrectly authorised; and • When purchasing specialised services Portfolio Holder approval is not obtained in all instances.
Marine Hall	Final Report Issued June 2018	0	11	5	0	0	Weak	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • Operational objectives for the Marine Hall have not been formally agreed and documented; • The profit and loss of each event is not accurately assessed as all costs are not included; • Front of house procedures have not been

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>documented and cascaded to all staff;</p> <ul style="list-style-type: none"> • CCTV signage does not contain the council's contact details and external signage is not displayed; • Staff duties within the office are not clearly defined; • Staff appraisals were not completed during 2017; • Event sheets are not fully completed with all charges due to the council; • All fees and charges due to the council are not invoiced and the date of receipt recorded on the event sheet in all instances; • Purchase card transactions are not recorded on the Civica system in a timely manner and authorisation obtained; • The cashing up process is not verified by two officers at the time of completion on each occasion; • The bar float is used for petty cash purchases which are not supported with itemised receipts in all instances; • Only one officer is responsible for the operation and system administration of the POSWYSE stock system; • User access permissions on the POSWYSE system are not routinely reviewed to ensure these are correct; • Quarterly stock takes were not completed during 2017; • Alarm codes and premises keys are given to contractors by the Asset Management team allowing them to enter premises when staff are not in attendance; and • A date for the review of health and safety procedures by the Health and Safety Advisor has yet to be agreed.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								The Director of Performance and Innovation and the Section 151 Officer requested further work be completed to ensure that the above recommendations were implemented as soon as possible. It was therefore agreed that the Senior Auditor would visit the Marine Hall, initially one day a week (up to a maximum of 10 days) to offer support, advice and guidance.
IR35	Final Report Issued October 2018	2	5	1	1	1	Fair	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • No information on IR35 has been included in the Contract Procedure Rules and the Guide to the Engagement of Consultants; • Clear procedures / processes for the ongoing monitoring of agency and consultancy expenditure and assessment of existing contracts have not been established; • Creditor reference forms are not fully completed by suppliers to indicate if IR35 has been considered or does not apply; • A central record of all completed HMRC assessments or notifications to suppliers of agency staff is not maintained; • IR35 training has not been delivered to all spending officers and periodic reminders are not issued; • Prompts to consider IR35 are not included in the Request to Fill form and Officer Delegation form; • The employment status of temporary agency workers engaged to provide services to the Council is not routinely assessed in all instances; and • The employment status of consultants engaged to provide services to the Council is not routinely assessed in all instances.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
<u>2018/19 Audit work</u>								
Homeless Reduction Scheme	Final Report Issued November 2018	0	6	1	0	1	Good	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • The draft 2018-2022 homelessness strategy has not been formally agreed and published; • Monthly reviews of all outstanding cases have not been routinely completed in all instances; • Copies of the notifications issued to customers have not been retained in all instances; • Evidence of the caseload reviews completed by the Team Leader is not retained; • All enquiries received by the Housing Options team are not recorded enabling these to be accurately measured; • Wyre Council are the only Lancashire authority who use the Homeless Advice System (HAS) and continued support for this system should be assessed; • The current data sharing agreement issued to all agencies and partners requires updating; and • Evidence of fire and public liability insurance certificates for bed and breakfast accommodation is outstanding.
Stray Dog Seizure and Kennelling Service	Final Report Issued November 2018	0	2	1	0	1	Good	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • Documented procedures require updating to reflect the revised enforcement procedures; • No evidence is retained to demonstrate that the Area Officers have read and understood the safe working procedures and risk

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>assessments;</p> <ul style="list-style-type: none"> Enforcement procedures are not consistently applied by the Area Officers during office hours; and Manual handling training has not been updated for all Area Officers.
New MOT Station and Copse Road Depot	Draft Report Issued November 2018							The overall objective of the audit is to review the controls in place around the council's new MOT station and also the Copse Road depot to identify any areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are managed adequately and effectively.
CCTV	Fieldwork in progress							The overall objective of the audit is to review the controls in place around the operation of the council's CCTV systems to identify any areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are managed adequately and effectively.
Taxi Licensing	Fieldwork in progress							The overall objective of the audit is to review the controls in place around the management of taxi licencing to identify any areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are managed adequately and effectively.
GDPR Compliance Work	On-going	N/A	N/A	N/A	N/A	N/A		<p>30 days has been allocated as part of the 2018/19 audit plan to assist the Council in ensuring compliance with the new Data Protection Act 2018.</p> <p>Since April 2018, time has been spent ensuring each service has an accurate privacy notice displayed on the Internet, Information Asset Registers are in place for each service and data sharing agreements are either in place or are in the process of being developed.</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								Whilst all privacy statements are now on the Internet, a small number of services are still to complete Information Asset Registers. Owing to the time taken in these two areas, no detailed compliance work has been completed around data sharing agreements. This will be picked up as part of the 2019/20 audit plan.

AUDIT ASSURANCE DEFINITIONS

Full Assurance	There is a sound system of internal control which is adequately designed to meet the service's objectives and is effective in that controls are being consistently applied.
Substantial Assurance	There is a generally sound system of internal control, adequately designed to meet the service's objectives, and controls are generally being applied consistently. However some weakness in the design and/ or inconsistent application of controls put the achievement of particular objectives at risk.
Limited Assurance	Weaknesses in the design and/ or inconsistent application of controls put the achievement of the service's objectives at risk.
No Assurance	Weaknesses in control and/ or consistent non-compliance with controls could result/ has resulted in failure to achieve the service's objectives.

DEFINITION OF RESIDUAL RISK

Extreme residual risk	Critical and urgent in that failure to address the risk could lead to one or more of the following occurring: catastrophic loss of the service, loss of life, significant environmental damage or huge financial loss, with related national press coverage and substantial damage to the service's reputation.	Immediate Action Required
High residual risk	Critical in that failure to address the issue or progress the work could lead to one or more of the following occurring: failure to achieve organisational objectives, disruption to the business, financial loss, fraud, inefficient use of resources, failure to comply with law or regulations, or damage to the service's reputation.	Within 3 - 6 months
Medium residual risk	Less critical, but failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management.	Within 6 - 9 months
Low residual risk	Areas that individually have no major impact on achieving the service's objectives or on the work programme, but where combined with others could have an effect at the process level, which could give cause for concern.	Within 9 - 12 months

TITLE	STATUS	RECOMMENDATIONS				Summary
		Extreme	High	Med	Low	
Payroll	Full assurance	0	0	0	0	No recommendations were made following this review.
Project Management	Draft Report Issued November 2018					The overall objective of the audit is to review the controls in place around the council's project management processes to identify any areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are managed adequately and effectively.

Other audits to be performed in 2018/19 (ending 31 March 2019)

Wyre Council

- Building Maintenance
- Car Parking – New Machines
- Health and Safety
- SOCITM – Follow up
- Critiqon Mail Service

LCC work

- Housing Benefit Overpayments
- Follow-up work 17/18 audit plan

Owing to a member of the Audit and Risk Management Team leaving the organisation at the end of November, the Senior Auditor has taken on additional responsibilities in the short term whilst a recruitment exercise can be carried out. The outstanding audits were examined and following a discussion around the risks in each instance, a decision was made by the Section 151 Officer and the Head of Governance to roll a number of audits into the following 2019 / 20 audit plan. Namely;

- Go Cardless
- Better Care Fund
- Grant Management
- Street Cleansing Service

Other audit work undertaken during the year 2018/19:

Investigations

All whistleblowing calls and investigations carried out are logged and investigated with the confidential outcomes being reported to the Audit Committee's Chairman and Vice Chairman and also to the Council's External Auditors. To date, there have been no whistleblowing calls during 2018/19 that have required internal audit investigation. However there has been an unexplained recorded loss of £500 at Marine Hall in August 2018 that required investigation. Whilst all staff were interviewed, there was insufficient evidence to support that any malpractice had occurred. Cash handling procedures have now been refreshed and staff have received training and signed to verify their understanding of these procedures.

National Fraud Initiative – Cabinet Office data matching exercise

The council has recently uploaded data to the Cabinet Office to participate in the 2018/19 NFI data matching exercise. A further upload is required in December 2018, with the results of the matches being released in January 2019. Once released, a number of officers across the organisation will be involved in examining the matches to identify any instances of fraud, error or overpayment. The results will be reported to Audit Committee later in the year.

Gifts and Hospitality

The Audit and Risk Management Team maintain the register of gifts and hospitality and provide advice when necessary. There is an on-line E-form which staff are required to complete on receipt of any gift or hospitality. The E-form is then passed to the Head of Governance to be included on the council's register.

The gifts and hospitality register is monitored by both the council's Monitoring Officer and the Audit Committee. The register was examined by the Monitoring Officer in January 2018 and was presented to the Audit Committee at the November meeting.

Since April 2018 there have only been six declarations made by council officers receiving gifts and hospitality. A reminder will be placed on BRIAN in December, reiterating to staff the importance of declaring all gifts and hospitality received and that there is an on-line form to facilitate the reporting process.

Information Governance – Compliance with the new Data Protection Act 2018

The new Data Protection Act 2018 (the Act) and the enshrined General Data Protection Regulations (GDPR) came into force in May 2018. During 2018/19 the Data Protection Officer has been working with the Information Governance Group and the Senior Auditor to ensure the council's readiness. Significant work has been achieved during the year, namely;

- The implementation of Information Asset registers. All services (with the exception of Engineering who are still in the process of completing theirs) have now completed a register which includes the identification of all personal data held, its location, retention period and also the legal basis for processing;
- Information Asset Owners have been identified and trained;
- E-learning software has been purchased and all staff who process personal data have successfully completed the training;
- All 50 Elected Members have now registered with the Information Commissioner;
- All council contracts (which involve personal data) are currently being reviewed to ensure they are GDPR compliant.
- All officers nominated to respond to Freedom of Information (FOI) and Subject Access requests have received training;
- All Elected Members and Parish and Town Councillors have been offered training on their role as Data Controllers;
- The councils' Legal Team have received specific FOI and Subject Access training to ensure they are able to give sound advice and apply the necessary exceptions;
- The council's website has been updated to reflect the new Act and the amended data subject rights.

Whilst significant work has been completed during 2018/19, there is still some work to be completed, namely:

- Ensuring data sharing agreements are in place where personal data is shared externally;
- Continuing to reviewed the council's contracts (which involve personal data) to ensure they are compliant;
- Refresh the council's Data Protection policies; and
- Update the council's Intranet to reflect the new Act and the amended data subject rights.

To ensure that progress continues, compliance to the Act has been listed as a business plan project and will therefore be monitored as a strategic risk and as such will be monitored by the Corporate Management Team on a quarterly basis.

In addition, the Audit Committee's Terms of Reference was amended in June 2018 to state the following;

"To receive updates and reports from the Head of Governance (Data Protection Officer) and to approve policies in relation to compliance with the Data Protection Act and Regulations made under the Act".

Training will be provided following the May 2019 election, once the new Audit Committee has been appointed.

Anti-Fraud and Corruption Awareness

All the council's counter fraud policies are reviewed annually by the Audit Committee. They are located on BRIAN to allow staff and Elected Members easy access.

Both the Money Laundering Reporting Officer (MLRO) and the Deputy Money Laundering Reporting Officer have attended training on the new Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017. The policy has been refreshed and a reminder has been placed on BRIAN reminding staff of the requirement to report any suspicious activity to the MLRO.

In addition, Internal Audit are in the process of completing a further piece of work to ensure the findings identified at the last review in January 2017 have been addressed, in particular, that all cash handlers have been identified and are familiar with how to spot and report any suspicious activity. It is expected that this piece of work will be finalised in December 2018.

RISK MANAGEMENT PROGRESS REPORT

Operational Risks

Progress on the embedding of risk management is reported to the Audit Committee via six monthly reports by the Head of Governance (Chief Internal Auditor). This is in line with the council's Risk Management Policy, originally approved by Cabinet in April 2004 and reviewed and approved annually by the Audit Committee.

Risk workshops are held in February each year with each service unit identifying any new risks that may occur during the year preventing the achievement of individual service plans. It is also an opportunity to review progress made in respect of any existing risks, remove risks that are no longer valid and action plan to mitigate against identified risks wherever possible.

All staff who have responsibilities for identified risks are encouraged to review their risks and update their action plans continually throughout the year. However a prompt is issued to staff in October to ensure progress is documented.

The council is currently using spreadsheets to assist with the management of operational risks and these can be viewed by following the link below. The Audit Committee are encouraged throughout the year to go and view the risks identified by each service unit and ensure progress is being made to mitigate each risk and challenge officers in the instances where no progress has been made.

To assist the production of the internal audit plan, operational risk workshops for each Directorate will be held during February 2019, following the strategic risk workshops.

<http://intranet/services/RiskManagement/Pages/default.aspx>

Strategic Risks

The Corporate Management Team review the council's strategic risk register every six months and any subsequent action plans every quarter. Any changes to the ratings are documented and supported by a valid reason and sufficient evidence. The last 6 monthly review was carried out on the 5 November 2018. The results of this review will be reported verbally to the Audit Committee.

The next strategic risk workshop will be held on the 1 February 2019.

ANNUAL GOVERNANCE STATEMENT 2017/18 – ACTION PLAN UPDATE

Governance Issue	Year relating to	Finding	Action required	Timescales / Officer Responsible	Update at October 2018
Information Governance	C/F 2016/17	Whilst the Council has made significant progress ensuring its readiness for the GDPR, there are still areas of concern, namely, data sharing and contracts.	<p>The Data Protection Officer will ensure that where the information asset registers state that data is shared, a data sharing agreement is in place.</p> <p>The DPO, Senior Solicitor and the Procurement Officer will continue to work through the contracts that contain personal data and ensure T&C's are GDPR compliant.</p>	<p>Data Protection Officer (DPO) On-going</p> <p>DPO, Senior Solicitor & Procurement Officer On-going</p>	<p>On-going. This will be picked up once the information asset registers have all checked and agreed by Internal Audit.</p> <p>On-going. All contracts that have GDPR implications have been identified and at present T&C's are being amended.</p>
Money Laundering	C/F 2016/17	The MLRO and Deputy MLRO attended a course on the new Money Laundering and anti-Terrorist Regulations in January 2018. Whilst it was identified that there were elements within the new Regulations that do not apply to Local Authorities, the MLRO will need to ensure that all staff handling cash can identify any signs of laundering and know how to report it.	Audit and Risk Management will identify the relevant members of staff that require training.	<p>Audit and Risk Management December 2018</p>	Audit and Risk Management will complete a piece of work to identify all cash handlers to ensure they are familiar with the new Regulations and know how to spot and report any suspicious activity.
Member Training	C/F 2016/17	The council has agreed that all Members will complete a Councillor Development Plan (CDP) and a Development Needs Analysis (DNA) to ascertain general training needs. However, it was identified	The current CDP and DNA will be refreshed prior to the next Election in May 2019.	<p>Democratic Services Team May 2019</p>	This has been added to the Governance Service Plan for 2018/19.

Governance Issue	Year relating to	Finding	Action required	Timescales / Officer Responsible	Update at October 2018
		that these have not been refreshed for some time and do not necessarily provide the information required to complete an accurate skills and knowledge framework.			
Council's Constitution	C/F 2016/17	Following a number of restructures and local government changes it was identified that the constitution needs to be refreshed to ensure it is up-to-date and fit for purpose. Whilst some work has been completed, progress is slow. Phase one, which is the review of the Introduction, Articles and the Portfolio Holder responsibilities, is due to go to Council in June 2018. However, the main review is still outstanding.	CMT will decide what this review will cover and who will need to be involved.	Corporate Management Team / Democratic Services Team Democratic Services 31 May 2019	This has been added to the Governance Service Plan for 2018/19. Options have been explored and CMT have appointed ADSO to assist Democratic Services with the review. A report will be submitted to Full Council in July 2019.
GDPR compliance work	2017/18	Although a number of key officers are involved in the implementation and roll out of policies and procedures in relation to information governance, there is currently no requirement to obtain committee approval. Given that the Audit Committee are responsible for Governance, it would seem appropriate that this is added to their terms of reference.	Given the importance of ensuring compliance with the new Data Protection Act 2018 and the incorporated GDPR, the Audit Committee's Terms of Reference will be amended to include responsibility for information governance (IG), namely approving the Council's IG policies and procedures and championing the importance of compliance.	Democratic Services Manager / Head of Governance June 2018	At Full Council on the 14 June 2018 it was agreed that Audit Committee's Terms of Reference would be amended to include responsibility for Information Governance. The Head of Governance will ensure the Audit Committee are aware of these changes to their Terms of Reference and will carry out any gaps in training at the Audit Committee meeting on the 12 March 2019 when the TOR is reviewed. In

Governance Issue	Year relating to	Finding	Action required	Timescales / Officer Responsible	Update at October 2018
					addition a more thorough training session will be completed following the May 2019 Election, when a new Audit Committee is appointed.
Performance Appraisals	C/F 2016/17	<p>The new appraisal framework has been in place for 12 months and there are a number of concerns that need addressing;</p> <ul style="list-style-type: none"> • A number of PDP's still o/s; • The high level manager values still need to be reviewed; and • The self- booked 1-2-1's are not working as intended. 	A 12 month review will be completed by the Head of Business Support.	<p>Head of Business Support</p> <p>Summer 2018</p>	<p>A survey has now been completed on BRIAN. The results will be analysed shortly and this will help to determine whether managers should be responsible for scheduling the 1-2-1 bookings. However it should be noted that the response rate was extremely low.</p> <p>The high level competencies are in the process of being reviewed by the HR Advisor.</p>
Equality	C/F 2016/17	Following an internal audit review of the Council's compliance to the Equality Act, a number of recommendations were made, one of which involved assigning overall responsibility for equality to the Head of Business Support. However due to resources the audit actions are still outstanding.	To ensure the work required can be adequately resourced, a decision needs to be made who in HR will be responsible for implementing the actions within the recent audit to ensure the organisation is compliant with the Equality Act.	<p>Head of Business Support</p> <p>September 2018</p>	A restructure of the HR Team has resulted in them taking on responsibility for equality and diversity. Once the officers have been trained in this area, the actions within the Audit will be addressed.

Governance Issue	Year relating to	Finding	Action required	Timescales / Officer Responsible	Update at October 2018
RIPA	2017/18	Officers using RIPA to carry out surveillance and authorising officers last received training approximately three years ago. The Council's next inspection is November 2018.	RIPA training will be arranged prior to the inspection in November 2018.	Senior Solicitor November 2018	RIPA training has now been completed. Further training is to be arranged for officers who may use social media to conduct covert / overt surveillance.
Members' Code of Conduct	2017/18	Following a recent member investigation carried out by the MO at Blackpool Council it was suggested that the Members' Code of Conduct was not robust and required a number of changes to ensure it was robust and fit for purpose.	The Members' Code of Conduct will be reviewed. This review will also include a review of the social media policy.	Monitoring Officer and Democratic Services Manager Timescale TBC	The Social Media Policy was agreed at Full Council on the 19 July 2018. Following a further meeting with the MO at Blackpool Council and a more detailed comparison of their Code of Conduct it was identified that the differences were not overly significant, however it was still felt it would be beneficial to undertake a review prior to the next council election in May 2019. A working group will be formed by the Standards Committee to review the Code of Conduct and the complaints procedure.
Corporate Inductions	2017/18	Owing to staff turnover, the council has streamlined the corporate inductions process. At present, new	It is suggested that the corporate induction checklist be reviewed to ensure it covers all	Human Resources Timescale TBC	The Team are about to commence a review of the recruitment process.

Governance Issue	Year relating to	Finding	Action required	Timescales / Officer Responsible	Update at October 2018
		starters are presented with an induction manual and will spend an hour on their first morning with personnel from HR. There is a new starter checklist which is completed in part by HR but mainly by the line manager. Whilst other officers used to be involved in inductions (CMT, Head of Governance, ICT) this has been phased out over time.	the necessary requirements, for example, completion of any data protection training and the meeting and greeting of key officers and is generally brought up-to-date.		It has been agreed that this review will incorporate the various stages of the recruitment process including the induction procedures.
Ethical Governance	2017/18	In previous years, the council has used an ethical governance survey to ensure both officers and members know and understand the council's key policies and procedures around expected behaviours. The last survey was completed several years ago.	An ethical governance survey will be carried out for both staff and members to refresh knowledge and understand and highlight any training requirements.	Head of Governance September 2018	The survey has now closed. Results will be published in November 2018. The survey for Members will take place after the May 2019 Election.
Audit Committee	2017/18	Some of the current membership of the Audit Committee (AC) do not have the necessary skill set, set out by CIPFA in their 'practical guidance for Audit Committee' publication. Given the Audit Committee are responsible for signing off two of the council's most important statements (the Annual Governance Statement and the Statement of Accounts), it is suggested that CIPFA's guidance should be used when allocating members to the AC.	The CIPFA 'practical guidance of Audit Committees' should be used when appointing members to AC. The other regulatory committees (Planning and Licensing) should also be reviewed to ensure that any statutory or recommended guidance in relation to membership is considered when allocating membership.	Corporate Management Team / Leader of the Council Timescale TBC	Due to the tight deadlines following the Election before the appointment to Committees is made the Chief Executive will meet with the Leader in Feb / March to discuss committee numbers and also any recommended guidance in relation to the required skill set of the Committee.
Report Author Guidance	2017/18	Although report author training has recently been given, there are still a	Report authors will be reminded about the importance of	Corporate Management Team / Democratic	The report author guidance has been re-

Governance Issue	Year relating to	Finding	Action required	Timescales / Officer Responsible	Update at October 2018
		<p>number of issues with report writing, namely;</p> <ul style="list-style-type: none"> • Officers are not contacting the key officers at the start of the process for any financial or legal considerations. Incorrectly, this is still considered to be the final check; • The reports don't always give information on the number of options to consider, often the reports read as though the decision has been made and there is only one option; • The implications boxes are not always used and when they are, it's often incorrect; and • Other implications should be considered and documented within the report, for example ICT and Data Protection, including the needs for a Privacy Impact Assessment (PIA). 	<p>involving key personnel at the start of the process rather than at the end.</p> <p>The implications box will be moved to the top of the report and ICT, DP / PIA implications will be included. Any decisions that require a PIA will not be cleared by CMT unless the PIA has been signed off by the Data Protection Officer.</p>	<p>Services Manager</p> <p>Timescale TBC</p>	<p>drafted and staff will be refreshed on the content at the same time Mod Gov is rolled out.</p> <p>Mod Gov templates have also been amended and additional boxes have been added for Data Protection; Privacy Impact Assessments and ICT.</p>
Succession Planning	2017/18	A number of concerns were raised during the AGS workshop around the council's capacity in particular around the council's ageing population and the reduced opportunity for succession planning.	A review of the council's age profile will be carried out to identify where there could be capacity issues in the future and where there is a need for succession planning.	<p>Corporate Management Team</p> <p>Head of Business Support September 2018</p>	The Head of Businesses Support will provide a report of the age profile of the Council for discussion at CMT.

Governance Issue	Year relating to	Finding	Action required	Timescales / Officer Responsible	Update at October 2018
Standing for Election checks	2017/18	Whilst the council fully complies with the Electoral Commission in relation to applying the necessary pre-qualification checks in relation to standing for elections, a number of issues have been raised around how these requirements are satisfied.	The Monitoring Officer will liaise with the Election and Information Governance Manager to ensure that more detailed checks are made when completing pre-qualification checks.	Monitoring Officer / Elections and Information Governance Manager May 2019	Whilst the current process is to check the applications, the procedure will be extended to involve a more detailed validation of the eligibility to stand as a councillor. This will include bankruptcy checks and access to Council Tax or Business Rate data as appropriate.
YMCA	2017/18	A number of issues around transparency and openness have been raised in relation to the arrangement in place between the council and YMCA, whereby the YMCA operate and manage our Leisure Centres. The 2017/18 subsidy target was exceeded by just over £66,000. However this was not reported until May 2018, although a smaller overspend had been forecast in the new year. There has also been significant changes to the management of the YMCA which the council was not consulted on but which contributed to the overspend.	A meeting with the YMCA has been arranged in June 2018 to discuss the outturn and the proposal for reducing the subsidy in future years. Any significant changes will need to be taken to Corporate Management Team and Management Board for agreement.	Service Director Health and Wellbeing	YMCA have provided a projection for 2018/19. They are attempting to address the overspend in 2017/18, however there may still be an increased level of subsidy required. A further report from YMCA is expected to detail the way forward.
Leadership Changes	2017/18	There has been a number of changes to the Leadership of the ruling group and Cabinet in late	Changes to the Council's leadership and the leadership of the opposition group will require	Corporate Management Team / Cabinet / Group Leaders / Monitoring	Active and on-going support to the ruling group has been provided

Governance Issue	Year relating to	Finding	Action required	Timescales / Officer Responsible	Update at October 2018
		2017 and early 2018 as well as changes to the Leadership of the opposition group in early 2018.	the development of new working relationships between officers and Members using the Code of Conduct and other guidance as support.	Officer On-going	specifically to the Leader and Portfolio Holders and will continue to be provided as has been completed previously. The same offer has been made to the opposition but has not yet been taken up; i.e. regular briefings are no longer taking place with the opposition.

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Report of:	Meeting	Date
Head of Finance (s151 Officer)	Audit Committee	13 November 2018

Annual Review of Financial Regulations and Financial Procedure Rules

1. Purpose of report

1.1 To review the Financial Regulations and Financial Procedure Rules.

2. Outcomes

2.1 Evidence that the Council has arrangements in place to maintain a sound system of internal control.

3. Recommendation

3.1 Members are asked to note the proposed changes summarised in paragraph 5.1 and to approve the updated Financial Regulations and Financial Procedure Rules set out in Appendix 1 of this report which can be viewed with the agenda for this meeting on the council's website.

Note: Because of its length, Appendix 1 (the full version of the Financial Regulations and Financial Procedure Rules - with the proposed minor changes summarised below shown as track-changes) is NOT included in this printed pack.

4. Background

4.1 The Financial Regulations and Financial Procedure Rules were subject to a major review and updated in accordance with best practice and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) prior to being agreed by the Standards Committee at their meeting on the 14 October 2004 and the Council meeting on 11 November.

4.2 The last annual review was completed at the Audit Committee meeting of the 19 September 2017.

4.3 The Financial Regulations and Financial Procedure Rules form part of the Council's governance structure and help to demonstrate that

arrangements are in place to maintain a sound system of internal control.

5. Key Issues and proposals

5.1 A number of amendments are proposed, namely:

- Additional wording added to reflect that loans may be given to a Parish or Town Council if the loan is a short term loan (not exceeding 12 months) and does not exceed £50,000 (Para 2.15 Part 4.06/6 & Para 3.106 Part 4.06.04/13);
- Updated 'Audit Committee' to reflect the changes made to the Committee's Terms of Reference giving them responsibility for ensuring the Council's compliance with the Data Protection Act 2018 (Para A.10 Part 4.06.01/2);
- Update to reflect that the annual update of how the council has performed against its priorities is now published annually in Wyre Voice (Para B.5 Part 4.06.01/6);
- A number of amendments made to reflect that the Finance Director now prepares a capital strategy (Para A.20, C.12, C.13, C.15, C.17 Part 4.06.01/3 – Part 4.06.01/10, & Para 3.99 Part 4.06.04/12);
- Included the 'the local plan' and 'capital strategy' in the list of statutory plans and strategies the policy framework includes (Para B.2 Part 4.06.01/5);
- Update to reflect the council now prepares a four year medium term financial plan (Para B.7 Part 4.06.01/6 & Para 2.31 Part 4.06.03/5);
- Update to reflect the council publishes a local plan (Para 2.01 Part 4.06.03/1);
- Insertion of three paragraphs to ensure it accurately reflects the current arrangements in place in respect of the authorisation of individual schemes within the Capital Programme (Para 2.62 - 2.64 Part 4.06.03/9);
- Updated 'Capital Programmes – Responsibilities of Chief Officers' to ensure it accurately reflect the current arrangements in place for reporting three times a year (Para 2.59 Part 4.06.03/8);
- Update to reflect the new Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 (Para 3.47 Part 4.06.04/7);
- Update to reflect that the council has individual business continuity plans in place and that they are tested regularly (Para 4.10 Part 4.06.05/2);
- Update to reflect that Internal Audit maintain the list of authorised signatures and specimen signatures (Para 4.60 Part 4.06.05/8 & Para 4.83 Part 4.06.05/10);
- Updated 'Contract Finder' to reflect that the new limit has been reduced from £25,000 to £10,000 (Part 4.06.07/3);
- Update to reflect the amended EC procurement thresholds from January 2018 (Part 4.06.07/4);

- Update to reflect the legal requirements and current best practice in respect of standstill periods (Part 4.06.07/7);
- Inserted a new paragraph to take into consideration the new requirements around employment status (IR35) and the requirement to complete the HRMC 'employment status assessment tool' before a contract is awarded to a specialist or consultant (Part 4.06.07/27); and
- Amended the quality/price mechanism to ensure that 'social value' is considered when awarding contracts (Appendix 1 Part 4.06.07/29).

Financial and legal implications	
Finance	None arising directly from the report.
Legal	The adoption of clear and up to date advice should ensure legal probity and good governance of the Council.

Other risks / implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with an x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
ICT	x

Processing Personal Data

If the decision(s) recommended in this report will result in personal data being processed, a privacy impact assessment (PIA) will have been completed and signed off by the council's Data Protection Officer before the decision is taken (as required by the General Data Protection Regulations 2018).

report author	telephone no.	email	date
Joanne Billington	01253 887372	joanne.billington@wyre.gov.uk	01.11.18

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix 1 – Proposed changes to Financial Regulations and Financial Procedural Rules (published on website).

Financial Regulations and Financial Procedure Rules

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Introduction

- 1.1** The authority's governance structure is laid down in its constitution, which sets out how the council operates, how decisions are made and the procedures that need to be followed.
- 1.2** Financial regulations form part of the constitution and provide the framework for managing the authority's financial affairs. They apply to every member and officer of the authority and anyone acting on its behalf.
- 1.3** The regulations identify the financial responsibilities of the [Full Council](#), and overview and scrutiny [Members](#), the Head of Paid Service, the Monitoring Officer, the Finance Director and other Chief Officers. Executive Members and Chief Officers should maintain a written record where decision making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible officers, references to the Chief Officer in the regulations should be read as referring to them.
- 1.4** With regard to the above generic references, for the purpose of these regulations the following specific titles apply to Wyre Borough Council:
- (a) "Executive" – Cabinet;
 - (b) "overview and scrutiny [Members](#)" – [Members](#) of the Overview and Scrutiny Committee;
 - (c) "Head of Paid Service" – Chief Executive;
 - (d) "Monitoring Officer" – Head of Business Support (Monitoring Officer) or Senior Solicitor (Deputy Monitoring Officer);
 - (e) "Finance Director" – Head of Finance (S151 Officer) or the Chief Accountant acting in that capacity;
 - (f) "Chief Officers" – Chief Executive, Service Directors and Heads of Service.
 - (g) "Corporate Property Officer" – Head of Built Environment.
 - (h) "Head of Internal Audit" – Head of Governance.
- 1.5** All [Members](#) and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised and demonstrates value for money.
- 1.6** The Finance Director is responsible for maintaining a continuous review of the financial regulations and submitting any additions or changes necessary to the audit committee for approval. The Finance Director is also responsible for reporting, where appropriate, breaches of the financial regulations to the Audit Committee and/or to the [Executive Members](#).

- 1.7** The authority's detailed financial procedures, setting out how the regulations will be implemented, are published on the intranet, and will be updated by the Finance Director as necessary.
- 1.8** Chief Officers are responsible for ensuring that all staff in their service units are aware of the existence and content of the authority's financial regulations and other regulatory documents and that they comply with them.
- 1.9** The Finance Director is responsible for issuing advice and guidance to underpin the financial regulations that ~~m~~Members, officers and others acting on behalf of the authority are required to follow. Such advice and guidance will have the same force as these regulations.

Key Responsibilities of Chief Officers

- 2.1** Throughout this document the key responsibilities of individual Chief Officers are identified. The following lists key responsibilities which give a broad outline of the nature of the control framework and the accountabilities of Chief Officers within it.
- 2.2** It is the responsibility of Chief Officers to consult with the Finance Director and seek approval on any matter liable to materially affect the authority's finances, before any commitments are incurred.
- 2.3** To promote the financial management standards set by the Finance Director in their service areas and to monitor adherence to the standards and practices, liaising as necessary with the Finance Director.
- 2.4** To promote sound financial practices in relation to the standards, performance and development of staff in their service areas.
- 2.5** To adhere to the accounting policies and guidelines approved by the Finance Director.
- 2.6** To comply with accounting guidance provided by the Finance Director and to supply the Finance Director with information when required.
- 2.7** To maintain budgetary control within their departments, in adherence with the principles outlined in Appendix B, and to ensure that all income and expenditure are properly recorded and accounted for.
- 2.8** To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 2.9** To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.
- 2.10** To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.
- 2.11** To ensure that resources are used only for the purposes for which they were intended.
- 2.12** To notify the Finance Director immediately of any loss, liability or damage that may lead to a claim against the authority, together with any information or explanation required by the Finance Director or the authority's insurers.
- 2.13** To ensure that there are regular reviews of risk within their service units.
- 2.14** To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.

- 2.15** To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the full council, following consultation with the Finance Director and the legal services team. The only exception to this rule is where a Parish or Town Council, request a short-term loan (not exceeding 12 months) for a value of £50,000 or less. Any agreement needs to be in consultation with the Finance Director and the Legal Services Manager.
- 2.16** To consult with the Finance Director before changing any existing system or introducing new systems.
- 2.17** To ensure appointments are made in accordance with the regulations of the authority and approved establishments, grades and scales of pay and that adequate budget provision is available.
- 2.18** To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Finance Director.
- 2.19** To ensure that the approval of the executive is obtained before any negotiations are concluded to work for third parties.

Financial Regulation A

Financial Management

Introduction

- A.1** Financial management covers all financial accountabilities in relation to the running of the authority, including the policy framework and budget.

The Full Council

- A.2** The **f**ull **C**ouncil is responsible for adopting the authority's constitution and for approving the policy framework and budget within which the executive operates. The framework is set out in its constitution. The **f**ull **e**Council is also responsible for monitoring compliance with the agreed policy and related executive decisions.
- A.3** The **f**ull **e**Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the council and its committees. These delegations and details of who has responsibility for which decisions are set out in the constitution.

The Executive

- A.4** The Executive is responsible for proposing the policy framework and budget to the **f**ull **e**Council, and for discharging executive functions in accordance with the policy framework and budget.
- A.5** Executive decisions can be delegated to a committee of the executive, an individual executive member, an officer or a joint committee.
- A.6** The Executive is responsible for establishing protocols to ensure that individual **e**Executive **m**Members consult with relevant officers before taking a decision within his or her delegated authority. In doing so, the individual member must take account of legal and financial liabilities and other risk management issues that may arise from the decision.

Committees of the Council

Overview and Scrutiny Committee

- A.7** The Overview and Scrutiny Committee are responsible for scrutinising executive decisions before or after they have been implemented and for holding the executive to account. The Overview and Scrutiny Committee are also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the authority.

Employment and Appeals Committee

- A.8** The Employment and Appeals Committee is charged with exercising a range of miscellaneous powers on behalf of the Council, including employee appeals and superannuation matters.

Standards Committee

- A.9** The Standards Committee is established by the ~~f~~Full ~~e~~Council and is responsible for promoting and maintaining high standards of conduct amongst councillors. In particular, it is responsible for advising the Council on the adoption and revision of the ~~m~~Members' ~~e~~Code of ~~e~~Conduct, and for monitoring the operation of the code.

Audit Committee

- A10** The Audit Committee is the member level forum to provide to those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment ~~and~~ the integrity of the financial reporting and annual governance processes and the council's compliance with the Data Protection Act 2018. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

Other Regulatory Committees

- A.11** Planning and conservation, and licensing are not executive functions but are exercised through the Planning Applications Committee and the Licensing Committee.

The Statutory Officers

Head of Paid Service

- A.12** The Head of Paid Service is responsible for the corporate and overall strategic management of the authority as a whole (including overall management responsibility for all staff). He or she must report to and provide information for the Executive, the ~~f~~Full ~~e~~Council, Overview and Scrutiny Committee and other committees. He or she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the ~~f~~Full ~~e~~Council's decisions (see below).

Monitoring Officer

- A.13** The Monitoring Officer is responsible for promoting and maintaining high standards of ethical conduct and therefore provides support to the standards committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the ~~f~~Full ~~e~~Council and/or to the Executive, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- A.14** The Monitoring Officer must ensure that executive decisions and the reasons for them are made public. He or she must also ensure that ~~e~~Council ~~m~~Members are aware of decisions made by the Executive and of those made by officers who have delegated executive responsibility.
- A.15** The Monitoring Officer is responsible for advising all councillors and officers about who has authority to take a particular decision.

A.16 The Monitoring Officer is responsible for advising the Executive or [Full Council](#) about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.

A.17 The Monitoring Officer (together with the Finance Director) is responsible for advising the Executive or [Full Council](#) about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:

- initiating a new policy;
- committing expenditure in future years to above the budget level;
- incurring interdepartmental transfers above virement limits; and
- causing the total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.

A.18 The Monitoring Officer in conjunction with the Democratic Services and Scrutiny Manager is responsible for maintaining an up-to-date constitution.

Finance Director

A.19 The Finance Director has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972.
- The Local Government Finance Act 1988.
- The Local Government and Housing Act 1989.
- The Accounts and Audit Regulations 2015.
- Local Government Act 2003.

A.20 The Finance Director is responsible for:

- the proper administration of the authority's financial affairs;
- setting and monitoring compliance with financial management standards;
- advising on the corporate financial position and on the key financial controls necessary to secure sound financial management;
- providing financial information;
- [preparing the Capital Strategy](#)
- preparing the revenue budget and capital programme; and
- treasury management.

A.21 Section 114 of the Local Government Finance Act 1988 requires the Finance Director to report to the [Full Council](#), Executive and external auditor if the authority or one of its officers:

- has made, or is about to make, a decision which involves incurring unlawful expenditure;
- has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority; or
- is about to make an unlawful entry in the authority's accounts.

Section 114 of the 1988 Act also requires:

- the Finance Director to nominate a properly qualified member of staff to deputise

- should he or she be unable to perform the duties under section 114 personally;
- the authority to provide the Finance Director with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out their duties under section 114.

Chief Officers

- A.22** Chief Officers are responsible for ensuring that eExecutive mMembers are advised of the financial implications of all proposals and that the financial implications have been agreed by the Finance Director.
- A.23** It is the responsibility of Chief Officers to consult with the Finance Director and seek approval on any matter liable to materially affect the authority's finances, before any commitments are incurred.

Other Financial Accountabilities

Virement

- A.24** The Audit Committee is responsible for agreeing procedures for virement of expenditure between budget headings.
- A.25** Chief Officers are responsible for agreeing in-year virements within delegated limits, in consultation with the Finance Director where required. They must notify the Finance Director of all virements.

Treatment of Year-End Balances

- A.26** The Audit Committee is responsible for agreeing procedures for carrying forward under and over-spending on budget headings, provided that such carry forwards do not constitute an alteration to the policy and budget framework.

Accounting Policies

- A.27** The Finance Director is responsible for selecting accounting policies in accordance with best professional practice and ensuring that they are applied consistently.

Accounting Records and Returns

- A.28** The Finance Director is responsible for determining the accounting procedures and records for the authority, and must be consulted on and approve proposals for change.

Financial Systems

- A.29** The Finance Director is responsible for approving all the financial systems in operation within the authority and must be consulted on and approve any proposals for change.

The Annual Statement of Accounts

- A.30** The Finance Director is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. The Audit Committee is responsible for

approving the annual statement of accounts.

Financial Regulation B

Financial Planning

Introduction

B.1 The [fFull eCouncil](#) is responsible for agreeing the authority's policy framework and budget, which will be proposed by the Executive. In terms of financial planning, the key elements are:

- the business plan;
- the revenue budget; and
- the capital programme.

Policy Framework

B.2 The policy framework includes the following statutory plans and strategies:

- business plan;
- revenue budget;
- [capital programme](#);
- [capital strategy](#)
- [treasury management policy statement and strategy](#);
- [the local plan](#)
- Community Safety Partnership - Strategic Assessment; and
- plans and strategies which together support the business plan.

B.3 The [fFull eCouncil](#) is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions should be referred to the [fFull eCouncil](#) by the Monitoring Officer.

B.4 The Executive is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the council.

Preparation of the Annual Report

B.5 The Policy and Performance Officer is responsible for producing an annual [report update in Wyre Voice](#) which identifies how the Council has performed against its priorities.

Budgeting

Budget Format

B.6 The general format of the budget will be approved by the [fFull eCouncil](#) and proposed by the Executive on the advice of the Finance Director. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

Budget Preparation

- B.7** The Finance Director is responsible for ensuring that a revenue budget is prepared on an annual basis and a ~~three~~four-year medium-term financial plan for consideration by the Executive, before submission to the ~~Full~~ ~~e~~Council. The ~~Full~~ ~~e~~Council may amend the budget or ask the Executive to reconsider it before approving it.
- B.8** The Executive is responsible for issuing guidance on the general content of the budget in consultation with the Finance Director as soon as possible following approval by the ~~Full~~ ~~e~~Council.
- B.9** It is the responsibility of Chief Officers to ensure that budget estimates reflecting agreed service plans are submitted to the Executive and that these estimates are prepared in line with guidance issued by the Executive.

Budget Monitoring and Control

- B.10** The Finance Director is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must ensure that expenditure and income is monitored and controlled against budget allocations and report to the Executive on the overall position on a regular basis.
- B.11** It is the responsibility of Chief Officers to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Finance Director. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Finance Director to any problems.

Resource Allocation

- B.12** The Finance Director is responsible for developing and maintaining a resource allocation process that ensures due consideration of the ~~Full~~ ~~e~~Council's policy framework.

Preparation of the Capital Programme

- B.13** The Finance Director is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Executive before submission to the ~~Full~~ ~~e~~Council.

Guidelines

- B.14** Guidelines on budget preparation are issued to ~~m~~Members and Chief Officers by the Finance Director following agreement with the Executive. The guidelines will take account of:
- legal requirements;
 - medium-term planning prospects;
 - the business plan;
 - available resources;

- spending pressures;
- other relevant government guidelines;
- other internal policy documents; and
- cross-cutting issues (where relevant).

Maintenance of Reserves

B.15 It is the responsibility of the Finance Director to advise the Executive and/or the [Full Council](#) on prudent levels of reserves for the authority.

Financial Regulation C

Risk Management and Control of Resources

Introduction

- C.1** It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant strategic and operational risks to the authority. This should include the proactive participation of all those associated with planning and delivering services.

Risk Management

- C.2** The Audit Committee is responsible for approving the authority's risk management policy and for reviewing the effectiveness of risk management. The Executive is responsible for ensuring that proper insurance exists where appropriate.
- C.3** The Finance Director is responsible for preparing the authority's risk management policy, for promoting it throughout the authority and for advising the Executive on proper insurance cover where appropriate.

Internal Control

- C.4** Internal control refers to the systems of control devised by management to help ensure the authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the authority's assets and interests are safeguarded.
- C.5** The Finance Director is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- C.6** It is the responsibility of Chief Officers to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

Audit Requirements

- C.7** The Accounts and Audit Regulations 2015 require every local authority to maintain an adequate and effective system of internal audit. The responsibility for Internal Audit is delegated to the Finance Director.
- C.8** Following the dissolution of the Audit Commission, the Public Sector Audit Appointments Ltd (PSAA) was specified as an appointing person under the provisions of the Local Audit (Appointing Persons) Regulations 2015. The PSAA are empowered to appoint external auditors following a national procurement exercise on behalf of those Local Authorities that signed up to the process. Those Local

Authorities that did not opt into the national procurement exercise were able to procure their own external auditors through an individual or local procurement exercise. Wyre opted into the national procurement and these contracts will cover a five year period commencing with the audit of accounts for 2018/19. PSAA has an option to extend the contracts for a further two year period, to a total of seven years, if it chooses to do so. With effect from 2018/19 there is no provision in legislation for PSAA to make arrangements for housing benefit subsidy certification work on behalf of the Department of Work and Pensions and it will be the responsibility of each Local Authority to ensure arrangements are in place.

- C.9** The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

Preventing Fraud and Corruption

- C.10** The Finance Director is responsible for the development and maintenance of effective counter fraud and corruption arrangements.

Assets

- C.11** Chief Officers should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

Treasury Management

- C.12** The authority has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities and to demonstrate compliance, a review of the Treasury Management Policy Statement, Treasury Management Practices, Treasury Management, [the Capital Strategy](#) and Annual Investment Strategy and Minimum Revenue Provision Policy Statement is agreed annually by the Executive. The Council approves the formulation of the plan or strategy for the control of the authority's borrowing, investments or capital expenditure and for the determination of the authority's minimum revenue provision. The Finance Director has delegated responsibility for implementing and monitoring the statement.
- C.13** The authority has nominated the Overview and Scrutiny Committee as being responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies [and the Capital Strategy](#).
- C.14** All money in the hands of the authority is controlled by the officer designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the Finance Director.
- C.15** The Finance Director is responsible for reporting to the Executive and subsequently the ~~Full~~ ~~Council~~, a proposed Treasury Management and Annual Investment Strategy for the coming financial year and ~~the~~ Minimum Revenue Provision Policy Statement [and the Capital Strategy](#) at or before the start of each financial year.
- C.16** All executive decisions on borrowing, investment or financing shall be delegated to the Finance Director, who is required to act in accordance with CIPFA's Code of

Practice for Treasury Management in Local Authorities and if a CIPFA member, CIPFAs Standard of Professional Practice on Treasury Management.

C.17 The authority delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Executive who will receive from the Finance Director and consider as a minimum:

- a [Capital Strategy and a Treasury Management and Annual Investment Strategy](#) before the commencement of the new financial year;
- a mid-year review;
- an annual report on treasury management activity before the 30 September after the year end to which it relates; and
- the outcome of debt rescheduling undertaken reported as soon as possible after completion of the exercise.

Staffing

C.18 The ~~f~~Full ~~e~~Council is responsible for the manner in which the discharge of the Council's functions is co-ordinated, and for determining how officer support for executive and non-executive roles within the authority will be organised.

C.19 The Head of Paid Service is responsible for the overall management of staff. He or she is also responsible for ensuring that there is proper use of the agreed systems for determining the remuneration of a job.

C.20 Chief Officers are responsible for controlling total staff numbers by:

- advising the Executive on the budget necessary in any given year to cover estimated staffing levels;
- reviewing and amending the structure and staffing levels, within approved budget provision, and fixing commencing salaries or wages for such appointments and promotions as appropriate, in consultation with the officer responsible for strategic human resource issues; and
- the proper use of appointment procedures.

Financial Regulation D

Financial Systems and Procedures

Introduction

- D.1** Sound systems and procedures are essential to an effective framework of accountability and control.

General

- D.2** The Finance Director is responsible for the operation of the authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by Chief Officers to the existing financial systems or the establishment of new systems must be approved by the Finance Director. However, Chief Officers are responsible for the proper operation of financial processes in their own departments.
- D.3** Any changes to agreed procedures by Chief Officers to meet their own specific service needs should be agreed in advance with the Finance Director.
- D.4** Chief Officers should ensure that their staff receive relevant financial training that has been approved by the Finance Director.
- D.5** Chief Officers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Chief Officers must ensure that staff are aware of their responsibilities under freedom of information legislation.

Income and Expenditure

- D.6** It is the responsibility of Chief Officers to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Chief Officer's behalf, or on behalf of the Executive, in respect of payments, income collection and placing orders, together with the limits of their authority. The Audit Committee is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

Payments to Employees and Members

- D.7** The Finance Director is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to [mMembers](#).

Taxation

- D.8** The Finance Director is responsible for advising Chief Officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.
- D.9** The Finance Director is responsible for maintaining the authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their

due date as appropriate.

Trading Accounts/Business Units

- D.10** It is the responsibility of the Finance Director to advise on the establishment and operation of trading accounts.

Financial Regulation E

External Arrangements

Introduction

- E.1** The local authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

Partnerships

- E.2** The Executive is responsible for approving delegations, including frameworks for partnerships. The Executive is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- E.3** The Executive can delegate functions, including those relating to partnerships, to officers. These are set out in the scheme of delegation that forms part of the authority's constitution. Where functions are delegated, the Executive remains accountable for them to the [Full Council](#).
- E.4** The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to partnerships as those that apply throughout the authority.
- E.5** The Finance Director must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. Chief Officers must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- E.6** Chief Officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

External Funding

- E.7** The Finance Director is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority's accounts.

Work For Third Parties

- E.8** The Executive is responsible for approving the contractual arrangements for any work for third parties or external bodies.

Financial Procedure Rules Appendix A

Financial Management

Financial Management Standards

Why are these Important?

- 1.01** All staff and [Members](#) have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

Key Controls

- 1.02** The key controls and control objectives for financial management standards are:
- (a) their promotion throughout the authority; and
 - (b) a monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards that are reported to the Executive and [Full Council](#).

Responsibilities of the Finance Director

- 1.03** To ensure the proper administration of the financial affairs of the authority.
- 1.04** To set the financial management standards and to monitor compliance with them.
- 1.05** To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance staff throughout the authority.
- 1.06** To advise on the key strategic controls necessary to secure sound financial management.
- 1.07** To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

Responsibilities of Chief Officers

- 1.08** To promote the financial management standards set by the Finance Director in their departments and to monitor adherence to the standards and practices, liaising as necessary with the Finance Director.
- 1.09** To promote sound financial practices in relation to the standards, performance and development of staff in their departments.

Managing Expenditure

Scheme Of Virement (Revenue Expenditure)

Why is this Important?

1.10 The scheme of virement is intended to enable the Executive, Chief Officers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the [Full Council](#), and therefore to optimise the use of resources.

Key Controls

1.11 Key controls for the scheme of virement are:

- (a) It is administered by the Finance Director within guidelines set by the Audit Committee. Any variation from this scheme requires the approval of the Audit Committee;
- (b) The overall budget is agreed by the Executive and approved by the [Full Council](#). Chief Officers and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure;
- (c) Virement does not create additional overall budget liability. Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. They should not support recurring expenditure from one-off sources of savings or additional income, or create future commitments, including full-year effects of decisions made part way through a year, without the prior approval of the Finance Director. Chief Officers must plan to fund such commitments from within their own budgets; and
- (d) Any virement affecting an employee subjective budget head can only proceed with the authorisation of the Finance Director.

Responsibilities of the Finance Director

1.12 To monitor and record all virements, consulting with the Resources Portfolio Holder where virements in excess of £20,000 are proposed and seeking approval of the Executive for values in excess of £50,000.

Responsibilities of Chief Officers

1.13 A Chief Officer may exercise virement on budgets under his or her control for amounts up to £5,000 on any one budget head during the year, and up to £20,000 following approval of the Finance Director under arrangements agreed by the Audit Committee and subject to the conditions in paragraphs 1.15 to 1.17 below.

1.14 Amounts greater than £20,000 also require the approval of the relevant Portfolio Holder, and must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year.

- 1.15** Virements between budgets of different accountable eExecutive mMembers and between budgets managed by different Chief Officers for values >£5,000 will require the consent of all parties.
- 1.16** A virement that is likely to impact on the level of service activity of another Chief Officer should be implemented only after agreement with the relevant Chief Officer.
- 1.17** No virement relating to a specific financial year should be made after 31 March in that year.
- 1.18** Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement.

Treatment of Year-End Balances (Revenue and Capital)

Why is this Important?

- 1.19** The authority's scheme of virement includes the authority's treatment of year-end balances. It is administered by the Finance Director within guidelines set by the Audit Committee. Any variation from this scheme requires the approval of the Audit Committee.
- 1.20** The rules below cover arrangements for the transfer of resources between accounting years, ie a carry-forward. For the purposes of this scheme, a budget heading is a specific cost centre and subjective code combination, or, as a minimum, is at an equivalent level to the standard service subdivision as defined by CIPFA in its Service Expenditure Analysis.

Key Controls

- 1.21** Appropriate accounting procedures are in operation to ensure that carried-forward totals are correct.

Responsibilities of the Finance Director

- 1.22** To administer the scheme of carry-forward within the guidelines approved by the Audit Committee.
- 1.23** To report all over-spending and under-spending on service estimates carried forward to the Audit Committee.

Responsibilities of Chief Officers

- 1.24** Net underspendings on service estimates under the control of the Chief Officer may be carried forward, subject to the approval of the Finance Director. The source of underspending or additional income and the proposed application of those resources must be reported to the Audit Committee.

Accounting Policies

Why are these Important?

1.25 The Finance Director is responsible for the preparation of the authority's statement of accounts, in accordance with proper practices as set out in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom for each financial year ending 31 March.

Key Controls

1.26 The key controls for accounting policies are:

- (a) systems of internal control are in place that ensure that financial transactions are lawful;
- (b) suitable accounting policies are selected and applied consistently;
- (c) proper accounting records are maintained; and
- (d) financial statements are prepared which present a true and fair view of the financial position of the authority and its expenditure and income.

Responsibilities of the Finance Director

1.27 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year, and cover such items as:

- (a) Accruals of income and expenditure;
- (b) Provisions;
- (c) Reserves;
- (d) Government grants and contributions;
- (e) Retirement benefits;
- (f) VAT;
- (g) Overheads and support services;
- (h) Intangible fixed assets;
- (i) Tangible fixed assets;
- (j) Charges to revenue for fixed assets;
- (k) Revenue expenditure funded from capital under statute;
- (l) Leases;
- (m) Financial liabilities;
- (n) Financial assets;
- (o) Stocks and work in progress; and
- (p) Interests in companies and other entities.

Responsibilities of Chief Officers

1.28 To adhere to the accounting policies and guidelines approved by the Finance Director.

Accounting Records And Returns

Why are these Important?

1.29 Maintaining proper accounting records is one of the ways in which the authority discharges its responsibility for stewardship of public resources. The authority has a statutory responsibility to prepare its annual accounts to present a true and fair view of its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the authority's resources.

Key Controls

1.30 The key controls for accounting records and returns are:

- (a) all eExecutive mMembers, finance staff and budget managers operate within the required accounting standards and timetables;
- (b) all the authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis;
- (c) procedures are in place to enable accounting records to be reconstituted in the event of systems failure;
- (d) reconciliation procedures are carried out to ensure transactions are correctly recorded; and
- (e) prime documents are retained in accordance with legislative and other requirements.

Responsibilities of the Finance Director

1.31 To determine the accounting procedures and records to be kept for the authority.

1.32 To arrange for the compilation of all accounts and accounting records.

1.33 Wherever practicable, to comply with the principle of separation of duties when allocating accounting duties.

1.34 To make proper arrangements for the audit of the authority's accounts in accordance with the Accounts and Audit Regulations 2015.

1.35 To ensure that all claims for funds including grants are made by the due date.

1.36 To prepare and publish the audited accounts of the authority for each financial year, in accordance with the statutory timetable and ensure that the statement of accounts is approved by the audit committee by the statutory date.

- 1.37** To administer the authority's arrangements for under-spending to be carried forward to the following financial year.
- 1.38** To ensure the proper retention of financial documents in accordance with the requirements set out in the authority's document retention schedule.

Responsibilities of Chief Officers

- 1.39** To consult and obtain the approval of the Finance Director before making any changes to accounting records and procedures.
- 1.40** To comply with the principles outlined in paragraph 1.33 when allocating accounting duties.
- 1.41** To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 1.42** To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Finance Director.

The Annual Statement of Accounts

Why is this Important?

- 1.43** The authority has a statutory responsibility to prepare its own accounts to present a true and fair view of its operations during the year. The Audit Committee is responsible for approving the statutory annual statement of accounts.

Key Controls

- 1.44** The key controls for the annual statement of accounts are:
- (a) the authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this authority, that officer is the Finance Director.
 - (b) the authority's statement of accounts must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom

Responsibilities of the Finance Director

- 1.45** To select suitable accounting policies and to apply them consistently.
- 1.46** To make judgements and estimates that are reasonable and prudent.
- 1.47** To comply with the Code of Practice on Local Authority Accounting in the United Kingdom.
- 1.48** To keep proper accounting records that are up to date.

- 1.49** To sign and date the statement of accounts, stating that it presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the relevant year.
- 1.50** To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

Responsibilities of Chief Officers

- 1.51** To comply with accounting guidance provided by the Finance Director and to supply the Finance Director with information when required.

Financial Procedure Rules Appendix B

Financial Planning

Performance Plans

Why are these Important?

2.01 Each local authority has a responsibility to publish various performance plans, including the Council's Business Plan, [the Local Plan](#), The Fylde Coast Housing Strategy and the Community Safety Partnership – Strategic Assessment. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. Performance plans form part of the authority's programme of engaging with the public.

Key Controls

2.02 The key controls for performance plans are:

- (a) to ensure that all relevant plans are produced and that they are consistent;
- (b) to produce plans in accordance with statutory requirements;
- (c) to meet the timetables set;
- (d) to ensure that all performance information is accurate, complete and up to date; and
- (e) to provide improvement targets which are meaningful, realistic and challenging.

Responsibilities of the Finance Director

2.03 To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.

2.04 To contribute to the development of corporate and service targets and performance information.

Responsibilities of the Service Director Performance and Innovation

2.05 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators, identifying measurable impact, outputs and outcomes.

2.06 To ensure that performance information is monitored frequently to allow corrective action to be taken if targets are not likely to be met.

Responsibilities of Chief Officers

2.07 To contribute to the development of performance plans in line with statutory requirements.

- 2.08** To contribute to the development and monitoring of corporate and service targets and objectives and performance information.

Budgeting

Format of the Budget

Why is this Important?

- 2.09** The format of the budget influences the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

Key Controls

- 2.10** The key controls for the budget format are:
- (a) the format complies with all legal requirements and proper accounting practices; and
 - (b) the format reflects accountability for service delivery.

Responsibilities of the Finance Director

- 2.11** To advise the Executive on the format of the budget that is approved by the [Full Council](#).

Responsibilities of Chief Officers

- 2.12** To comply with accounting guidance provided by the Finance Director.

Revenue Budget Preparation, Monitoring and Control

Why is this Important?

- 2.13** Budget management ensures that once the budget has been approved by the [Full Council](#), resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the authority to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.
- 2.14** By continuously identifying and explaining variances against budgetary targets, the authority can identify changes in trends and resource requirements at the earliest opportunity. The authority itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the authority in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.

- 2.15** For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required.

Key Controls

- 2.16** The key controls for managing and controlling the revenue budget are:
- (a) budget managers should be responsible only for income and expenditure that they can influence;
 - (b) there is a nominated budget manager for each cost centre heading;
 - (c) budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;
 - (d) budget managers follow an approved certification process for all expenditure;
 - (e) income and expenditure are properly recorded and accounted for; and
 - (f) performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

Responsibilities of the Finance Director

- 2.17** To establish an appropriate framework of budgetary management and control that ensures that:
- (a) budget management is exercised within annual cash limits unless the [Full eCouncil](#) agrees otherwise;
 - (b) each Chief Officer has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities;
 - (c) expenditure is committed only against an approved budget head;
 - (d) all officers responsible for committing expenditure comply with relevant guidance, and the financial regulations;
 - (e) each cost centre has a single named manager, determined by the relevant Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure; and
 - (f) significant variances from approved budgets are investigated and reported by budget managers regularly.
- 2.18** To administer the authority's scheme of virement.
- 2.19** To submit reports to the Executive and to the [Full eCouncil](#), in consultation with the relevant Chief Officer, where a Chief Officer is unable to balance expenditure and resources within existing approved budgets under his or her control.

- 2.20** To prepare and submit reports on the authority's projected income and expenditure compared with the budget on a regular basis.

Responsibilities of Chief Officers

- 2.21** To maintain budgetary control within their departments, in adherence to the principles in 2.17, and to ensure that all income and expenditure are properly recorded and accounted for.
- 2.22** To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Chief Officer (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- 2.23** To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 2.24** To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- 2.25** To provide information to the Finance Director to enable reports on the service's projected expenditure compared with its budget to be made to the Executive.
- 2.26** To ensure prior approval by the ~~f~~Full ~~e~~Council or Executive (as appropriate) for new proposals, of whatever amount, that:
- (a) create financial commitments in future years;
 - (b) change existing policies, initiate new policies or cease existing policies; and
 - (c) materially extend or reduce the authority's services.
- 2.27** To ensure compliance with the scheme of virement.
- 2.28** To agree with the relevant Chief Officer where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or chief officer's level of service activity.

Budgets and Medium-Term Planning

Why is this Important?

- 2.29** The authority is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the authority's plans and policies.

- 2.30** The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the [Full Council](#). Budgets (spending plans) are needed so that the authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an authority to budget for a deficit.
- 2.31** Medium-term planning involves a planning cycle which incorporates the current and [three-four](#) future years. As each year passes, another future year will be added to the medium-term plan. This ensures that the authority is always preparing for events in advance.

Key Controls

- 2.32** The key controls for budgets and medium-term planning are:
- (a) specific budget approval for all expenditure;
 - (b) budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the executive for their budgets and the level of service to be delivered; and
 - (c) a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

Responsibilities of the Finance Director

- 2.33** To prepare and submit reports on budget prospects for the Executive, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- 2.34** To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the [Full Council](#), and after consultation with the Executive and Chief Officers.
- 2.35** To prepare and submit reports to the Executive on the aggregate spending plans of service units and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.
- 2.36** To advise on the medium-term implications of spending decisions.
- 2.37** To encourage the best use of resources and value for money by working with Chief Officers to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- 2.38** To advise the [Full Council](#) on executive proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972.

Responsibilities of Chief Officers

- 2.39** To prepare estimates of income and expenditure, in consultation with the Finance Director, to be submitted to the Executive.
- 2.40** To prepare budgets that are consistent with any relevant cash limits, with the authority's annual budget cycle and with guidelines issued by the Finance Director following agreement with the Executive. The format should be prescribed by the Finance Director.
- 2.41** To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 2.42** In consultation with the Finance Director and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the appropriate committee.
- 2.43** When drawing up draft budget requirements, to have regard to:
- (a) spending patterns and pressures revealed through the budget monitoring process;
 - (b) legal requirements;
 - (c) policy requirements as defined by the [Full eCouncil](#) in the approved policy framework; and
 - (d) initiatives already under way.

Resource Allocation

Why is this Important?

- 2.44** A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore imperative that needs/desires are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

Key Controls

- 2.45** The key controls for resource allocation are:
- (a) resources are acquired in accordance with the law and using an approved authorisation process;
 - (b) resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for;
 - (c) resources are securely held for use when required; and

- (d) resources are used with the minimum level of waste, inefficiency or loss for other reasons.

Responsibilities of the Finance Director

- 2.46** To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- 2.47** To assist in the allocation of resources to budget managers.

Responsibilities of Chief Officers

- 2.48** To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.
- 2.49** To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

Capital Programmes

Why are these Important?

- 2.50** Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
- 2.51** Capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

Key Controls

- 2.52** The key controls for capital programmes are:
- (a) a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the Executive;
 - (b) specific approval by the ~~f~~Full ~~e~~Council for the programme of capital expenditure;
 - (c) expenditure on capital schemes is subject to the approval of the relevant Portfolio Holder prior to scheme commencement;
 - (d) proposals for improvements and alterations to buildings must be approved by the Corporate Property Officer;
 - (e) schedules for individual schemes within the overall budget approved by the ~~f~~Full ~~e~~Council must be submitted to the relevant Portfolio Holder for approval (for example, refurbishment of playgrounds);

- (f) the development and implementation of asset management plans;
- (g) accountability for each proposal is accepted by a named manager; and
- (h) monitoring of progress in conjunction with expenditure and comparison with approved budget.

Responsibilities of the Finance Director

- 2.53** To prepare capital estimates jointly with Chief Officers and the Head of Paid Service and to report them to the Executive for approval. The Executive will make recommendations on the capital estimates and on any associated financing requirements to the ~~f~~Full ~~e~~Council.
- 2.54** To prepare and submit reports to the Executive on the projected income, expenditure and resources compared with the approved estimates.
- 2.55** To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Finance Director, having regard to government regulations and accounting requirements.
- 2.56** To obtain authorisation from the Executive for individual schemes where the estimated expenditure exceeds the capital programme provision by more than a specified amount.

Responsibilities of Chief Officers

- 2.57** To comply with guidance concerning capital schemes and controls issued by the Finance Director.
- 2.58** To ensure that where appropriate all capital projects are supported by a business case.
- 2.59** To prepare regular reports reviewing the capital programme provisions for their services including ~~a quarterly return of three reports a year showing the~~ estimated final costs of schemes in the current year's approved capital programme for submission to the Executive as part of the performance management framework.
- 2.60** To ensure that adequate records are maintained for all capital contracts.
- 2.61** To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the relevant Portfolio Holder.
- 2.62** To prepare and submit reports, jointly with the Finance Director, to the Executive, of any material variation in contract costs whereby the quotation or tender to be accepted exceeds the provision in the capital programme by more than the approved limit of 10% ~~and where approval conditions in 2.63 to 2.65 cannot be met.~~

- 2.63** The Finance Director may approve increased costs on an individual scheme within the approved Capital Programme to a maximum of £50,000 provided that it is funded by a virement of resources from another scheme in the Capital Programme (provided that the specification remains consistent with the original overall objectives of the scheme and that the expenditure continues to deliver best value for money for the Council) or new external funding.
- 2.643** ~~To prepare and submit reports, jointly with the Finance Director, to the Executive, on completion of all contracts where the final expenditure exceeds the approved budget and/or contract sum by either 10% or £20,000 whichever is the lesser.~~
The Resources Portfolio Holder may approve increased costs on an individual scheme to a maximum of £100,000 provided that it is funded from a virement of resources from one scheme to another within the approved Capital Programme or new external funding (provided that the specification remains consistent with the original overall objectives of the scheme and that the expenditure continues to deliver best value for money for the Council).
- 2.654** The Cabinet may approve increased costs on an individual scheme up to a maximum of £250,000 provided that it is funded from a virement of resources from one scheme to another within the approved Capital Programme or new external funding (provided that the specification remains consistent with the original overall objectives of the scheme and that the expenditure continues to deliver best value for money for the Council).
- 2.66** To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Finance Director and, if applicable, approval of the scheme through the capital programme.

Maintenance of Reserves

Why is this Important?

- 2.65** The local authority must decide the level of general reserves it wishes to maintain before it can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of IT equipment.

Key Controls

- 2.66** To maintain reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and agreed accounting policies.
- 2.67** For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- 2.68** Authorisation and expenditure from reserves by the appropriate Chief Officer in consultation with the Finance Director.

Responsibilities of the Finance Director

- 2.69** To advise the Executive and/or the ~~f~~Full ~~e~~Council on prudent levels of reserves for the authority, and to take account of the advice of the External Auditor in this matter.

Responsibilities of Chief Officers

- 2.70** To ensure that resources are used only for the purposes for which they were intended.

Financial Procedure Rules Appendix C

Risk Management and Control of Resources

Risk Management

Why is this Important?

- 3.01** All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well-being of the organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.
- 3.02** It is the overall responsibility of the Audit Committee to approve the authority's Risk Management Policy, and to promote a culture of risk management awareness throughout the authority.

Key Controls

- 3.03** The key controls for risk management are:
- (a) procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the authority;
 - (b) a monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis;
 - (c) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives;
 - (d) provision is made for losses that might result from the risks that remain;
 - (e) procedures are in place to investigate insurance claims within required timescales;
 - (f) acceptable levels of risk are determined and insured against where appropriate; and
 - (g) the authority has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

Responsibilities of the Finance Director

- 3.04** To prepare and promote the authority's Risk Management Policy.
- 3.05** To develop risk management controls in conjunction with other Chief Officers.
- 3.06** To include all appropriate employees of the authority in a suitable fidelity guarantee insurance.
- 3.07** To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

Responsibilities of Chief Officers

- 3.08** To notify the Finance Director immediately of any loss, liability or damage that may lead to a claim against the authority, together with any information or explanation required by the Finance Director or the authority's insurers.
- 3.09** To take responsibility for risk management, having regard to advice from the Finance Director and other specialist officers (e.g. crime prevention, fire prevention, health and safety and the Audit and Risk Management Section).
- 3.10** To ensure that there are regular reviews of risk within their service units.
- 3.11** To notify the Finance Director promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- 3.12** To consult the Finance Director and the Senior Solicitor on the terms of any indemnity that the authority is requested to give.
- 3.13** To ensure that employees, or anyone covered by the authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

Internal Controls

Why are these Important?

- 3.14** The authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 3.15** The authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 3.16** The authority faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.
- 3.17** The system of internal controls is established in order to provide measurable achievement of:

- (a) efficient and effective operations;
- (b) reliable financial information and reporting;
- (c) compliance with laws and regulations; and
- (d) risk management.

Key Controls

3.18 The key controls and control objectives for internal control systems are:

- (a) key controls should be reviewed on a regular basis and the authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively;
- (b) managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;
- (c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems; and
- (d) an effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline Guidance for Internal Auditors, CIPFA's Public Sector Internal Audit Standards and Local Government Application Note and with any other statutory obligations and regulations.

Responsibilities of the Finance Director

3.19 To assist the authority to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

Responsibilities of Chief Officers

3.20 To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.

3.21 To review existing controls in the light of changes affecting the authority and to establish and implement new ones in line with guidance from the Finance Director. Chief Officers should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.

3.22 To ensure staff have a clear understanding of the consequences of lack of control.

Audit Requirements

Internal Audit

Why is this Important?

- 3.23** The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2015 require that a “relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 3.24** Accordingly, internal audit is an independent appraisal function established by the authority for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

Key Controls

- 3.25** The key controls for internal audit are:
- (a) that it is independent in its planning and operation;
 - (b) the Head of Internal Audit has direct access to the Head of Paid Service, all levels of management and directly to elected [mM](#)embers; and
 - (c) the internal auditors comply with the auditing practices in the Public Sector Internal Audit Standards and CIPFA’s [Ss](#) Local Government Application Note for the United Kingdom Public Sector Internal Audit.

Responsibilities of the Finance Director

- 3.26** To ensure that internal auditors have the authority to:
- (a) access authority premises at reasonable times;
 - (b) access all assets, records, documents, correspondence and control systems;
 - (c) receive any information and explanation considered necessary concerning any matter under consideration;
 - (d) require any employee of the authority to account for cash, stores or any other authority asset under his or her control;
 - (e) access records belonging to third parties, such as contractors and organisations for which the authority acts as the accountable body, when required; and

(f) directly access the Head of Paid Service, the Executive, the Audit Committee and Standards Committee as and when necessary.

3.27 To approve the strategic and annual audit plans prepared by the Head of Internal Audit, which take account of the characteristics and relative risks of the activities involved.

3.28 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Responsibilities of Chief Officers

3.29 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.

3.30 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.

3.31 To consider and respond promptly to findings in audit reports.

3.32 To ensure that any agreed actions arising from audit findings are carried out in a timely and efficient fashion.

3.33 To notify the Finance Director immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the Chief Officer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

3.34 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Head of Internal Audit prior to implementation.

External Audit

Why is this Important?

3.35 The work of the Public Sector Audit Appointments Ltd (PSAA) and its appointed auditors is carried out in accordance with the provisions of the Local Audit and Accountability Act 2014 and the Code of Audit Practice 2015 (the Code). Responsibility for the conduct of the audit remains, at all times, that of the appointed auditor.

3.36 The Code prescribes the way in which auditors of local government bodies, as defined in Schedule 2 of the Local Audit and Accountability Act 2014, appointed by the PSAA should carry out their functions under the Act.

3.37 Auditors' principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of this Code: (a) the audited body's financial statements and (b) whether the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Key Controls

- 3.38** Prior to 1 April 2018, external auditors were appointed by the Audit Commission. From the financial year 2018/19, external auditors are normally appointed by Public Sector Audit Appointments Ltd (PSAA) for a minimum period of five years. The National Audit Office prepares a code of audit practice, which external auditors follow when carrying out their audits.

Responsibilities of the Finance Director

- 3.39** To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- 3.40** To ensure there is effective liaison between external and internal audit.
- 3.41** To work with the external auditor and advise the [Full Council](#), Executive, the Audit Committee and Chief Officers on their responsibilities in relation to external audit.

Responsibilities of Chief Officers

- 3.42** To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- 3.43** To ensure that all records and systems are up to date and available for inspection.

Preventing Fraud and Corruption

Why is this Important?

- 3.44** The authority will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the authority.
- 3.45** The authority's expectation of propriety and accountability is that [Members](#) and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- 3.46** The authority also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the authority with integrity and without thought or actions involving fraud and corruption.

Key Controls

- 3.47** The key controls regarding the prevention of financial irregularities are that:
- (a) the authority has an effective Anti-Fraud, Bribery and Corruption Policy and maintains a culture that will not tolerate fraud, bribery or corruption;
 - (b) all [Members](#) and staff act with integrity and lead by example;

- (c) senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are corrupt;
- (d) high standards of conduct are promoted amongst ~~m~~Members by the Standards Committee;
- (e) the maintenance of a register of gifts, hospitality and interests in which any hospitality or gifts accepted or provided must be recorded;
- (f) whistle blowing procedures are in place and operate effectively; and
- (g) legislation including [the Money Laundering, Terrorist Financing and Transfer of Funds Regulation 2017](#) and the Public Interest Disclosure Act 1998 is adhered to.

Responsibilities of the Finance Director

- 3.48** To develop and maintain effective counter fraud, bribery and corruption arrangements.
- 3.49** To maintain adequate and effective internal control arrangements.
- 3.50** To ensure that all suspected irregularities are reported to the Head of Internal Audit, the Head of Paid Service, the Monitoring Officer and the Audit Committee.

Responsibilities of Chief Officers

- 3.51** To ensure that all suspected irregularities are reported to the Finance Director.
- 3.52** To instigate the authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 3.53** To ensure that where financial impropriety is discovered, the Finance Director is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.
- 3.54** To ensure compliance with the 'Employee Code of Conduct' and maintain a register of both financial and non-financial interests declared by employees which they consider could bring them into conflict with the Authority's interests.
- 3.55** To ensure that gifts and hospitality received and provided by employees is recorded in accordance with the employee 'Code of Conduct'.

Assets

Security

Why is this Important?

- 3.56** The authority holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are

arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

Key Controls

- 3.57** The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:
- (a) resources are used only for the purposes of the authority and are properly accounted for;
 - (b) resources are available for use when required;
 - (c) resources no longer required are disposed of in accordance with the law and the regulations of the authority so as to maximise benefits;
 - (d) an asset register is maintained for the authority, assets are recorded when they are acquired by the authority and this record is updated as changes occur with respect to the location and condition of the asset;
 - (e) all staff are aware of their responsibilities with regard to safeguarding the authority's assets and information, including the requirements of the Data Protection Act [2018](#) and software copyright legislation; and
 - (f) all staff are aware of their responsibilities with regard to safeguarding the security of the authority's computer systems, including maintaining restricted access to the information held on them and compliance with the authority's Computer Use Policy.

Responsibilities of the Finance Director

- 3.58** To ensure that an asset register is maintained in accordance with good practice. The function of the asset register is to provide the authority with information about fixed assets so that they are:

- safeguarded;
- used efficiently and effectively; and
- adequately maintained.

An inventory of IT equipment is also maintained although not formally included within the asset register for accounting purposes.

- 3.59** To receive the information required for accounting, costing and financial records from each chief officer.
- 3.60** To ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

Responsibilities of Chief Officers

- 3.61** The Corporate Property Officer shall maintain a property database for all land and property currently owned or used by the authority. Any use of land or property

should be supported by documentation identifying terms, responsibilities and duration of use.

- 3.62** To ensure that lessees and other occupiers of council land and property are not allowed to take possession or enter the land or property until a lease or agreement, in a form approved by the Corporate Property Officer in consultation with the Legal Services Team, has been completed.
- 3.63** To ensure the proper security of all buildings and other assets under their control.
- 3.64** Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the Corporate Property Officer and the Finance Director.
- 3.65** To pass title deeds to the Legal Services Team who are responsible for custody of all title deeds.
- 3.66** To ensure that no authority asset is subject to personal use by an employee without proper authority.
- 3.67** To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the authority.
- 3.68** To ensure that the Council maintains a register of moveable assets in accordance with arrangements defined by the Finance Director.
- 3.69** To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- 3.70** To consult the Finance Director in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 3.71** To ensure cash holdings on premises are kept to a minimum.
- 3.72** To ensure that keys to safes and similar receptacles are kept secure at all times; loss of any such keys must be reported to the Finance Director as soon as possible.
- 3.73** To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Finance Director, the Executive agrees otherwise.
- 3.74** To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Finance Director.
- 3.75** To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the authority in some way.

Inventories

- 3.76** To maintain inventories and record an adequate description of equipment, plant and machinery. All assets, excluding IT equipment and office furniture, with either a purchase price (if known) or an approximate replacement value of over £350 should be notified to the Head of Internal Audit for insurance purposes.
- 3.77** To carry out an annual check of all items on the inventory in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the authority.
- 3.78** To make sure that property is only used in the course of the authority's business, unless the Chief Officer concerned has given permission otherwise.
- 3.79** To make arrangements for the care and custody of stocks and stores in the department.
- 3.80** To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- 3.81** To investigate and remove from the authority's records (i.e. write off) discrepancies below the predetermined limit of £200, immediately notifying the Finance Director.
- 3.82** Procedures for disposal of redundant stocks and equipment should be by competitive quotations or auction, unless, an alternative approach has been agreed with the Finance Director.
- 3.83** To seek approval from the Finance Director to the write-off of redundant stocks and equipment in excess of the predetermined sum of £200.

Intellectual Property

Why is this Important?

- 3.84** Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.
- 3.85** Certain activities undertaken within the authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

Key Controls

- 3.86** In the event that the authority decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the authority's approved intellectual property procedures.

Responsibilities of the Finance Director

- 3.87** To develop and disseminate good practice through the authority's intellectual property procedures.

Responsibilities of Chief Officers

- 3.88** To ensure that controls are in place to ensure that staff do not carry out private work in council time and that staff are aware of an employer's rights with regard to intellectual property.

Asset Disposal**Why is this Important?**

- 3.89** It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the authority's procedure rules.

Key Controls

- 3.90** Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the authority, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.
- 3.91** Procedures protect staff involved in the disposal from accusations of personal gain.

Responsibilities of the Finance Director

- 3.92** To issue guidance regarding best practice for disposal of assets.
- 3.93** To ensure appropriate accounting entries are made to remove the value of disposed assets from the authority's records and to include the sale proceeds if appropriate.

Responsibilities of Chief Officers

- 3.94** To seek advice from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment. Advice from the Legal Services Team should be sought for any land disposals.
- 3.95** To ensure that income received for the disposal of an asset is properly banked and coded.

Treasury Management

Why is this Important?

- 3.96** Many millions of pounds pass through the authority's books each year. This led to the establishment of codes of practice. The guidance states that the investment priorities for local authorities must be firstly, the security of the investment and secondly, the liquidity of the asset. Only when these two priorities have been satisfied should the local authority seek to maximise the return on investment.

Key Controls

- 3.97** That the authority's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management and with the authority's Treasury Management Policy Statement.

Responsibilities of Finance Director – Treasury Management and Banking

- 3.98** To arrange the borrowing and investments of the authority in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the authority's Treasury Management Policy Statement.
- 3.99** To report the following, as a minimum, in relation to treasury management activities to the Executive:
- a [Capital Strategy and](#) Treasury Management and Annual Investment Strategy before the commencement of the new financial year;
 - a mid year review;
 - an annual report on treasury management activity before the 30 September after the year end to which it relates; and
 - the outcome of debt rescheduling undertaken reported as soon as possible after completion of the exercise.
- 3.100** To operate such bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the Finance Director.

Responsibilities of Chief Officers – Treasury Management and Banking

- 3.101** To follow the instructions on banking issued by the Finance Director.

Responsibilities of Finance Director – Investments and Borrowing

- 3.102** To ensure that all investments of money are made in the name of the authority or in the name of nominees approved by the [Full Council](#).
- 3.103** To ensure that all securities that are the property of the authority or its nominees and the title deeds of all property in the authority's ownership are held in the custody of the appropriate Chief Officer.
- 3.104** To effect all borrowings in the name of the authority.

- 3.105** To act as the authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the authority.

Responsibilities of Chief Officers – Investments and Borrowing

- 3.106** To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the ~~f~~Full ~~e~~Council, following consultation with the Finance Director. The only exception to this rule is where a Parish or Town Council, request a short-term loan (not exceeding 12 months) for a value of £50,000 or less. Any agreement needs to be in consultation with the Finance Director and the Legal Services Manager.

Responsibilities of Chief Officers – Trust Funds and Funds Held for Third Parties

- 3.107** To arrange for all trust funds to be held, wherever possible, in the name of the authority. All officers acting as trustees by virtue of their official position shall deposit securities, etc. relating to the trust with the Finance Director, unless the deed otherwise provides.
- 3.108** To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Finance Director, and to maintain written records of all transactions.
- 3.109** To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

Responsibilities of the Finance Director – Imprest Accounts

- 3.110** To provide employees of the authority with cash or bank imprest accounts to meet minor expenditure on behalf of the authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount of £50.
- 3.111** To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.
- 3.112** To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

Responsibilities of Chief Officers – Imprest Accounts

- 3.113** To ensure that employees operating an imprest account:
- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained;
 - (b) make adequate arrangements for the safe custody of the imprest account;
 - (c) produce upon demand by the Finance Director cash and all vouchers to the total value of the imprest amount;

- (d) record transactions promptly;
- (e) reconcile and balance the imprest account at least monthly; reconciliation sheets to be signed and retained by the imprest account holder;
- (f) provide the Finance Director with a certificate of the value of the imprest account held at 31 March each year;
- (g) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made; and
- (h) on leaving the authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Finance Director for the amount advanced to him or her.

Staffing

Why is this Important?

3.114 In order to provide the highest level of service, it is crucial that the authority recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.

Key Controls

3.115 The key controls for staffing are:

- (a) ensuring that staffing requirements and budget allocation are matched;
- (b) procedures are in place for forecasting staffing requirements and cost;
- (c) controls are implemented that ensure that staff time is used efficiently and to the benefit of the authority; and
- (d) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

Responsibilities of the Finance Director

3.116 To ensure that budget provision exists for all existing and new employees.

3.117 To act as an advisor to Chief Officers on areas such as National Insurance and pension contributions, as appropriate.

Responsibilities of Chief Officers

3.118 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).

- 3.119** To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- 3.120** To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- 3.121** To ensure that the Finance Director is immediately informed if the staffing budget is likely to be materially over or under-spent.

Financial Procedure Rules Appendix D

Financial Systems And Procedures

General

Why is this Important?

- 4.01** The Council has many systems and procedures relating to the control of the authority's assets, including purchasing, costing and management systems and is increasingly reliant on computers for financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 4.02** The Finance Director has both a professional and a statutory responsibility to ensure that the authority's financial systems are sound and should therefore be notified of any new developments or changes.

Key Controls

- 4.03** The key controls for systems and procedures are:
- (a) basic data exists to enable the authority's objectives, targets, budgets and plans to be formulated;
 - (b) performance is communicated to the appropriate managers on an accurate, complete and timely basis;
 - (c) early warning is provided of deviations from target, plans and budgets that require management attention; and
 - (d) operating systems and procedures are secure.

Responsibilities of the Finance Director

- 4.04** To make arrangements for the proper administration of the authority's financial affairs, including to:
- (a) issue advice, guidance and procedures for officers and others acting on the authority's behalf;
 - (b) determine the accounting systems, form of accounts and supporting financial records;
 - (c) establish arrangements for audit of the authority's financial affairs;
 - (d) approve any new financial systems to be introduced; and
 - (e) approve any changes to be made to existing financial systems.

Responsibilities of Chief Officers

- 4.05** To ensure that accounting records are properly maintained and held securely.
- 4.06** To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Finance Director.
- 4.07** To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 4.08** To incorporate appropriate controls to ensure that, where relevant:
- (a) all input is genuine, complete, accurate, timely and not previously processed;
 - (b) all processing is carried out in an accurate, complete and timely manner; and
 - (c) output from the system is complete, accurate and timely.
- 4.09** To ensure that the organisational structure provides for an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 4.10** To ensure there ~~is a~~ are documented and tested ~~disaster recovery plan individual Business Contingency plans~~ to allow information system processing and council services to resume quickly in the event of an interruption and that they be tested regularly.
- 4.11** To ensure that systems are documented and staff trained in their operation.
- 4.12** To consult with the Finance Director before changing any existing system or introducing new systems.
- 4.13** To establish a scheme of delegation identifying officers authorised to act upon the Chief Officer's behalf in respect of payments, income collection and placing orders, and showing the limits of their authority.
- 4.14** To supply lists of authorised officers, with specimen signatures and delegated limits, to the Finance Director, together with any subsequent variations.
- 4.15** To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- 4.16** To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.

- 4.17** To ensure that relevant standards and guidelines for computer systems are observed.
- 4.18** To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- 4.19** To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- (a) only software legally acquired and installed by the authority is used on its computers;
 - (b) staff are aware of legislative provisions; and
 - (c) in developing systems, due regard is given to the issue of intellectual property rights.

Income and Expenditure

Income

Why is this Important?

- 4.20** Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the authority's cash flow and also avoids the time and cost of administering debts.

Key Controls

- 4.21** The key controls for income are:
- (a) all income due to the authority is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed;
 - (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery;
 - (c) all money received by an employee on behalf of the authority is paid without delay to the Finance Director or, as he or she directs, to the authority's bank account, and properly recorded. The responsibility for cash collection should be separated from that:
 - for identifying the amount due; and
 - for reconciling the amount due to the amount received.
 - (d) effective action is taken to pursue non-payment within defined timescales;
 - (e) formal approval for debt write-off is obtained;
 - (f) appropriate write-off action is taken within defined timescales;

- (g) appropriate accounting adjustments are made following write-off action;
- (h) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule; and
- (i) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

Responsibilities of the Finance Director

- 4.22** To agree arrangements for the collection of all income due to the authority and to approve the procedures, systems and documentation for its collection.
- 4.23** To approve the form of all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.
- 4.24** To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- 4.25** To record and approve the write-off of bad debts without limit and to report these to the relevant executive member in cases where:
 - a) the debt has been remitted by the Magistrates under the provisions of regulation 48(3) of the Council Tax (Administrative and Enforcement) Regulations, 1992, or
 - b) the debt is the subject of an insolvency/bankruptcy and the Council has submitted a relevant claim covering the outstanding debt.
- 4.26** To record and approve the write-off of bad debts not covered by 4.25 and to report these to the relevant executive member.
- 4.27** To ensure that appropriate accounting adjustments are made following write-off action.

Responsibilities of Chief Officers

- 4.28** To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.
- 4.29** To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- 4.30** To issue official receipts or to maintain other documentation for income collection.
- 4.31** To hold securely receipts, tickets and other records of income for the appropriate period.
- 4.32** To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.

- 4.33** To ensure that income is paid fully and promptly into the appropriate authority bank account in the form in which it is received. Appropriate details should be recorded on paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.
- 4.34** To ensure income is not used to cash personal cheques or other payments.
- 4.35** To supply the Finance Director with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Finance Director to record correctly the sums due to the authority and to ensure accounts are sent out promptly.
- 4.36** Chief Officers should use established performance management systems to monitor recovery of income and flag up areas of concern to the Finance Director. Chief Officers have a responsibility to assist the Finance Director in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the authority's behalf. Only up to approved levels of cash can be held on the premises.
- 4.37** To recommend to the Finance Director all debts to be written off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- 4.38** To obtain the approval of the Finance Director when seeking to write off debts and the approval of the relevant executive member where required.
- 4.39** To notify the Finance Director of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Finance Director.

Ordering and Paying for Work, Goods and Services

Why is this Important?

- 4.40** Public money should be spent with demonstrable probity and in accordance with the authority's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements.

General

- 4.41** Every officer and member of the authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with appropriate codes of conduct.
- 4.42** Official orders must be in a form approved by the Finance Director. Official orders must be issued for all work, goods or services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or business rates, petty cash purchases or other exceptions specified by the Finance Director.

- 4.43** Each order must conform to the guidelines on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Finance Director.
- 4.44** Apart from petty cash the normal method of payment from the authority shall be by electronic transfer (BACS) or cheque or other instrument or approved method, drawn on the authority's bank account by the Finance Director. The use of direct debit shall require the prior agreement of the Finance Director.
- 4.45** Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.

Key Controls

- 4.46** The key controls for ordering and paying for work, goods and services are:
- (a) all goods and services are ordered only by appropriate persons and are correctly recorded;
 - (b) all goods and services shall be ordered in accordance with the authority's contract procedure rules;
 - (c) goods and services received are checked to ensure they are in accordance with the order;
 - (d) payments are not made unless goods have been received by the authority to the correct price, quantity and quality standards;
 - (e) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method;
 - (f) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with ~~t~~ corporate retention schedules;
 - (g) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected; and
 - (h) in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

Responsibilities of the Finance Director

- 4.47** To ensure that all the authority's financial systems and procedures are sound and properly administered.
- 4.48** To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- 4.49** To approve the form of official orders and associated terms and conditions.

- 4.50** To make payments from the authority's funds on the Chief Officer's authorisation that the expenditure has been duly incurred in accordance with financial regulations.
- 4.51** To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- 4.52** To make payments to contractors on the certificate of the appropriate Chief Officer, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- 4.53** To make payments by the most economical means.

Responsibilities of Chief Officers

- 4.54** To ensure that official orders have a unique reference number and are used for all goods and services, other than the exceptions specified in 4.42.
- 4.55** To ensure that orders are only used for goods and services provided to the Council. Individuals must not use official orders to obtain goods or services for their private use.
- 4.56** To ensure that only those staff authorised by him or her approve / authorise orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying, where applicable, the limits of their authority.
- 4.57** To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- 4.58** To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
- (a) receipt of goods or services;
 - (b) that the invoice has not previously been paid;
 - (c) that expenditure has been properly incurred and is within budget provision;
 - (d) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;
 - (e) correct accounting treatment of tax;
 - (f) that the invoice is correctly coded;
 - (g) that discounts have been taken where available; and
 - (h) that appropriate entries will be made in accounting records.

- 4.59** To ensure that two authorised ~~m~~Members of staff are involved in the ordering and receiving process unless the value of the order is below the specified limit of £100. (A higher limit of £1,000 has been agreed for certain officers and confirmed with Internal Audit with a further two officers with an agreed limit of £10,000).
- 4.60** To ensure that the department maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority, where applicable, shall be forwarded to ~~the Finance Director~~Internal Audit.
- 4.61** To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered should be reported to Head of Internal Audit.
- 4.62** To ensure that the department obtains value for money by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, which are in line with value for money principles.
- 4.63** To utilise the contract procedures established by the Council in putting purchases, where appropriate, out to competitive quotation or tender.
- 4.64** To ensure that employees are aware of the Council's code of conduct for local government employees.
- 4.65** To notify the Finance Director of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Finance Director.
- 4.66** With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Finance Director the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.
- 4.67** To notify the Finance Director immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 4.68** To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.
- 4.69** To ensure that staff who have been issued with either Procurement or Business Cards comply with the rules contained within the Employee Agreement and sign the Acknowledgement Form indicating their acceptance of the conditions.

Payments to Employees and Members

Why is this Important?

4.70 Staff costs are the largest item of expenditure for most authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the authority and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that [mMembers](#)' allowances are authorised in accordance with the scheme adopted by the [fFull eCouncil](#).

Key Controls

4.71 The key controls for payments to employees and [mMembers](#) are:

(a) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:

- starters;
- leavers;
- variations; and
- enhancements.

and that payments are made on the basis of timesheets or claims;

(b) frequent reconciliation of payroll expenditure against approved budget and bank account;

(c) all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule; and

(d) that HMRC regulations are complied with.

Responsibilities of the Finance Director

4.72 To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.

4.73 To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.

4.74 To make arrangements for payment of all travel and subsistence claims or financial loss allowance.

4.75 To make arrangements for paying [mMembers](#) travel or other allowances upon receiving the prescribed form, duly completed and authorised.

4.76 To provide secure payment of salaries and wages by the most economical means.

- 4.77** To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.
- 4.78** To ensure that the payroll provider is provided with signatures of officers authorised to sign timesheets and claims.
- 4.79** To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

Responsibilities of Chief Officers

- 4.80** To ensure appointments are made in accordance with the regulations of the authority and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 4.81** To notify the Finance Director of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required.
- 4.82** To ensure that adequate and effective systems and procedures are operated, so that:
- payments are only authorised to bona fide employees;
 - payments are only made where there is a valid entitlement;
 - conditions and contracts of employment are correctly applied; and
 - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- 4.83** To send an up-to-date list of the names of officers authorised to sign records to ~~the Finance Director~~[Internal Audit](#), together with specimen signatures.
- 4.84** To ensure that payroll transactions are processed only through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HMRC applies a tight definition for employee status, and in cases of doubt, advice should be sought.
- 4.85** To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the authority, ensuring that cost-effective use of travel arrangements is achieved.
- 4.86** To ensure that the Finance Director is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

Responsibilities of Members

- 4.87** To submit claims for ~~Members'~~[Members'](#) travel and subsistence allowances within two months of the date on which the entitlement to the allowance arises is carried out.

Taxation

Why is this Important?

4.88 Like all organisations, the authority is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of their role.

Key Controls

4.89 The key controls for taxation are:

- (a) budget managers are provided with relevant information and kept up to date on tax issues;
- (b) budget managers are instructed on required record keeping;
- (c) all taxable transactions are identified, properly carried out and accounted for within stipulated timescales;
- (d) records are maintained in accordance with instructions; and
- (e) returns are made to the appropriate authorities within the stipulated timescale.

Responsibilities of the Finance Director

4.90 To complete a monthly return of VAT inputs and outputs to HMRC.

4.91 To provide details to HMRC regarding the construction industry tax deduction scheme.

4.92 To provide up-to-date guidance for authority employees on taxation issues.

4.93 To maintain and monitor the Council's partial exemption position.

4.94 To provide up-to-date guidance for authority employees on taxation issues.

4.95 To complete all HMRC returns regarding PAYE.

Responsibilities of Chief Officers

4.96 To ensure (in conjunction with the Finance Director) that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.

4.97 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.

- 4.98** To ensure that all persons employed by the authority are added to the authority's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- 4.99** To follow guidance on taxation issued by the Finance Director.

Financial Procedure Rules Appendix E

External Arrangements

Partnerships

Why are these Important?

- 5.01** Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local authorities still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.
- 5.02** Local authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local authorities will be measured by what they achieve in partnership with others.

General

- 5.03** The main reasons for entering into a partnership are:
- (a) the desire to find new ways to share risk;
 - (b) the ability to access new resources;
 - (c) to provide new and better ways of delivering services; and
 - (d) to forge new relationships.
- 5.04** A partner is defined as either:
- (a) an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project; or
 - (b) a body whose nature or status give it a right or obligation to support the project.
- 5.05** Partners participate in projects by:
- (a) acting as a project deliverer or sponsor, solely or in association with others;
 - (b) acting as a project funder or part funder; and
 - (c) being the beneficiary group of the activity undertaken in a project.
- 5.06** Partners have common responsibilities:
- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;

- (b) to act in good faith at all times and in the best interests of the partnership's aims and objectives;
- (c) to be open about any conflict of interests that might arise;
- (d) to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors;
- (e) to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature; and
- (f) to act wherever possible as ambassadors for the project.

Key Controls

5.07 The key controls for authority partners are:

- (a) if appropriate, to be aware of their responsibilities under the authority's financial regulations and financial procedure rules;
- (b) to ensure that risk management processes are in place to identify and assess all known risks;
- (c) to ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise;
- (d) to agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences; and
- (e) to communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

Responsibilities of the Finance Director

5.08 To advise on effective controls that will ensure that resources are not wasted.

5.09 To advise on the key elements of funding a project. They include:

- (a) a scheme appraisal for financial viability in both the current and future years;
- (b) risk appraisal and management;
- (c) resourcing, including taxation issues;
- (d) audit, security and control requirements; and
- (e) insurance and procurement issues.

5.10 To ensure that the accounting arrangements are satisfactory.

Responsibilities of Chief Officers

- 5.11 To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Finance Director.
- 5.12 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Finance Director.
- 5.13 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the authority.
- 5.14 To consider potential liabilities that could be imposed on the Council.
- 5.15 To ensure that all agreements and arrangements are properly documented.
- 5.16 To provide appropriate information to the Finance Director to enable a note to be entered into the authority's statement of accounts concerning material items.

External Funding

Why is this Important?

- 5.17 External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the authority. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Grants from external agencies such as the National Lottery and European and UK Funding provide additional resources to enable the authority to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the authority's overall plan.

Key Controls

- 5.18 The key controls for external funding are:
 - (a) to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood;
 - (b) to ensure that funds are acquired only to meet the priorities approved in the policy framework by the full council; and
 - (c) to ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements.

Responsibilities of the Finance Director

- 5.19** To ensure that all funding notified by external bodies is received and properly recorded in the authority's accounts.
- 5.20** To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- 5.21** To ensure that audit requirements are met.

Responsibilities of Chief Officers

- 5.22** To ensure that all claims for funds are made by the due date.
- 5.23** To ensure that the project progresses in accordance with the agreed project plan and that all expenditure is properly incurred and recorded.

Work for Third Parties**Why is this Important?**

- 5.24** Current legislation enables the authority to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires.

Key Controls

- 5.25** The key controls for working with third parties are:
- (a) to ensure that proposals are costed properly in accordance with guidance provided by the Finance Director;
 - (b) to ensure that contracts are drawn up using guidance provided by the Finance Director and that the formal approvals process is adhered to; and
 - (c) to issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

Responsibilities of Finance Director

- 5.26** To issue guidance with regard to the financial aspects of third party contracts.

Responsibilities of Chief Officers

- 5.27** To ensure that the approval of the Executive is obtained before any negotiations are concluded to work for third parties.
- 5.28** To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Finance Director.

- 5.29** To ensure that appropriate insurance arrangements are made.
- 5.30** To ensure that the authority is not put at risk from any bad debts.
- 5.31** To ensure that no contract is subsidised by the authority.
- 5.32** To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- 5.33** To ensure that the team has the appropriate expertise to undertake the contract.
- 5.34** To ensure that such contracts do not impact adversely upon the services provided for the authority.
- 5.35** To ensure that all contracts are properly documented.
- 5.36** To provide appropriate information to the Finance Director to enable a note to be entered into the statement of accounts.

Procurement through Partnering Guidelines

With Best Value procurement increasing the focus on competitive purchasing practices in the public sector, contracting is becoming increasingly sophisticated and the aim of partnering is to secure maximum benefits for local authorities.

Partnering is one of the more advanced contract management techniques which embraces joint management, process measurement and improvement tools to achieve enhanced contract performance and improved customer service.

Advanced models of partnering include strategic alliances and facilities management arrangements – from both long-term supply relationships of strategic importance to customer service delivery.

In partnering arrangements, suppliers and contractors are selected using a multi-criteria selection process based on functional and performance-based specifications. Partners are also selected on reputation, their own ability to control and improve business processes, their understanding of the vision, mission, values and objectives of the Authority and for their ability to become part of a team. In these contracts innovative payment arrangements can result from a greater appreciation of Value for Money and understanding of supply / demand economics.

One of the important elements of partnering is that partners share the benefits and the risks in equal measure. For example, cost savings could be shared, as could profit, and both parties will share common objectives focused on achieving the desired outcome, and will have equal access to, and openly share, information and knowledge.

Through 'Re-thinking Construction' (the Egan Report) the Government are keen for local authorities to explore new ways of working and part of that agenda is to try and get away from the adversarial nature of some contracts through working in partnership with the private sector.

Partnering is more likely to be appropriate for large complex projects or where service delivery suits an open, joint management arrangement. It is not, therefore, suitable in all situations. Partnering should be adopted in situations where strategic gains in cost and quality can be delivered and where service requirements are complicated or continuously developing.

Partnering strengthens relationships with contractors and suppliers, and is arranged through normal contracting processes in accordance with established procurement procedures. Active contract management techniques are employed to ensure the contract requirements are delivered. The contract should be re-tendered periodically to ensure open competition and best value for money.

The Partnering Process

CONTRACT PLANNING

PLANNING

- identify customer needs
- assess risks and issues
- consider partnering and remuneration options
- consider procurement plan/strategy



CONTRACT INFORMATION

TENDERING

- establish selection criteria
- issue public tender inviting partnering proposals
- evaluate proposals and remuneration models



PARTNERSHIP WORKSHOP

- set common objectives
- develop issue resolution process
- establish joint management structure
- establish action plans



CONTRACT MANAGEMENT

THE CONTRACT

- include deliverables/outputs
- develop performance criteria
- incorporate performance measures
- prepare contract management plan



IMPROVEMENT

- monitor performance
- measure customer satisfaction
- plan-do-check-act
- active contract management



CONTRACT RENEWAL

- evaluate contract
- re-tender to ensure open competition
- re-award contract

Planning

Partnering should be considered for contracts that are critical, strategically important or require an innovative approach. Preparing a procurement plan is particularly important for strategic, innovative or complex projects or where the contract value is high (e.g. likely to exceed £1 million). This plan should provide a checklist of key issues and set out the specific services that are critical to core business activities.

The Council needs to clearly define customer needs (which of course are dynamic) and this information should be incorporated into the tender specification and used throughout the lifecycle of the contract, and particularly to monitor the contractor's performance.

Consideration should also be given to intellectual property ownership, payment mechanisms and associated incentives, which will form an important element of the partnering arrangement.

In establishing a partnering contract the risks and human resource issues, such as employment status and possible union involvement, should be considered. The financial and legal responsibilities of all parties should also be identified at the planning stage and a contract management plan should be developed.

Tendering

The partnering selection process follows normal tendering guidelines and results in a formal contract.

As part of the tendering process, an appropriately skilled selection team should be used to develop performance based selection criteria (which may include the extent to which risk is proposed to be shared) to be used during evaluation. Partnering proposals and remuneration models should then be evaluated against the predetermined selection criteria and contracting objectives.

The selection team should conduct a due diligence process to ensure the recommended tenderer has the capacity, including financial viability, to fulfil the contractual obligations.

Partnering Workshop

The purpose of the partnering workshop is to establish a sense of joint mission and set common objectives and guidelines for the further development of the relationship.

Issue resolution processes, joint management structures and action plans are developed during partnering workshops.

It is important that the people who have the greatest influence in making the relationship work, not just senior management, attend the workshops.

Senior managers should attend if they play an active role in work processes, or if their presence is considered necessary to demonstrate commitment.

The Contract

Partnering relationships are commercial contracts that require performance measures. Rigorous contract management and performance reviews are required to ensure contract obligations are delivered.

Most partnering relationships are also outlined in a non-binding Partnering Charter (see Appendix 1) which formally details the mission and objectives of the partners and demonstrates the commitment of the key people involved.

Improvement

Continuous improvement in partnering involves a team approach to determine whether work processes are meeting the needs of customers, and where necessary, to improve them.

Performance measures are established and regularly monitored, and combined with customer satisfaction measures, provide valuable data for continuous improvement.

Joint process improvement teams should be established to investigate problems or pursue improvement opportunities.

These teams should be trained in the partnering philosophy, team development, conflict resolution, the Plan-Do-Check-Act improvement cycle, and quality improvement techniques.

Contract Renewal

The rules of transparent and fair competition, accountability and probity must also be observed in the renewal of partnering contracts.

When a formal partnering contract expires it should be evaluated against the contract objectives and then publicly tendered again to ensure open competition.

This tendering process will encourage competitive tenders and allow innovative offers to be received. This will result in the best value for money solution when the contract is re-awarded.

Principles of Partnering

Partnering relationships should be established according to the following principles and everybody involved in the partnering arrangement needs to understand and accept these principles.

Commitment

Partnering requires considerable effort, innovation and patience. The sharing of financial information or “open book” accounting would be fundamental to this commitment.

Common Objectives

Partners must identify, understand and support each other’s objectives. Partners work together to translate their individual objectives into common objectives, and strive to achieve the same goals.

Open and Honest Communication and Trust

Partnering establishes principles and systems for the timely and accurate exchange of information to develop trust and efficient management. Business relationships could suffer through the guarding of information and poor responsiveness.

Ethical Behaviour

High ethical standards are fundamental to partnering and the conduct of all parties must be totally transparent and ultimately accountable.

Teamwork

A team approach (and there is no reason why end users cannot be represented on the team) is essential in partnering and lays the foundations for continuous improvement. Teamwork builds trust and keeps the relationship successful. It is also a good means of resolving problems.

Partnering Tips

The introduction of partnering into a public authority should be carefully planned, with the following issues considered:

- Partnering is about value for money, exploring new ideas and sharing risk and reward.
- Partnering works best within an environment that understands quality management, customer focus, process improvement, participative leadership, and team practices.
- Partnering should be endorsed as corporate policy.
- Partnering should be phased in slowly to allow a cultural transition to take place.

Successful partnering arrangements have considered the following:

Education

Partnering requires a new way of thinking within a public authority. Suppliers and contractors should be seen as an extension of the public authority and treated as members of the team, informing and educating those involved is critical.

Personalities

The key personnel involved in partnering are critical to the success of the relationship. These relationships need to be developed; changes to these personnel can impact on the effectiveness of the arrangement and need to be managed.

Resolution Procedures

It is essential that partnering arrangements include effective and clearly defined conflict resolution procedures that work.

Win-Win Outcomes

Effective partnering is built on a continuing recognition that the arrangement results in win-win outcomes for all parties.

Customers

Do not lose sight of the fact that we provide services for our customers. A suitable mechanism needs to be put into place:

- to evaluate services from their perspective;
- to take account of their views;
- to involve them as appropriate in service development proposals;
- to show them that we care.

10 Basic Questions about Partnering Answered

1. What is a Partnering Arrangement?

The legal definition of a partnership is that of two or more parties coming together, usually (but not always) to exploit a commercial opportunity. Partnerships can be project based, time based or open-ended. One of the important elements to a partnership is that the partners share both the benefits and the risks in equal measure.

2. Why Partner?

Partnerships can produce economies of scale, encourage greater capital investment, capture specialist skills and knowledge and produce better operational management.

3. Are they likely to affect me?

Recognising the Value for Money regime you should always be trying to think of other means of provision that improve on existing arrangements, and potential partnerships should be considered. Partnerships in the true sense of the definition are unlikely to be significant in number, however the potential for altering the way we work and our attitude to contractors as outlined in this paper are likely to have a far more significant impact.

4. Don't the current rules prevent partnership arrangements?

The Council's Financial Regulations and Financial Procedure Rules have been reviewed in the light of the requirement to demonstrate Value for Money and developments in partnership arrangements. It is quite possible to enter into partnership arrangements by utilising the current Rules.

5. This document talks about partnerships and continuing competition. Aren't the two opposites?

No. Whilst partnership contracts will probably be for longer periods than more conventional contracts, they will not be infinite. Renewed competition from time to time has the benefit of testing value for money, as well as preventing complacency and too cosy a relationship developing.

6. How do I get started?

You should above all have a vision for the service concerned, and this could be informed by the outcome of the fundamental performance review. A market analysis is the usual starting point (indeed the market players will almost certainly want to know whether there is to be an in-house competitor). A combination of any or all of the following would be classed as a market analysis:

- an advertisement in appropriate trade journals could invite proposals (this may also have the effect of stimulating a market where currently it is weak);
- questionnaires could be sent to selected suppliers to ask how they could add value through partnership arrangements;

- other local authorities (UK and world-wide) could be asked for their approach;
- compile a 'scrapbook' of successful partnership arrangements with suppliers.

Neutrality and lack of bias is important, and you should be careful that any subsequent specification does not reflect one supplier's product.

At this stage no decision has been made to procure therefore the public procurement rules do not yet apply. But once you have made that decision you must follow the rules as set out in the Contract Procedures and the EU's public procurement rules.

7. Is there anything wrong with talking to the private sector?

Fundamental performance reviews will in any event require you to talk to and learn from the private sector. These discussions may help form a view that a partnership may be beneficial to the delivery of a particular service. You should however be even-handed in your approach and document all discussions.

The private sector is aware of the Government's initiatives on partnerships and you may well have already received approaches. There is some truth in the suggestion that some private sector companies see partnerships as a means of obtaining work without the rigours of competition. That is not the case.

8. Is there such a thing as a free lunch?

No. It is extremely unlikely that you will be approached through purely altruistic motives and you should bear that in mind at all times. Whilst these need not be rejected out of hand, you should ask yourself whether to proceed would affect your long term strategy or lock you into some arrangement from which you could not extricate yourself, or only at a cost. For example the offer of free software may limit or close off future choices. The receipt of anything free may induce a false feeling of loyalty and influence future decisions or strategies.

The personal receipt of any such offers is of course covered by the Council's Codes of Conduct and Financial Regulations.

If the private sector approaches you, you must carefully weigh the proposal against your overall strategy. If further consideration of the proposal would benefit that strategy, then do so. You should always warn any person making an approach that if the Council was to proceed then it would more than likely result in a procurement exercise. Thus they should not reveal anything which later may be interpreted as a breach of confidence (or indeed copyright). Acting without bias is important and it is always wise to document what has happened. If you are concerned that your position is becoming compromised you should discuss the issue with your line manager.

9. How will partnering differ from traditional contracts?

The whole thrust of partnering is that it requires a change of culture away from more traditional attitudes of "them and us". In addition partnerships may well embrace issues like Open Book Accounting, Continuous Improvement, Price Benchmarking and Annual Performance Reviews (service and product reviews; customer satisfaction; etc).

10. What if I choose the wrong partner?

A rigorous procurement process should enable you, with clear evaluation criteria to select a suitable partner. There may be occasions when the partnership does not work out or the costs far outweigh the benefits. Whilst mechanisms can be built into contracts to reduce the likelihood of this occurrence, they can never provide complete protection. Means by which differences can be resolved quickly and amicably (by an independent arbitrator if necessary) should be agreed from the outset.



Appendix 1 – Partnering Charter

Most partnering relationships are outlined in a non-binding partnering charter document. The purpose of the charter is to detail the mission and objectives of the arrangement and to demonstrate the commitment of the key people involved. The following is a typical example of a partnering charter.

PARTNERING CHARTER

Our Mission Statement

To complete the project on time, within budget, to specified standards and to the satisfaction of all key stakeholders

Common Objectives

- Shared goals
- Complete on time
- Complete on or below budget
- Fair return to the Contractors
- No adverse effects on the environment or to public amenities
- Enhance reputations
- Customer satisfaction
- Work together in the future
- No disputes
- Safe construction
- Good Working Relationships
- Minimal disruption

Supported By

(Note: The ‘Partnering Charter’ will be different for every partnership arrangement. The above Charter, taken from a construction project partnership, is one example only.)

Partnership Assessment

Effective partnerships can make all the difference but can be time and resource intensive, and without a clear focus resources can be spread too thinly and their impact dissipated. Government expectations are high and there needs to be a continuing drive for efficiency and effectiveness in partnership working.

The key features of a successful partnership are:

Action Focus

- Shared values and agreed long-term vision of what it wants to achieve.
- Effective use of input and feedback from local community and businesses.
- Makes a positive impact, adding value and ensuring it is not working in isolation.

Efficiency

- Structure is conducive to decision-making with members reflecting the views of the organisations they represent.
- Resources matched to aims, objectives and plans.
- Effective administrative support and communications.

Inclusivity

- Membership reflects the purpose of the partnership.
- Ensures that all partners have the capacity to be fully engaged in the partnership.
- Works democratically with accountability to stakeholders and decisions open to scrutiny.

Learning and Development

- Learns from best practice, stakeholders and consultations.
- Makes use of a range of skills and expertise of partnership members.
- Adapts to a changing environment.

Performance Management

- Process includes clear milestones, outcomes, performance indicators and delivery dates.
- Partners deliver what they have signed up to and share information to support planning and management.
- Partners resources used effectively to meet the aims of the partnership.

Framework for Partnership Working

Introduction

Working in partnership with other organisations to deliver both individual and jointly agreed outcomes is now a core requirement in delivering effective public services. Due to recent legislation and other policy initiatives local authorities are increasingly expected to initiate, lead and engage in partnership working.

Partnerships are considered to be a more effective way to tackle highly resistant and complex problems. A partnership approach ensures co-ordinated action by agencies across a range of service and policy areas.

Partnerships also ensure that businesses, the voluntary sector and the community get involved, thus enabling them to identify problems and root causes, contribute their unique skills and perspectives, and play a part in developing consensus and ownership. It can also be a more efficient and effective use of scarce resources.

Purpose of the Framework for Partnership Working

The purpose of this framework is to provide a checklist for officers of Wyre Borough Council who are considering involving the Council in either a partnership body or a partnering contract.

Every partnership body and partnering contract will have its own characteristics and it is not possible to cover every eventuality. The general information set out below, and use of the relevant checklist should, however, provide a good basis for serving to make the partnership work and to achieving the benefits of working in partnership.

Partnership Working and the Council's Business Plan

The Council's Business Plan sets out its vision and priorities for a four-year period, highlighting the issues upon which we have decided to focus and the key actions that we commit to undertake in order to ensure that our vision is realised. Our vision is 'Together we make a Difference'.

The Council is keen to 'work collectively with ward councillors, parish and town councils, community groups and other partner organisations to identify local issues and priorities'. In addition to parish councils the Borough has a network of community and residents forums which meet regularly and which ward members attend. The engagement network includes:

- ✓ The Health and Wellbeing partnership;
- ✓ The Community Safety Partnership;
- ✓ The Pensioners Forum;
- ✓ Wyre and Fylde Community Network
- ✓ The Youth Council;
- ✓ The Children's Trust;
- ✓ Wyred Up – representing local business interests;
- ✓ Parish and Town Councils;

- ✓ Residents Groups;
- ✓ Friends Groups;
- ✓ Police and Community Together (PACTs); and
- ✓ Chambers of Trade.

The Council's Business Plan clearly identifies the importance of partnership working in achieving objectives across a wide range of areas of work and it is important that we understand how effective these arrangements are.

What is a Partnership Arrangement?

There is no authoritative definition of partnership arrangements in this context but the Council has adopted the following general definition of partnership working: 'Those agreed methods of working together as an integrated and co-ordinated team to achieve common objectives and shared benefits'.

Types of partnership that will be subject to this framework include:

Charities and Trusts

Increasingly, local authorities have been setting up bodies with charitable status to provide services that had previously been provided directly by the local authority, in areas such as housing, leisure and social services.

Sometimes it can be advantageous for Councils to be involved in setting up companies for specific purposes. Such partnerships become a body corporate in their own right having their own legal status. These can be companies limited by shares or guarantee, where the partner's liability for any company debt is limited to the guarantee they made when the company was formed - normally a notional amount. They are usually not-for-profit bodies with income being ploughed back into the partnership activities. They can enter into contracts on their own, buy and sell assets, sue and be sued and distribute assets on dissolution.

Such partnerships are regulated by the Companies Act 1985, although similar arrangements can be made using Industrial and Provident Societies, which would be a company under the control of the Registrar of Friendly Societies and therefore outside mainstream Company Law.

Why Enter Into a Partnership?

Partnerships play a key role in the delivery of community strategies and in helping to promote and improve the well being of the Borough. The Council will continue to deliver services, but recognises its distinctive leadership role in bringing together the contributions of its various stakeholders, including public sector agencies; private companies; community groups and voluntary organisations. Partnership working helps the Council to deliver a shared vision of services based on user wishes.

The main reasons for entering into a partnership are:

Co-Ordination

Systematic and regular communication between partners helps to avoid duplicating each other's work or inadvertently working against each other. It also helps partners find new ways to share risk and benefits and allows agencies to plan further ahead more confidently.

Creating More for Less

By pooling resources partners can achieve economies of scale and look at ways of accessing additional resources.

Tackling Complex Problems

By bringing a broader range of perspectives, knowledge, information, strengths and skills to bear partners can provide new and better ways of delivering services and implementing actions to tackle complex or multi-dimensional problems.

Building Consensus

Partners can work together to find mutually acceptable solutions and proposals, thereby building relationships and developing joint ownership and commitment. Partners can also deal with differences of interest within a partnership in a co-ordinated and constructive way, rather than working against each other.

What is Involved in Setting Up a Partnership Arrangement?

Council's Interests

In developing any partnership body or partnering contract, it is necessary to fulfil the following two basic requirements:

- ensure that the essential elements of good management are present, that the process is well controlled and that the new arrangements for service delivery result in demonstrable service improvement; and
- that any risks associated with the proposed new arrangement for service delivery have been assessed and procedures put in place to effectively manage those risks.

Partner Relationships

A partnership body and/or a partnering contract will involve a relationship between parties which is designed to serve shared objectives based on:

- a shared understanding of those objectives, and the aspirations of the parties;
- a non-confrontational relationship based on trust and openness, but nevertheless the need for formal arrangements to be established;
- a recognition of the diverse skills and expertise of the parties facilitating development and innovation;
- a recognition of the need to share the benefits resulting from joint working;
- a sharing of information; and
- the need to work closely towards the resolution of disputes that may arise, to avoid wherever possible recourse to more formal procedures.

Legal and Financial Relationships

Partnership bodies and partnering contracts involve complex legal and financial relationships. It is, therefore, essential that the Finance Director and the Senior Solicitor are contacted at the outset whenever consideration is being given to involving the Council in either of these types of relationship.

Advice and support on effective controls to ensure that resources are not wasted and on the key elements for funding and managing the project will be provided by the Finance Director and the Senior Solicitor. This may include:

- a scheme appraisal for financial viability in the current and future years, in line with the Council's Medium Term Financial Plan;
- risk appraisal and risk management;
- resourcing implications and taxation issues;
- audit, security and control requirements;
- budgetary and accounting arrangements;
- insurance and procurement issues;
- application of Financial Regulations including contract procedures;
- consideration of potential liabilities that could be imposed on the Council; and
- arrangements for reporting partnership issues to Members and for consulting with current and potential partners.

Other Professional/Specialist Advice

Depending upon the particular partnership arrangements being entered into, it will be advisable to involve other relevant professionals/specialists. The officer instigating the partnership arrangement should, at the earliest opportunity and in discussion with colleagues throughout the Council, identify what other professional/specialist advice, such as advice from Legal or Human Resources, needs to be taken and make the necessary arrangements.

Approval by the Executive

A report should be presented to the Executive for approval for the partnership arrangement to be entered into. The report should take into account the professional/specialist advice, as referred to above, and set out the aims and objectives of the partnership. The report should also, nominate the Council's lead officer in respect of the partnership and set out the arrangements and frequency for reporting to Members on the performance of the partnership against its stated objectives. In this respect, annual reporting of the partnership's activities should be regarded as the minimum frequency.

Where any partnership arrangements are entered into, actions should also be taken to ensure that all partner organisations, including the Council, are fully aware of the arrangements for communication and sharing of information.

Financial Procedure Rules Appendix F Contract Procedures

Guide to Quotations and Tenders

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Appendix 1 – Procurement flowchart

Appendix 2 – Open/restricted flowchart

Introduction

This guide aims to explain in simple terms the procedures for obtaining quotations and competitive tenders from suppliers for the provision of Council works, goods and services.

The Council's constitution incorporates Financial Regulations and Financial Procedure Rules that provide a framework for managing the Authority's financial affairs. They apply to every Member and Officer of the Authority and anyone acting on its behalf.

Should you require further information or wish to comment on the content of this guide please contact the Head of Internal Audit.

How the Council Buys

The Financial Regulations detail the procedure to be followed, based upon the total estimated value of the contract [in its entirety](#):

- Up to £10,000: works, goods and services (with the exception of public utility services i.e. gas, electric, and periodical payments) procured using an official order. Officers are responsible for ensuring that value for money is achieved and wherever possible, at least three written quotations should be obtained, if possible ensuring that at least one of these is a local supplier
- Over £10,000 and up to £100,000: at least three written quotations must be obtained. In order to ensure the receipt of 3 quotations officers may consider inviting a greater number of suppliers to quote. If it is not possible to obtain three quotations (including local suppliers where possible) the spending Officer must consider whether it is appropriate to proceed with the procurement; and
- Exceeding £100,000: a competitive tendering exercise is undertaken, involving a minimum of three suppliers and ideally no more than six.

European or Lottery Funding

Where a contract is let that involves another source of funding eg, European, lottery etc alternative procurement rules may apply. European procurement rules use lower thresholds. Should you require further advice on the threshold amounts please contact the Council's Procurement Officer.

Exemptions to the Contract Procedures

Exemptions to the contract procedures are permitted where, in the opinion of the spending Officer, the procurement falls into one of the following categories:

- If a framework agreement is available that necessitates the Council not having to go out to tender and the goods, works and services will still provide the Council with best value for money;
- The goods, works or services are of a specialised nature carried out by only one or a limited number of firms with no reasonably satisfactory alternatives available;
- There is no genuine competition for the goods, works or services being procured.
- The procurement involves the purchase of proprietary or patented goods or services obtainable from one firm or; are sold at a fixed price;

- The goods, works or services constitute an extension or variation of an existing contract, or are required urgently, or the goods/materials, works or services consist of repairs to, or the supply of parts for, existing proprietary plant or equipment;
- Tenders are invited on behalf of any consortium or collaboration, of which the Council is a member, in accordance with any method adopted by that body. Where however, a Council officer invites tenders on behalf of the consortium the receipt, opening and acceptance of tenders must comply with the Council's Financial Regulations and Financial Procedure Rules or any overriding National or European Union legislation;
- Exceptions may apply regarding the appointment of consultants, including architects, engineers, quantity surveyors, solicitors, barristers and other people providing professional services;
- The contract relates to insurance, banking or loan arrangements;
- The goods are purchased by auction;
- The contract relates to the buying or selling of land and buildings or interest in land and buildings negotiated on behalf of the Council by a professional valuer;
- The goods, works or services are of a sensitive nature (such as security) where publication of the tender documents would constitute a security breach and undermine the effectiveness of the final product; Procuring a partner and developing partnership arrangements – see Appendix E 'External arrangements'.

The appropriate Portfolio Holder must authorise **ANY** exemption to the contract procedures, with the report identifying the reasons justifying the exemption and demonstrating compliance with EU procurement rules.

Going out to procure

Before going out to procure your goods, works or services, a Spending Officer should consider the options available. A useful flowchart has been prepared at Appendix 1, which will help you to determine what options you have for proceeding with the purchase of goods, works and/or services.

Supplier Portal – the CHEST

When going out to purchase goods, works or services, the supplier portal the CHEST is the Council's system of choice when sending out ITQ and ITT documentation for values exceeding £10,000.

The CHEST has been created for business to find out about Council contracting opportunities.

The Portal enables all suppliers to register their capability on to a single regional web-site where they are asked to register 'once only'.

Failure to advertise on the Chest for works, goods or services exceeding £10,000 makes the quotation or procurement exercise invalid.

Contract Finder

There is a new government portal and all contracts over £2510,000 must be published here within 24 hours of it being placed on the CHEST. The same applies when awarding the contract. It is now mandatory that all contracts over the value of £2510,000 are advertised on 'contracts finder' in addition to the CHEST.

Emergency Procedures

An exemption to the contract procedures is permitted where in the opinion of the Head of Paid Service and, after consulting with the relevant executive member, circumstances warrant immediate action. The action taken must be reported to the next meeting of the Executive.

Advertising of Contracts (Non European or Lottery Funded Contracts)

All contracts to be tendered must be advertised on the CHEST, the Council's website and in the OJEU (Official Journal of the European Union) if appropriate. There is no longer a requirement to advertise in a trade journal or newspaper. The European Journal does not charge for the service and covers a wide audience. All contracts with a total value that exceeds ECU procurement thresholds must be awarded in accordance with ECU Procurement Rules relating to public authorities. Thresholds are updated every two years with the next update due January ~~2018~~2020. Thresholds (net of VAT) from 1 January ~~2016~~2018 are as follows:-

Supplies/Services	ServicesSocial	Works
£ 164,176 <u>181,302</u>	£ 164,176 <u>615,278</u>	£ 4,104,394 <u>4,551,413</u>

Please see <http://www.ojec.com> for more detailed information.

Deadlines for Responding to Advertisements

Deadlines must be included within advertisements in calendar days. For contracts not requiring OJEU adverts, the Council's minimum tender return time is 14 days from date of issue. However more time is usually allowed, depending upon the complexity of the contract up to a maximum of 28 days. For information regarding OJEU adverts please visit the web site detailed above.

Pre Tender Requirements

Before tendering for a contract estimated to exceed £100,000, a detailed specification shall be prepared. The specification is a description of the services, supplies or works that the Council wants and what the supplier/contractor is expected to tender against and provide. It will incorporate performance targets or criteria for acceptance of the services, supplies or works and be included in the invitation to tender documentation. It must be agreed with the tenderer awarded the contract and form the major part of the formal contract agreed between the Council and the supplier.

Approved Supplier Lists

The Council's Contract Procedure Rules require that at least three suitable suppliers or contractors be invited to tender for each Council contract. To ensure fairness, companies to be invited to tender should be based on a combination of random selection to test the market, and previous tendering history. If four firms are invited to tender, for example, two may have carried out work of a similar nature to a good standard, and two should be chosen arbitrarily from the approved list of contractors.

There is currently only one such framework agreement in place, for property repairs and maintenance, which is subject to review every 3 years.

How the Tendering Process Works

If either Construction Line or an Approved List is not being used then all tendering requirements must be advertised to ensure that the process is competitive and secures good value for money. There are three main methods of tendering through advertisement:-

- Open Procedure – This allows suppliers that have responded to a public notice to tender without prior selection. Open Procedures can result in a high volume of responses meaning it is usually used when the size of the market is known. The minimum time limits for receipt of tenders varies on the market route decision and lasts between 15-35 days.
- Restricted Procedure – This procedure is a two stage process that runs for a period of 30 days, with the first stage in the form of a selection questionnaire (SQ). Suppliers will be short listed to receive tenders once they have passed the preselection criteria. This method is normally used where there is no framework in place for the type of goods or services required, or for contracts above the EU procurement threshold. The minimum time limits for receipt of tenders varies on the market route decision and lasts between 10-30 days.
- Competitive Procedure with Negotiation – This procedure is used when the terms of the contract can be negotiated with one or more providers but is still subject to competition. This procedure has greater freedom for use than before as covered in the new Public Contracts Directive. The process varies on the market route decision and lasts between 10-30 days. This process (along with Competitive Dialogue) should not be used for purchasing off the shelf products or services.
- Competitive Dialogue – Is used to negotiate the terms of a contract with one or more suppliers selected by it. It is used for complex contracts where the authority is not objectively able to define the technical means capable of satisfying its need or objectives, or specify either the legal or financial make up of a project. As a general rule there must be a call for competition. The period for a competitive dialogue is 30 days.

The 'award' stage considers the merits of the eligible tenders and which is the most economically advantageous. When evaluating tenders at 'award' stage the criteria used must be linked to the subject matter of the contract.

Invitation and Submission

Instructions must be issued to those companies invited to submit a quotation or a tender, asking them to complete and return the required documents by a specified date and time. These documents, which should be placed either in the Procurement area of the website or on the CHEST for the tenderer to download and complete, will usually contain the following information:

- Letter of invitation and instructions about the process;
- Pricing document and/or form of tender;
- Specification and/or schedule of rates;
- Contract conditions or conditions of purchase;
- Any relevant supporting information (maps etc); and

- Where bids are to be evaluated on the basis of Quality and Price, the tender documentation must also specify the criteria for evaluation. This is a requirement of the public procurement rules and sub criteria or weighting rules which have not previously been brought to the tenderers attention cannot be used.

An Invitation To Quote (ITQ) template is available on the Procurement page of the intranet and must be used when obtaining a quote.

It is important that firms are given sufficient time to adequately research and compile their bids. This includes enough time to seek accurate estimates from their subcontractors. The Council's minimum time for the return of priced tenders is 14 days from date of issue, although best practice suggests a maximum of 28 days.

The specified time to submit tenders/quotations may be extended in exceptional circumstances provided that all suppliers involved in the process are notified of the revised date and time and no potential supplier is disadvantaged by the deadline extension.

Whistleblowing and Contractors

The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we encourage contractors and others with serious concerns about any aspect of the Council's work to come forward and voice their concerns.

The Council has a whistleblowing policy that applies to all contractors working for the Council (including employees working in any partnership on behalf of the Council) and suppliers providing goods and/or services under a contract with the Council. The policy is distributed with all tender documents.

Tenders received via the Chest

For tenders in excess of £100,000, they must be verified and released by an elected member. If written quotations are received, the documentation should be retained.

Evaluation of Tenders and Quotations

Whilst written quotations will generally be evaluated on the basis of price only, a record must be made of the evaluation process undertaken.

An evaluation must be made of tenders submitted, comparing the tender sum against the estimate for the works, goods or services prepared in advance of the firms being invited to tender. Where errors or discrepancies are found that may affect the tender sum, the tenderer may be notified and afforded an opportunity to confirm the submitted sum without amendment or withdraw their bid.

Tenders suggesting alternative approaches to that specified in the tender documentation may only be considered if submitted in a separate sealed envelope in addition to a tender that is fully compliant with the tender documentation originally issued. The instructions to tenderers must stipulate whether qualified or alternative tenders may be submitted for evaluation.

Not all contracts awarded by the Council are evaluated on the basis of price only. Consideration should be given to those which offer the best value for money having regard to both price and quality factors. This is sometimes referred to as the “most economically advantageous tender” (MEAT) and provides for the contract to be awarded to the company best able to meet the Council’s specification.

To ensure fairness the quality criteria (or award criteria) and evaluation method must be clearly defined in the tender documentation. Award criteria will vary depending on the type of contract. Some examples of criteria included are:-

- Technical suitability;
- Financial viability and stability;
- Quality systems;
- Customer care and after sales service;
- Experience and past performance;
- Aesthetic and functional characteristics; and
- Delivery date and other management factors.

A suggested mechanism for evaluating bids is included on the procurement page of the Intranet. Unjustifiably low priced tenders should be investigated rigorously to ensure that they meet the required quality standards and, if necessary, explanations sought from the supplier concerned.

Where the quality/price matrix has not been previously agreed by the executive, then the matter must be referred to them for consideration and formal contract award. In addition, approval of the executive must also be sought where the recommended tender exceeds the pre-tender estimate by more than 10%, with explanations given as to the robustness of the original estimate.

Post Tender/Quotation Negotiation

After the receipt of tenders, officers may need to contact tenderers to clarify technical and contractual information as part of the evaluation process. Any such communication must be confidential and all correspondence must be via the CHEST.

Having selected the preferred supplier, negotiations may commence in order to secure better value for money with the final agreed price being included in the Pricing Schedule of the Contract.

Standstill Period

The successful bidder should be notified promptly following acceptance of the tender or quotation with an Alcatel letter. A copy is available on the procurement page of the Intranet.

All unsuccessful bidders should be notified promptly with an Alcatel letter which must include the scores of the successful bidder against the individual unsuccessful bidders scores and a summary of reasons for the scores. The letter must also include a list of bid prices and bidders, although the names of the firms submitting bids should not be matched to the prices. A suggested letter is available on the procurement page of the Intranet.

[The Council cannot award a contract until the minimum standstill period of 11 days including the date of issue has been completed. Contracts exceeding the EU procurement threshold cannot be awarded until the minimum standstill period of 11 days, including the date of issue](#)

has been completed. However, in accordance with best practice, the Council may apply a standstill period for contracts exceeding £100,000.

If you receive a request for a debrief from any of the unsuccessful bidders during the standstill period, they must be seen within the standstill period. If this is not possible, then the standstill period MUST be extended for a debrief to take place.

After the debrief, if the unsuccessful bidder is asked to provide further evidence by the Council or the unsuccessful bidder requests the council to provide additional information, then the standstill period MUST be extended to allow this to happen.

Once this period has been completed and there has been no legal challenges by any of the unsuccessful bidders an award letter can be issued to the successful bidder. A suggested letter is available on the procurement page of the Intranet.

A further letter should be issued to the unsuccessful bidders notifying them that the standstill has been completed and an award letter has been issued. A suggested letter is available on the procurement page of the Intranet. By doing this, if the Council receives a legal challenge from an unsuccessful bidder, it reduces the time limit from 6 months to 30 days from the day after the date when the Council has awarded the successful bidder the contract.

If one or more of the unsuccessful bidders challenge the award after the standstill period has been completed then seek advice from the Council's Procurement Officer or Legal Team.

Contract Award - Quotations

Where, in exceptional circumstances, the recommended bid is not the lowest quotation received, award of the contract must be authorised by the relevant Corporate Director, having considered the reasons for other than the lowest tender being accepted.

Mandatory Checks

Corrupt Practices

In every written contract a clause must be inserted to secure that the Council is entitled to cancel the contract and to recover from the contractor the amount of any loss resulting from such cancellation, if the contractor has offered or given or agreed to give to any person any gift or consideration of any kind as an inducement or reward for doing or not doing anything relating to the contract or any other contract with the Council or for favouring or not favouring any person in relation to such contract, or similar acts have been done by any person employed by the contractor or acting on their behalf, or the contractor or any person employed by them or acting on their behalf has committed any offence under the Prevention of the Corruption Acts 1889 to 1916, or any amendment of them or shall have given any fee or reward, the receipt of which is an offence under the Local Government Act, 1972.

Breach Of Contract Procedure Rules

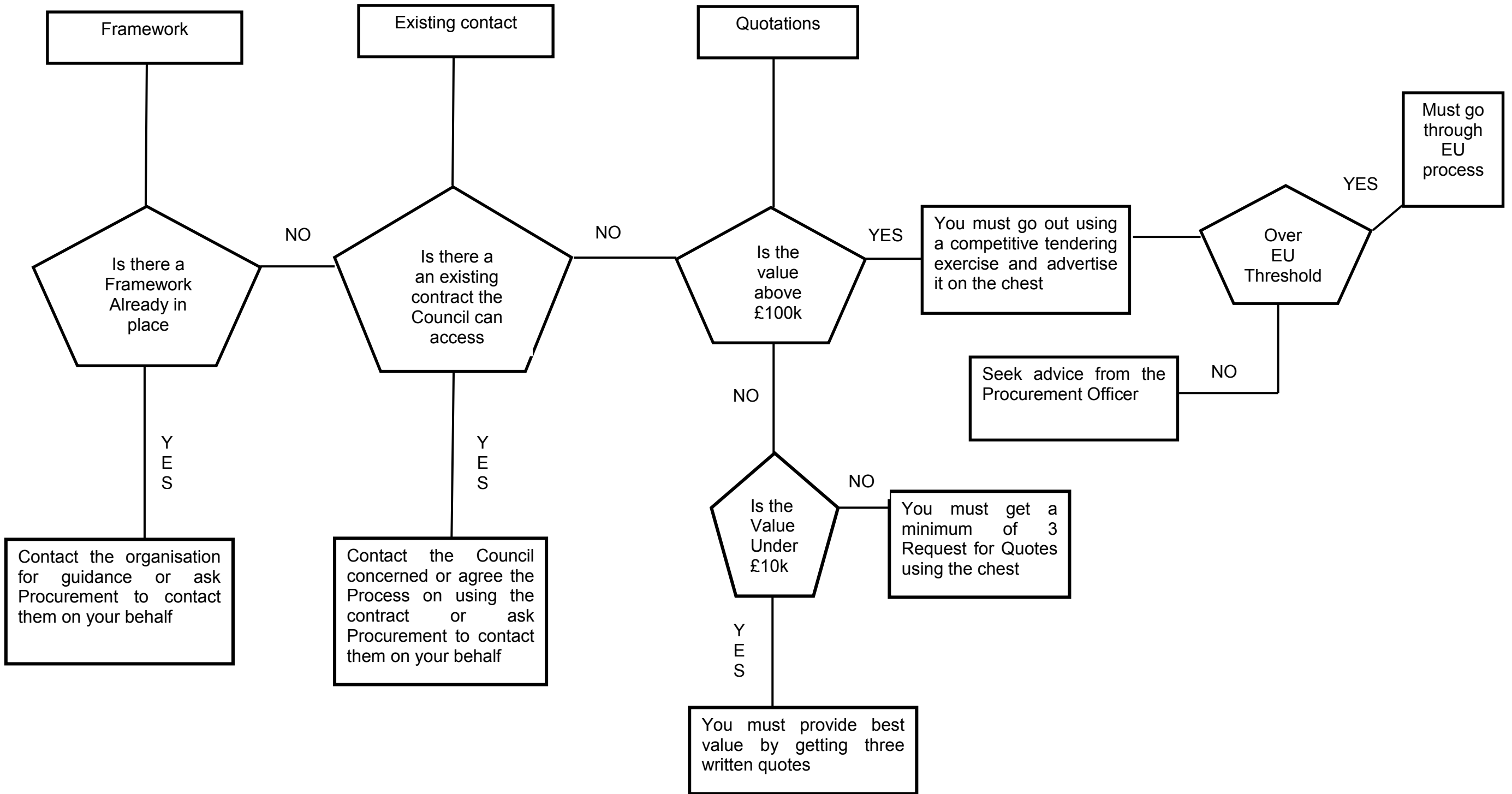
In the event of a significant or deliberate breach of these Rules, the Finance Director shall report details to the next meeting of the Executive with any proposals for remedial action.

Contracts Register

As a result of the transparency code, local authority must publish details of all contracts with a value greater than £5,000. The Council has set up a contract register that contains contracts for the last three years. This register is required in addition to the CHEST as it contains additional information to ensure that we meet the Transparency Code requirements. This is mandatory for any spend over £5,000 and if you are not going through the CHEST for your procurement exercise, then you will need to either advise the Procurement Officer or Legal of the details of the contract. The contract register is updated on a monthly basis and is published on the website.

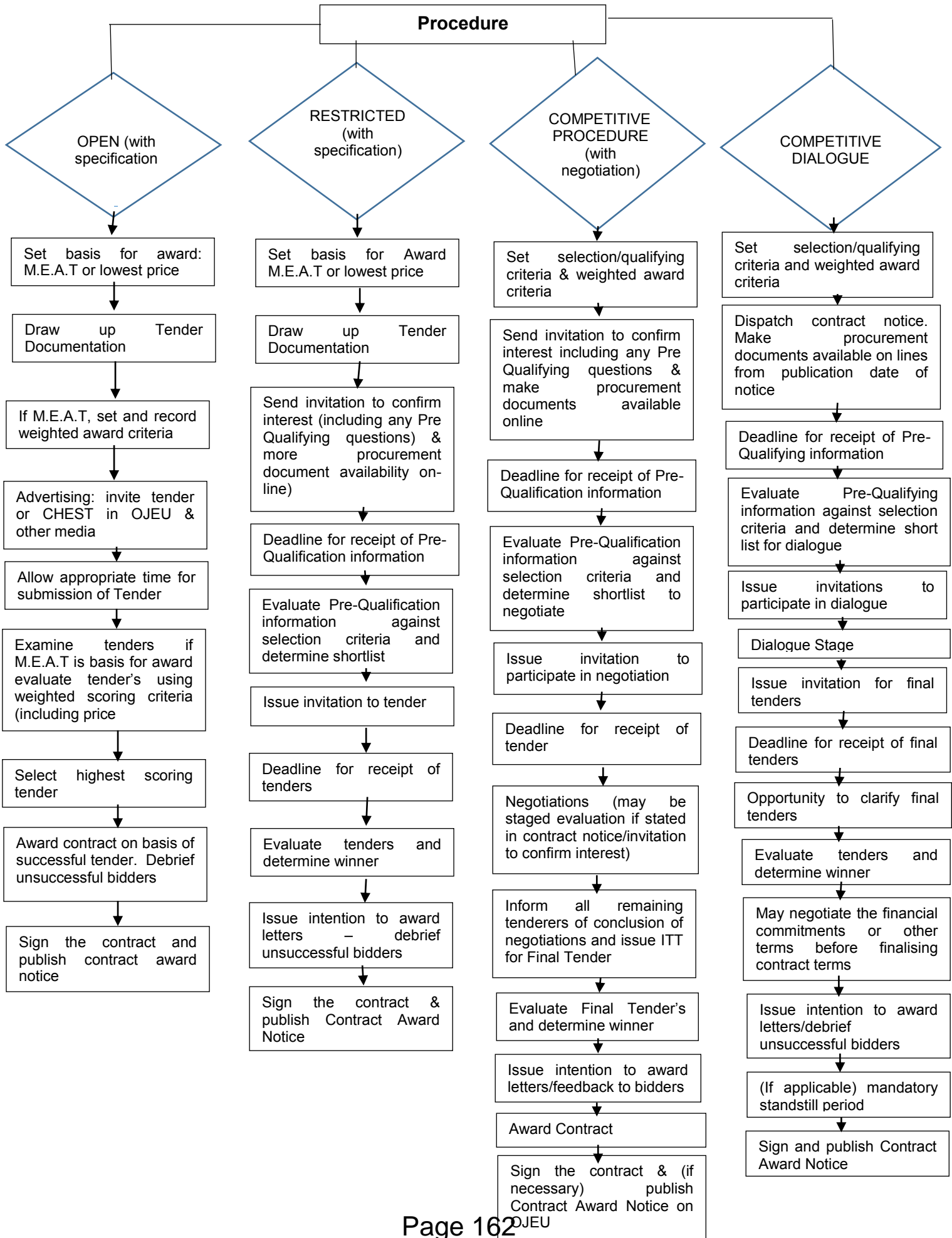
PROCUREMENT FLOWCHART

You have these options to consider before proceeding



PROCUREMENT ROUTES

APPENDIX 2



Financial Procedure Rules Appendix F Contract Procedures

Guide to Contract Management and Control

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Appendix 1 - Suggested project financial statement

Introduction

This guide aims to explain in simple terms the procedures for managing contracts with suppliers for the provision of Council works, goods and services.

The Council's constitution incorporates Financial Regulations and Financial Procedure Rules that provide a framework for managing the Authority's financial affairs. They apply to every Member and Officer of the Authority and anyone acting on its behalf.

Should you require further information or wish to comment on the content of this guide please contact the Head of Internal Audit.

Currency of Contract

Once award of the contract has been formally accepted the Spending Officer will notify the successful firm and arrange for the works to commence. All contracts over £100,000 must be in writing and agreed by the Legal Team, but this does not prevent permission being given for works to commence prior to the completion of the written contract. In such circumstances, the Senior Solicitor will issue, or authorise the issue of, a Letter of Intent to the contractor giving permission to begin work. The letter can be downloaded from the Procurement page of the Intranet.

Before allowing the works to commence the Spending Officer must be satisfied that the contractor has sufficient insurance cover and that this is effective throughout the contract period. Under normal conditions the contractor will be obliged to provide insurance for the works and injury or damage to persons and property. Please contact the Council's Insurance Officer if further guidance is required.

In most forms of contract it will be the contractor's responsibility to draw up a programme showing the anticipated duration of the work. The Spending Officer should ensure that this master programme is produced and that it is updated as work progresses.

The Spending Officer must attend site meetings to discuss progress with contractors. These meetings should be minuted for future reference and include reference to authorised variations and to any particular difficulties being experienced which may effect progress and the final cost.

Responsibility for co-ordinating operations as well as information rests with the Spending Officer. Any deficiencies in co-ordination will manifest themselves in delays and discontent amongst the parties concerned. Regular attendance at site meetings should enable the Spending Officer to spot any problems that require immediate investigation to ensure that the contractor acts promptly to prevent any reoccurrence or deterioration.

Difficulties that occur during the contract period are often attributable to poor or confused communications. An essential control is a proper system for the rapid transmission of information between parties. Efficient and effective responses to situations must be made with a minimum of delay or disruption.

Quality control during construction is achieved by ensuring that the work is carried out in accordance with the specification and drawings and to the required standards. Variation orders may be issued to correct any errors made in the design stage or to correct any unforeseen problems arising during the contract period. This may involve amendments to construction drawings, measurements, progress charts and contract programmes.

Valuations of Work Done and Interim Payments

Payments will be made to the contractor on the basis of valuations of work compiled by the contractor of the aggregate value of work completed to date. The contractor will normally submit monthly valuations together with supporting documentation to the Spending Officer for substantiation and payment. Checks must be made to establish the accuracy of the valuation and these evidenced by signature.

Payments are normally made to contractors on a monthly basis and in accordance with the specific conditions detailed in the contract document. Each payment will be certified by a designated officer and show the total valuation to date, less retention and previous payments, and any adjustments for materials on site.

Before payment is made, details must be recorded in a contract payments register, or other appropriate document, as a means of identifying potential contract management problems at an early stage. It is important that payments are made to contractors on time and in accordance with the periods outlined in the contract document. Interest can be claimed on late payment in accordance with the Late Payment of Commercial Debt legislation (1998).

Control of Contract Variations

It would be unrealistic not to expect the need for some amendments to be made to the original design and specifications of the project. In the interests of proper financial management it is very important, however, that such amendments are adequately controlled.

The Spending Officer must monitor variations closely to ensure that, wherever possible, approval of the executive is sought at an early stage so that the contract is not unduly delayed.

It is impractical to expect the Spending Officer to seek formal approval for every proposed change, as any delay while approval is being sought could easily cause additional extra costs that far outweigh the value of the original changes. The Spending Officer may therefore implement changes that collectively are not expected to increase costs by more than the financial values specified in the Council's Financial Regulations and Financial Procedure Rules, without the need to seek the specific approval of the executive. The Spending Officer is required to prepare and submit reports, jointly with the Finance Director, to the Executive on completion of all contracts where the final expenditure exceeds the approved contract sum by either 10% or £20,000 whichever is the lesser.

It is stressed that the financial value is the total of all variations as numerous variations, although relatively small in value individually, can collectively exceed this sum.

The Spending Officer must actively monitor the scheme, seeking explanations and considering options available in order that where possible the estimated final cost of the contract remains within the initial budget and contract period. Failure to monitor effectively may result in the Spending Officer being unaware of changes and the cost involved until the scheme is complete.

Variation orders are the means by which the Spending Officer instructs the contractor to carry out work either differently or in addition to the work specified in the contract document. In some forms of contract variation orders may be referred to as architect's instructions or contract administrator's instructions. A variation order is contractually required where there are additions, omissions, substitutions, alterations or any other changes to any parts of the works that are necessary for the completion of the contract.

Variation orders must be in the form of written instructions to the contractor and the likely cost of each variation assessed prior to the issue of the instruction. In cases where this would cause serious disruption to the contract, or where immediate action is necessary to prevent danger or damage, the instruction can be issued without prior costing, but must be costed within 7 working days of the issue date.

All standard forms of contract explain how variations are to be valued. Basically if the work is of a similar nature then the rates in the bill of quantities should be used. If not, a rate should be fixed by the contract administrator in agreement with the contractor. Alternatively, the contractor may be ordered to carry out the work on a day work basis, where it is not possible to value the work on an ordinary pricing basis.

Contract Claims and Extensions of Time

Circumstances may occur where contractors, through no fault of their own, incur additional costs that are not recoverable through the normal administration of the contract. In accordance with the appropriate contract conditions, contractors will seek reimbursement of such costs by submitting a claim for loss and/or expense.

The circumstances giving rise to claims will vary and it is impossible to compile rules to meet all eventualities, but the general principle is that contractors are entitled to any additional costs they have actually incurred due to the action, or inaction of Council officers responsible for the contract.

Engineering and building forms of contract make it clear that it is the contractor's duty to give prompt notification, in writing, of his/her intention to make a claim. Notification from the contractor must include adequate explanation and evidence in support of the claim and refer to relevant contract clauses in the contract conditions.

The most common forms of claim are for prolongation and disruption, and the costs associated with these are notoriously complex to substantiate. It is not unusual however, for claims to be exaggerated, and so it is incumbent upon the contract administrator to establish the accuracy of any claim through well-maintained documentation, and to be satisfied that the principles on which the claim is based are reasonable.

Most contractors will plan to carry out the works in such a way as to finish before the prescribed date for completion. When circumstances beyond their control occur, contractors may apply for an extension of time to avoid the imposition of Liquidated Damages. (See calculation of liquidated /ascertained damages later in the guidance).

Contract conditions indicate a number of situations that may entitle the contractor to apply for an extension of time and emphasise the duty of the contractor to submit a claim promptly. This is to prevent contractors, who are getting close to the original completion date, from submitting a claim in respect of a situation occurring many months earlier. The clauses do not however preclude the contractor from seeking an extension of time long after the event occurred.

In practice, if the time for completion has been exceeded there are three possible situations:

- No extension of time is granted and liquidated damages can be deducted for the whole of the over-run period;

- Extensions of time are granted for only part of the over-run period and liquidated damages are deductible for that period not covered by an extension of time; or
- Extensions of time are granted that fully cover the extra period and no deduction of liquidated damages can be made.

Upon receipt of a request for an extension to the contract, the period of delay must be assessed and if an extension of time is substantiated the contractor must be notified promptly, and in any event prior to the issue of the final certificate for payment.

To safeguard the council's right to deduct liquidated damages if the contract is over-running, the Spending Officer must certify in writing that the contractor ought reasonably to have completed the works within the contract period. Liquidated damages should be recovered from the contractor where the terms of the contract have not been duly performed; any decision not to recover damages should be recorded giving reasons.

Within seven days of the expiry of the contract date for completion or as extended, the responsible Spending Officer must issue a formal certificate of non-completion in accordance with the relevant contract conditions.

Calculation and Recovery of Liquidated Damages

Every contract that is estimated to exceed £100,000 must make provision for liquidated damages to be recovered from the contractor where they have failed to complete the work within the time specified in the contract, or as extended. Liquidated damages are intended to reimburse the Council for any additional costs incurred as a result of the delay.

The Spending Officer for the contract must determine the amount of liquidated damages specified in the written contract. In accordance with the relevant contract conditions, liquidated damages must be a "genuine predetermined estimate" of the losses likely to be incurred due to delays in completing the contract.

It is important that a separate calculation is made for each individual contract and is not merely an amount extracted from a similar contract, as this may result in the amount of liquidated damages being challenged as a penalty, and therefore, not enforceable.

It is essential that details of the calculation of liquidated damages are retained to demonstrate that it is a genuine estimate of loss associated with the contract. Further guidance should be sought from the Senior Solicitor.

In accordance with the relevant contract conditions, the Spending officer will only be able to obtain payment for liquidated damages if the following events have occurred:

- Extensions of time due to the contractor have not been awarded within the time scales stipulated in the relevant contract conditions;
- The contractor has been formally notified of the Council's intention to deduct damages; or
- The contract administrator has certified, through the issue of a "Notice of Failure to Complete" that in his opinion the works should have been completed by the due date.
Note :- that under JCT Contract for minor building works this certificate is not necessary and liquidated damages can be deducted as soon as the contractor exceeds the stated completion date.

In certain situations the Spending Officer may consider it beneficial to waive liquidated damages rather than to risk the submission of a claim from the contractor that could potentially be for a higher value. In such instances, it must be clearly demonstrated why it is in the best interest of the Council, not to apply damages.

Contract Cost Control and Monitoring

The Spending Officer for each contract must ensure that suitable procedures are in place for the effective monitoring of progress and cost, with the objective of ensuring that the contract is completed within the approved contract sum and that any unavoidable costs are identified quickly.

To achieve this a financial statement, assessing the probable final cost must be prepared by the Spending Officer every time a contract payment is made. This statement should take into account all known factors including variations and any adjustment of prime cost and provisional sums, and progress towards completion. The financial statement attached at Appendix 1 is recommended for this purpose.

The Spending Officer must seek explanation for any significant differences between the previous financial statement and take appropriate action should it be likely that the approved contract sum or expected date for completion will be exceeded.

The Spending Officer is required to prepare and submit reports, jointly with the finance director, to the Executive on completion of all contracts where the final expenditure exceeds the approved contract sum by either 10% or £20,000 whichever is the lesser.

In addition the Spending Officer must prepare regular reports reviewing the capital programme provisions for their service, and a quarterly return of the estimated final costs of schemes in the approved capital programme. This must be submitted to the Executive as part of the performance management framework.

Certificate of Practical or Substantial Completion

On completion of the works the contract administrator must issue a Certificate of Practical or Substantial Completion. This certifies the date when, in his/her opinion, the works reached practical completion.

Appendix 1 – Suggested Project Financial Statement

PROJECT:		DATE
Report : No 3 (week 12)	Omissions £	Additions £
Contract Sum		418,495.00
Contingencies / claims	25,000	
Prime Cost Sums	53,900	39,962.30
Provisional Sums	49,050	17,362.85
Variations		67,855.67
Anticipated Variations		5,000.00
Sub Total	127,950	548,675.82
Less omissions		127,950.00
Estimated Final Cost		420,725.82
Progress :-		
Date of Commencement	17 April 2015	
Date of Anticipated Completion	5 February 2016	
Duration	42 weeks	
% of contract period complete	85%	
Valuations		
Gross Valuation No 3	£340,000	
% of estimated final cost	81%	

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Guide to Contract Completion and Review

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Introduction

This guide aims to explain in simple terms the procedures for completion and review of contracts with suppliers for the provision of Council works, goods and services.

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Taking Possession of the Completed Work

In the run up to completion, the Spending Officer for the contract must ensure that appropriate arrangements are made for the formal hand over of the completed works. The requirements for taking over and maintaining the completed work should have been specified in the tender and contract documents and will usually involve functional testing and inspection of the various aspects of the services, supplies or works incorporated within the contract specification.

The Spending Officer should ensure that unacceptable defects are dealt with before determining that a state of practical completion can be certified. A Certificate of Practical or Substantial Completion must be issued promptly once tests have been completed and the Spending Officer is satisfied that in accordance with the terms of the contract, the works are substantially completed.

Defects Liability Period and Inspections

For construction and engineering works the contractor is responsible for making good any defects that become apparent during the defects liability period (or maintenance period). This period runs from the date of practical completion (or substantial completion), as shown on the completion certificate, for a period as stipulated in the contract documentation, normally six or twelve months, depending on the standard form of contract used.

At the time the practical completion certificate is issued a list of outstanding works (the snagging list) will be provided to the contractor and remedial work completed as soon as possible within the specified maintenance period. These defects must be put right at the contractor's expense if, in the opinion of the contract administrator, they are due to the neglect or failure of the contractor to comply with their contractual obligations.

Inspections of the satisfactory completion of any work on the 'snagging list' must take place near the end of the defects liability period, but within the period stated in the contract documents, so that the contractor may be held responsible for rectifying defects for which they are liable. The Spending Officer is entitled to withhold payment to cover the cost of any work outstanding at the end of the defects liability period. They may also arrange for the defects to be completed by other means and the costs recovered from the defaulting contractor.

In order to safeguard against default by the contractor, either in completing the works or in carrying out the remedial measures, sums are retained from interim payments made to the contractor. The normal procedure is:

- A fixed percentage (eg 5%) is deducted from each valuation until a maximum limit is reached (e.g. 3% of the contract sum);
- Retention remains at this maximum limit until substantial achievement of the works is achieved;
- Upon substantial completion of the works, half of the retention money is released; and
- Upon issue of the maintenance certificate confirming that all outstanding defects have been rectified, the balance is contractually due for release.

The final retention sum should only be released once all defects have been rectified and the Spending Officer has agreed the contractor's final account.

Contractor's Final Account

At the end of, or during, the maintenance/defects liability period the contractor will produce their final account. Controls in place throughout the contract should have ensured the continuous measurement and valuation of the works from the outset. Such controls will ensure that full documentation is available for examination to support the final account. Subject to the co-operation of the contractor, this should make the agreement and payment of the final account no more than a formality, since the majority of items will have been verified during the contract period.

The checking and agreement of the final account can, however, become a very time consuming task and may not be completed until well after the end of the defects liability period. Traditional problem areas, such as claims, should have been considered and settled during the period of the contract, although there may be occasions when alternative arrangements have to be initiated in order to reach a financial settlement with the contractor concerned.

In these circumstances, the Spending Officer should report on the position regarding settlement of the final account and any claims and details of the estimated final costs. In accordance with Financial Regulations and Financial Procedure Rules, the Spending Officer is required to prepare a quarterly return of estimated final costs of schemes for submission to the Executive as part of the performance management framework.

The Spending Officer should ensure that every effort is made to satisfactorily conclude settlement within the period stated in the contract or otherwise within a reasonable period thereafter. Although pressure should not be applied to settle at any price, neither is it in the Council's best interest to allow settlement of the final account to drift on for many years.

Final Cost Report and Internal Audit Examination

Once the contractor's final accounts and any claims have been settled the Spending Officer must submit a report to the executive where the final expenditure exceeds the approved contract sum by more than 10% or £20,000, whichever is the lesser. This report should provide a cost appraisal of the final expenditure and explanations for any increases over the original contract sum approved.

There is no requirement for the contractor's final accounts to be audited in detail prior to the release of the respective final payment. Internal Audit shall, however, examine final accounts to the extent that they consider necessary and are entitled to receive such information and explanations as required in order to be satisfied as to their accuracy.

Learning from Experience

Following completion of the project, it will be necessary to undertake a thorough and formal post completion review. This is important since the success of future contracts could be improved by the results of constructive analysis of performance on completed schemes.

Such a review is often overlooked but should be seen as an essential component for achieving good value for money from the contract process. The Spending Officer should ensure that a review is undertaken as soon as practically possible following completion of a project. There should be three distinct elements to the review:

- The provision of sufficient information by the Contractor to allow the Council to get the optimum from the facilities, works or services;
- The identification of any problems encountered during the contract and possible solutions to prevent them happening again, to ensure that lessons are learnt for future contracts (resulting in improved economy, effectiveness, and efficiency); and
- A review of the control procedures and whether the completed contract was successful in achieving the objectives and performance expected as detailed in the original contract specification.

Performance of the Contractor

A review should also be undertaken of the performance of the contractor to assist in the future selection of tenderers. Appraisal forms designed for this purpose are provided as appendices; Appendix 1 for contractors and Appendix 2 for consultants.



Appendix 1 – Post Contract Appraisal Form (Contractor)

Contractor: _____

Project: _____

Date of Practical Completion: _____

Details	Good		Satisfactory	Poor
1. Site organisation				
2. Head Office organisation				
3. Relationship between client/ contractor				
4. Quality of Workmanship				
5. Contractor's compliance with Health and Safety standards				
6. Control of sub-contractors				
	Yes	No	Comments	
7. Did contractor have any difficulty in providing adequate labour or plant?				
8. Did the contractor sub-contract a large proportion of the work?				
9. Were the works completed on time, taking into account any extensions granted?				
10. Did the contractor complete any remedial works without being unduly pressed?				
11. Did the contractor make unreasonable claims?				
12. Were contractual claims settled satisfactorily?				
13. Were the final accounts settled satisfactorily?				
14. Did the contractor re-programme or reschedule works efficiently where problems were encountered or where extensions of time were granted?				
15. Would you employ this contractor again?				
16. Any further comments				

Signature of Spending Officer: _____

Date: _____



Appendix 2 – Post Contract Appraisal Form (Consultant)

Consultant: _____

Project: _____

Date of Practical Completion: _____

Details	Good		Satisfactory	Poor
1. Organisation				
2. Quality of pre-contract service				
3. Quality of post contract service				
4. Financial Control				
5. Co-operation with client/project sponsor				
6. Co-ordination with other consultants, relevant persons and bodies				
	Yes	No	Comments	
7. Were services generally completed on programme in both pre and post contract stages?				
8. If no, were the circumstances outside the consultant's control?				
9. Were any parts of the commission sub-let?				
10. Did the consultancy employ adequate staff of the required quality?				
11. Did the partners supervise the project adequately?				
12. Were any unreasonable claims for additional fees, or requests for extensions to the programme submitted?				
13. Would you engage this consultant again?				
14. Any further comments				

Signature of Spending Officer: _____

Date: _____

Financial Procedure Rules Appendix F Contract Procedures

Guide to the Engagement and Use of Consultants

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Introduction

Planning the Engagement

Selection of Consultants

Contract Award

Managing the Engagement

Reviewing Performance

Appendix 1 - Quality/Price Mechanism for the Selection of Consultants

Appendix 2 – Post Contract Appraisal Form (Consultant)

Introduction

This guide aims to explain in simple terms the procedures for engaging and using consultants for the provision of Council works, goods and services where the value of the contract exceeds £10,000.

The Council's constitution incorporates Financial Regulations and Financial Procedure Rules that provide a framework for managing the Authority's financial affairs. They apply to every Member and Officer of the Authority and anyone acting on its behalf.

Should you require further information or wish to comment on the content of this guide, please contact the Head of Internal Audit.

The key stages relating to the engagement of consultants can be subdivided into five distinct phases;

- Planning the engagement;
- Selection of consultants;
- Contract award;
- Managing the engagement; and
- Reviewing performance.

Guidance on each of these stages is set out below.

Planning the Engagement

The use of consultants can be an efficient and cost effective way of supplementing the Council's capacity to achieve service objectives. Their use, however, can be expensive compared to properly planned use of our own staff and should only be used in the following circumstances, where:

- Specialist skills are required that are not available in house; or through existing Council arrangements;
- Council staff who could undertake the works are already fully committed in the time scale required; and
- An independent opinion, advice or investigation is necessary.

Occasionally the Council needs to obtain advice regarding the feasibility of works of a specialist nature. In such cases specialist consultation is permitted as an initial step, but this should be done without any guarantee of extending the appointment to cover any consequentially approved project.

When considering the engagement of consultants the Spending Officer must justify the engagement, ensuring that budgetary provision exists and that a comprehensive brief has been developed.

In all cases it is essential that a clear and well thought out brief for the engagement is drawn up. In particular the brief should include the following items:

- The purpose of the project together with any necessary background information;
- The scope and content of the project;
- The required timing of the project and an assessment of the consequences of failure to meet time targets; and
- The expected budgetary constraints.

The brief should really be able to be broken down into evaluation criteria for use in monitoring the consultant's performance. For relatively straightforward or repetitive projects an adequate brief may be drawn up in a single step, but for larger, more complex projects the brief as finally agreed, may be the product of an evolutionary process.

Selection of Consultants

The competitive process relating to consultants must follow the principles for appointing contractors, with the condition that in circumstances requiring flexibility, or a specialism, the Spending Officer may need to refer to wording regarding exemptions to the Contract Procedure Rules.

The engagement value, used to determine the correct method of procurement, shall be defined as the total fees payable plus an estimate of the total expenses reimbursable to the consultant.

If a consultant applies to be included on an Approved List then at least two satisfactory written references should be obtained to confirm that the consultant has demonstrated an ability to carry out work of a similar nature to that required. Further guidance on Approved Lists is contained within the Guide to Quotations and Tenders.

It is increasingly common for tenders not to be evaluated on price alone, as the cheapest price may not represent the best value. The Council's Contract Procedures provide for contracts being awarded on a value for money basis, or the "most economically advantageous tender" (MEAT).

A suggested mechanism for evaluating bids on both quality and price is attached as Appendix 1, but whatever evaluation model is used, it is vital that tender documents clearly state the criteria upon which the assessment is to be made; to ensure the process is transparent, documented and complies with public procurement rules.

Contract Award

All engagements must be made in writing in accordance with the Council's Contract Procedure Rules, and as set out in the Guide to Quotations and Tenders, and a record of the engagement notice or letter placed on the engagement file. If required clarification should be sought as to the consultant's previous employment via their CV or via Human Resources.

The Council's Scheme of Delegation to Officers gives authority to all Service Directors "to engage specialist or consultant services where necessary if within an approved cost or estimate or provided that the cost does not exceed the limit, over which Service Directors may not agree to transfer expenditure from one estimate to another".

[Consideration should be given to the employment status \(IR35\) of specialist or consultant services. The HMRC employment status assessment tool will need to be completed where appropriate.](#)

It is good practice for a meeting to take place shortly after the engagement has been made to 'fine tune' the brief and to ensure that both parties are clear as to the arrangement. The Spending Officer must minute the meeting and document any revision to the initial brief. Significant changes to the brief should not be necessary unless the brief was poorly defined in the first instance. In such circumstances the Spending Officer would be open to criticism

that the revised brief bears little resemblance to that for which tenders were initially invited, thus distorting the process.

It shall be a condition for the engagement of any consultant for the supervision of a Council contract, that the consultant is compliant with the Council's Financial Regulations and Financial Procedure Rules. In this regard, the Spending Officer is required to ensure that the consultant is supplied with, or has access to, these documents.

Managing the Engagement

Throughout the engagement the Spending Officer must ensure that monitoring arrangements provide assurance that the performance of the consultant is as expected, in accordance with the levels and standards of the service specified in the conditions of appointment. A record must be made of the performance review and this placed on the engagement file.

All deviations from the original brief shall be documented along with a mutually agreed course of action for resolving the problems within an appropriate and defined time scale. Any financial effects should, where possible, be agreed in advance. If such action fails to rectify the situation within the specified time scale then the Spending Officer should notify the executive of the circumstances.

On no account must the Spending Officer allow an engagement to drift away from the defined requirements of the engagement brief over a protracted period of time, as problems are best addressed when they arise.

In any event, the Spending Officer must submit a report to the executive where the final cost of the engagement appears to exceed the approved contract sum by either 10% or £20,000 whichever is the lesser.

In all cases where an engagement brief is revised, a copy must be supplied to the consultant for their records and it made clear in writing that the new brief supersedes the old, to avoid any confusion.

Reviewing Performance

On completion of the engagement it is essential that the Spending Officer undertakes a final review to compare the work produced or service provided against the defined objectives. If any objectives have failed to be achieved, the reason for the failure must be documented together with any corrective action that needs to be taken.

In every case the Spending Officer shall, as soon as possible, complete and retain on the engagement file, a 'Consultant Post Contract Performance Appraisal Form' see Appendix 2.

Appendix 1 - Quality/Price Mechanism for the Selection of Consultants

The following model is suggested, which sets out a quality and price mechanism for the appointment of consultants including architects, engineers, surveyors and project managers. The procedures demonstrate how quality is taken into account during the tender process and justifies any decision for accepting a bid other than the lowest.

The principal features of the quality/price mechanism are as follows.

A quality/price mechanism should be established before bids are invited and tender documentation designed to ensure that the mechanism can be applied to responses received. In accordance with public procurement rules, the tender documentation must specify the criteria for evaluation. A quality/price ratio agreed at the outset represents the percentage weightings given to quality and price. The more complex the project, and hence the greater degree of innovation likely to be required from the consultants, the higher the ratio should be. In considering a quality/price mechanism, however, it should be recognised that some projects may not require such detailed assessment.

The quality/price mechanism should be agreed by the tender evaluation panel.

[The Public Services \(Social Value\) Act 2012 should be taken into account on all relevant new contracts. This covers such factors as policies aimed at supporting small local firms, supporting voluntary organisations and the employment of young people.](#)

In assessing the quality after tenders have been received, each member of the panel should compile their own marks with an average being taken for assessment purposes. Relevant documents should be signed and retained for future reference.

Indicative ratios suggested for various types of projects are:

Type of Project	Indicative Ratio Quality/Price
Feasibility studies and investigations	85/15
Innovative projects	80/20
Complex projects	70/30
Straightforward projects	50/50
Repeat projects	20/80

Quality criteria should be grouped under four main headings and weighted. Recommended headings and suggested weighting ranges are;

Quality Criteria	Suggested Weighting Ranges*
Practice or Company	20 – 30%
Project organisation	15 – 25%
Key project personnel	30 – 40%
Project execution	20 – 30%
<u>Social Value</u>	<u>up to 10%</u>

* Weightings will total 100%

A quality threshold should be established and suppliers should be informed of this minimum requirement in advance (e.g. a minimum total score of 65 points out of 100 in respect of the quality criteria stated above). Tenderers must achieve this minimum score before prices are considered.

Submitted tenders are assessed for quality by marking each of the four criteria out of 100, multiplying each mark by the respective weighting percentage and then adding them together to give a total quality score out of 100. Consultants passing the quality threshold (ideally two or three) are interviewed, their quality scores reviewed and their prices examined. In assessing the price, the lowest compliant bid scores 100 and the others score 100 minus the percentage figure above the lowest price.

Example

Three prices are received and scored as follows:-

Company	Price	Score	Calculation
Consultant A	£1500	100	Lowest = 100
Consultant B	£1750	83.3	$100 - ((250/1500) \times 100)$
Consultant C	£1900	73.3	$100 - ((400/1500) \times 100)$

Or if lowest price is £10/hour and the next is £12.50/hour; the scores are 100 and 75 respectively.

The final quality/price assessment is achieved by multiplying the quality and price scores by the respective weightings set by the quality/price ratio and adding them together to give a total score out of 100 (e.g. if the ratio is set at 70/30 and the quality score is 80 and price is 75, the total score is $(80 \times 70\%) + (75 \times 30\%) = 78.50$. On this basis the highest scoring consultant should be awarded the contract.



Appendix 2 – Post Contract Appraisal Form (Consultant)

Consultant: _____

Project: _____

Date of Practical Completion: _____

Details	Good		Satisfactory	Poor
1. Organisation				
2. Quality of pre-contract service				
3. Quality of post contract service				
4. Financial Control				
5. Co-operation with client/project sponsor				
6. Co-ordination with other consultants, relevant persons and bodies				
	Yes	No	Comments	
7. Were services generally completed on programme in both pre and post contract stages?				
8. If no, were the circumstances outside the consultant's control?				
9. Were any parts of the commission sub-let?				
10. Did the consultancy employ adequate staff of the required quality?				
11. Did the partners supervise the project adequately?				
12. Were any unreasonable claims for additional fees, or requests for extensions to the programme submitted?				
13. Would you engage this consultant again?				
14. Any further comments				

Signature of Spending Officer: _____

Date: _____

Report of:	Meeting	Date
Head of Finance (Section 151 Officer)	Audit Committee	13 November 2018

ANNUAL REVIEW OF COUNCIL'S COUNTER FRAUD POLICIES – ANTI-FRAUD, CORRUPTION AND BRIBERY, ANTI-MONEY LAUNDERING, WHISTLEBLOWING AND GIFTS AND HOSPITALITY AND REGISTERING INTERESTS
--

1. Purpose of report

- 1.1 Approval of the Council's Counter Fraud Policies, namely:
- Anti-Fraud, Corruption and Bribery;
 - Anti-Money Laundering
 - Whistleblowing; and
 - Gifts and Hospitality and Registering Interests.

2. Outcomes

- 2.1 The ability to demonstrate that the council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.

3. Recommendation

- 3.1 Members are asked to approve the policy documents detailed above.

4. Background

- 4.1 The Audit Committee work plan includes an annual review of the following policies:

Anti-Fraud, Corruption and Bribery - originally approved by the Standards Committee in 2006. The policy was amended in November 2011 to make reference to the Bribery Act 2010, which came into effect on the 1 July 2011.

Anti-Money Laundering - first introduced in 2007 to comply with the new 'Money Laundering Regulations (MLR) 2007 Act', which came into effect in December 2007. From the 26 June 2017 the MLR were superseded by the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017. In November 2017 the Council's Anti-Money Laundering Policy and Procedure was refreshed to ensure it complies with the new regulations.

Whistleblowing - originally agreed by the Standards Committee in 2004. The Whistleblowing Policy has been reviewed using the British Standards Institute (BSI) Whistleblowing Arrangements Code of Practice for 1998:2008 and the Enterprise and Regulatory Reform Act (ERRA) which received royal assent on 25 April 2013. The ERRA includes major changes to employment law which will impact considerably on whistleblower protection. The policy has also been reviewed to ensure it is in line with the Public Concern At Work publication; The Whistleblowing Commission - Report on the effectiveness of existing arrangements for workplace whistleblowing in the UK, published in November 2013.

Gifts and Hospitality and Registering Interests – originally agreed by Audit Committee in February 2009.

5. Key Issues and proposals

- 5.1** The general aim of all the council's counter fraud policies is to reduce the occurrence and impact of fraud, corruption and bribery on the organisation and provide an effective channel of communication for anyone who has concerns or suspicions of malpractice.
- 5.2** The Whistleblowing Policy has been amended to reflect the change made to Unison Chairperson.
- 5.3** The Anti-Fraud, Corruption and Bribery Policy has been amended to reflect the changes made to the council's External Auditors key contact; Deloitte and also to reflect the council's Head of Finance now being the council's Section 151 Officer. The Policy also now refers to the Audit Committee's annual inspection of the council's gifts and hospitality register.
- 5.4** The gifts and hospitality and registering interest policy has been amended to refer to the new on-line reporting procedure which is on the council's intranet and to reflect Audit Committee's annual inspection of the register.
- 5.5** There have been no changes to the Anti-Money Laundering Policy and Procedure.
- 5.6** Councillors can view all the draft policies by using the following link. Changes are highlighted in yellow.

<http://intranet/services/Counter%20Fraud%20and%20Corruption/Pages/default.aspx>

Financial and legal implications	
Finance	There are no specific financial implications arising from the adoption of these counter-fraud policies.
Legal	The Council's counter-fraud policies assist in good governance and probity of Council actions and decision-making.

Other risks / implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	X
equality and diversity	X
sustainability	X
health and safety	X

risks/implications	✓ / x
asset management	x
climate change	x
ICT	x

Processing Personal Data

If the decision(s) recommended in this report will result in personal data being processed, a privacy impact assessment (PIA) will have been completed and signed off by the council's Data Protection Officer before the decision is taken (as required by the General Data Protection Regulations 2018).

report author	telephone no.	email	date
Joanne Billington	01253 887372	joanne.billington@wyre.gov.uk	19.10.2018

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

None

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Annual Audit Letter 2017/18

Wyre Borough Council

16 August 2018

A group of business professionals in a meeting, looking at documents. The image is a close-up, slightly blurred, showing several people in business attire. A woman with dark hair is on the left, looking down. A man with grey hair is in the center, also looking down. Another woman is on the right, partially visible. They are all looking at documents or a screen. The background is out of focus.

Section one

Summary for Audit Committee

Summary for Audit Committee

This Annual Audit Letter summarises the outcome from our audit work at Wyre Borough Council ("the Authority") in relation to the 2017-18 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 31 July 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

Financial statements audit

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £1.05m which equates to around 2 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We report to the Audit Committee any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £52,000 for the Authority.

We have identified no audit adjustments.

Our audit work was designed to specifically address the following significant risks:

- **Management Override of Controls** – Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- **Valuation of PPE** – The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued at least every five years. As a result of this, however, individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.
- **Pensions Liabilities** – The net pension liability represents a material element of the Authority's balance sheet. It represents the net balance of the Pension Liability and the Pension Asset. The Authority is an admitted body of Lancashire County Council Pension Fund which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018. The valuation of the gross pension liability then relies on the application of a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation. There is a risk that the assumptions and methodology used in the valuation of the Authority's gross pension liability are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.

Summary for Audit Committee (cont.)

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

Whole of Government Accounts

The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.

Value for Money conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017-18 on 31 July 2018. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

Value for Money risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks. We did not identify any significant value for money risks.

High priority recommendations

We raised no high priority recommendations as a result of our 2017-18 work.

Section one:

Summary for Audit Committee (cont.)

Certificate

We issued our certificate on 15 August 2018. The certificate confirms that we have concluded the audit for 2017-18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

Our fee for 2017-18 was £48,661, excluding VAT (2016-17: £48,662). Further detail is contained in Appendix 2.

Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.



Appendices

Appendix 1:

Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter. These reports can be accessed via the Audit Committee pages on the Authority's website at www.wyre.gov.uk.

Certification of Grants and Returns

This letter summarised the outcome of our certification work on the Authority's 2016-17 grants and returns.

External Audit Plan

The External Audit Plan set out our approach to the audit of the Authority's financial statements and to support the VFM conclusion.

Report to Those Charged with Governance

The Report to Those Charged with Governance summarised the results of our audit work for 2017-18 including key issues and recommendations raised as a result of our observations.

We also provided the mandatory declarations required under auditing standards as part of this report.

Auditor's Report

The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion and our certificate.

Annual Audit Letter

This Annual Audit Letter provides a summary of the results of our audit for 2017-18.

2018

January

February

March

April

May

June

July

August

September

October

Appendix 2:

Audit fees

This appendix provides information on our final fees for the 2017-18 audit.

External audit

Our final fee for the 2017-18 audit of the Authority was £48,661, which is in line with the planned fee.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The planned fee for this work is £6,799 and the final fee will be confirmed through our reporting on the outcome of that work in January 2019.

Other services

We also charged £12,674 for investigation support. The nature of this work was to support the authority with an investigation it was carrying out for the purpose of a disciplinary hearing. This work was carried out by a completely separate team to the audit team and did not have any impact on the financial performance or records of the Authority. Furthermore, we do not consider this incident to have had an impact on the internal control system therefore we do not consider this work to create any independence threats. This work was not related to our responsibilities under the Code of Audit Practice.



The key contacts in relation to our audit are:

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Manager

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Amanda Latham, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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