

# Public Document Pack

**Mid Devon District Council**

## **Audit Committee**

**Tuesday, 25 January 2022 at 5.30 pm**  
**Phoenix Chambers, Phoenix House, Tiverton**

**Next meeting**  
**Tuesday, 22 March 2022 at 5.30 pm**

**PLEASE NOTE:** - this meeting will take place at Phoenix House and members of the Public and Press are encouraged to attend via Zoom wherever possible. The Protocol for Hybrid Meetings explains how this will work. Please do not attend Phoenix House without contacting the committee clerk in advance, in order that numbers of people can be appropriately managed in physical meeting rooms.

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## **Membership**

Cllr W Burke  
Cllr Mrs C Collis  
Cllr N V Davey  
Cllr R L Stanley  
Cllr A Wyer  
Cllr A White  
Cllr A Wilce

# AGENDA

*Members are reminded of the need to make declarations of interest prior to any discussion which may take place*

1. **Election of Chairman**  
To elect a Chairman of the Audit Committee for the remainder of the municipal year 2021/2022.
2. **Election of Vice Chairman**  
To elect a Vice Chairman of the Audit Committee for the remainder of the municipal year 2021/2022.
3. **Apologies**  
To receive any apologies for absence.
4. **Public Question Time**  
To receive any questions relating to items on the Agenda from members of the public and replies thereto.
5. **Declaration of Interests under the Code of Conduct**  
To record any interests on agenda matters.
6. **Minutes of the previous meeting** (*Pages 5 - 10*)  
To consider whether to approve the minutes as a correct record of the meeting held on 16 November 2021.
7. **Chairman's Announcements**  
To receive any announcements that the Chairman may wish to make.
8. **Performance and Risk Report** (*Pages 11 - 60*)  
To receive a report from the Operations Manager for Performance, Governance and Health and Safety providing Members with an update on performance against the Corporate Plan and local service targets for 2021-22 as well as providing an update on the key business risks.
9. **Progress update on the Annual Governance Statement Action Plan** (*Pages 61 - 66*)  
To receive a report from the Operations Manager for Performance, Governance and Health and Safety providing the Committee with an update on progress made against the Annual Governance Statement 2020/21 Action Plan.
10. **Internal Audit Progress Report 2021 - 2022** (*Pages 67 - 84*)  
To receive the Devon Audit Partnership Progress Report for the year to date.

11. **Arrangements for the appointment of External Auditors from 2023/2024** (Pages 85 - 138)  
To receive a report from the Deputy Chief Executive (S151) advising Members of the options, process and legislative requirement to appoint External Auditors for the Accounting Periods from 2023/24 and to seek Member endorsement of the recommended option for Council approval.
12. **Review and Revision of the Financial Regulations** (Pages 139 - 280)  
To receive a report from the Deputy Chief Executive (S151) making recommendations for amendments to the Financial Regulations of the Authority, to ensure they are appropriate, reflecting the Authority's latest structure and delegations.
13. **External Audit Progress Report and Sector Update** (Pages 281 - 298)  
To receive a progress report and sector update from the External Auditors.
14. **Identification of items for the next meeting**  
Members are asked to note that the following items are already identified in the work programme for the next meeting:
  - Internal Audit Plan and Work Programme for 2022/2023
  - Internal Audit Charter and Strategy
  - Performance and Risk
  - Annual Governance Statement – Action Plan Update
  - Internal Audit Progress Report
  - External Audit Progress Report
  - Chairman's Report for 2021/2022

Note: This item is limited to 10 minutes. There should be no discussion on the items raised.

**Stephen Walford**  
Chief Executive  
Monday, 17 January 2022

### Covid-19 and meetings

From 7 May 2021, the law requires all councils to hold formal meetings in person. However, the Council is also required to follow government guidance about safety during the pandemic. The Council will enable all people to continue to participate in meetings via Zoom.

You are strongly encouraged to participate via Zoom to keep everyone safe - there is limited capacity in meeting rooms if safety requirements are to be met.

There are restrictions and conditions which apply to those in the building and the use of the building. You must not attend a meeting at Phoenix House without complying with the requirements in the new protocol for meetings. You must follow any directions you are given.

Please read the new meeting protocol which is available here: <https://democracy.middevon.gov.uk/documents/s23135/MeetingProtocolUpdateOct2021nextreviewFeb2022.pdf>

If you want to ask a question or speak, email your full name to [Committee@middevon.gov.uk](mailto:Committee@middevon.gov.uk) by no later than 4pm on the day before the meeting. This will ensure that your name is on the list to speak and will help us ensure that you are not missed – as you can imagine, it is easier to see and manage public speaking when everyone is physically present in the same room. Notification in this way will ensure the meeting runs as smoothly as possible.

If you would like a copy of the Agenda in another format (for example in large print) please contact Sarah Lees via:

E-Mail: [slees@middevon.gov.uk](mailto:slees@middevon.gov.uk)

Public Wi-Fi is available in all meeting rooms.



## MID DEVON DISTRICT COUNCIL

**MINUTES** of a **MEETING** of the **AUDIT COMMITTEE** held on 16 November 2021 at 5.30 pm

### **Present**

#### **Councillors**

W Burke, Mrs C Collis, N V Davey,  
R F Radford, A Wyer and A Wilce

### **Apologies**

#### **Councillors**

S J Penny and A White

### **Also Present**

#### **Councillors**

L J Cruwys, R M Deed, R Evans, B A Moore and  
B G J Warren

### **Also Present**

#### **Officers**

Paul Deal (Corporate Manager for Finance), Catherine Yandle (Operations Manager for Performance, Governance and Health & Safety), Paul Middlemass (Audit Manager), Kieran Knowles (Accountant), Sally Gabriel (Member Services Manager) and Sarah Lees (Member Services Officer)

### **Also in**

#### **Attendance**

Julie Masci (Grant Thornton), Nick Sanderson (3 Rivers Development Limited) and John Riley (3 Rivers Development Limited)

## **38. ELECTION OF CHAIRMAN**

The Chairman and Vice Chairman of the Audit Committee had sent their apologies for the meeting therefore there was a need to elect a Chairman from the floor for the purposes of this one meeting.

It was **RESOLVED** that Cllr A Wyer be elected Chairman for this meeting only.

## **39. APOLOGIES**

Apologies were received from Cllr S J Penny who was substituted by Cllr R F Radford. Apologies were also received from Cllr A White.

## **40. PUBLIC QUESTION TIME**

There were no members of the public present and none had registered to ask a question in advance.

## **41. DECLARATION OF INTERESTS UNDER THE CODE OF CONDUCT**

No interests were declared under this item.

42. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 21 September 2021 were confirmed as a true record and signed by the Chairman.

43. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements to make.

44. **3 RIVERS DEVELOPMENT LIMITED - BUSINESS PLAN 2022 - 2027 (00:05:00)**

The Committee had before it a report \* from the Deputy Chief Executive (S151) presenting a 5 year Business Plan for 3 Rivers Development Limited.

This report had principally been written to present to the Cabinet on 30 November 2021, however, the Scrutiny and Audit Committees had requested that they see it first. The Scrutiny Committee had received the report on 8<sup>th</sup> November and had made comments upon it. One of their recommendations had been that the Audit Committee consider the financial risks within the plan.

The Cabinet Member for Finance introduced the item stating that this was the start of the process for the Business Plan and that constructive financial pre-scrutiny was welcomed before it was presented to the Cabinet at the end of the month. He set out the journey that the Business Plan would then take. If approved by the Cabinet, the figures would be included within the budget papers presented to Council in February 2022. Following this each project would need to have a strong business case in order to proceed.

The Corporate Manager for Finance outlined the contents of the initial report. He highlighted the fact that an error had been identified within the table on page 13 of the agenda pack. The values in the columns had become out of sync and therefore the loan values had been overstated. Members had been sent a copy of the corrected table prior to the meeting and an update sheet showing the corrected table would be attached as an addendum to the minutes for the meeting.

The Chairman indicated that discussion with regard to this item, may require the Committee to pass the following resolution to exclude the press and public having reflected on Article 12 12.02(d) (a presumption in favour of openness) of the Constitution. This decision may be required because consideration of this matter in public may disclose information falling within one of the descriptions of exempt information in Schedule 12A to the Local Government Act 1972. The Committee would need to decide whether, in all the circumstances of the case, the public interest in maintaining the exemption, outweighs the public interest in disclosing the information.

**RESOLVED** that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the next item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 respectively of Part 1 of Schedule 12A of the Act, namely information relating to the financial or business affairs of any particular person (including the authority holding that information)

(Proposed by the Chairman)

Having considered the Business Plan, the Committee returned to open session and made the following recommendations to the Cabinet:

- a. That the language used within the Business Plan be written in such a way as to be as understandable as possible and that all acronyms used to be explained by way of a Glossary of Terms;
- b. That an external audit firm be appointed by the company to audit the company's financial statements;
- c. That the Cabinet continue to closely monitor the progress of the company's Business Plan reporting any areas of concern, particularly relating to lending, back to Council.

(Proposed by the Chairman)

Note: (i) \* Report previously circulated.

(ii) As the Scrutiny Committee had considered the Business Plan before the error in the table on page 13 of the agenda pack had been identified, it was agreed that the update sheet also be attached as an addendum to the Scrutiny Committee minutes of 8<sup>th</sup> November 2021.

#### 45. **PERFORMANCE AND RISK REPORT (01:14:00)**

The Committee had before it, and **NOTED**, a report \* from the Operations Manager for Performance, Governance and Health & Safety providing it with an update on performance against the Corporate Plan and local service targets for 2021-22 as well as providing an update on the key business risks.

It was highlighted that further information with regard to housing delivery and Freedom of Information requests had now been supplied within the report.

Discussion took place regarding:

- Private Sector Housing data presented in the report, whilst the comment was dated June 2021, it still reflected the current position.
- Electricity safety certificates were not required in the same way as gas safety certificates.
- There had been some slippage with regard to indicators in relation to incubator space and commercial land supply, however, it was explained that this had been due to staff within the Economic Development team being redeployed during the pandemic.

Note: \* Report previously circulated.

#### 46. **PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN (01:22:00)**

The Committee had before it, and **NOTED**, a report \* from the Operations Manager for Performance, Governance and Health & Safety providing it with an update on progress made against the Annual Governance Statement 2020/21 Action Plan.

It was explained that the Annual Governance Statement, whilst approved at the previous meeting, would need to be signed alongside the approved accounts.

Regarding the Action Plan, work was ongoing and progress had been made on all the actions identified.

Note: \* Report previously circulated.

#### 47. **INTERNAL AUDIT PROGRESS REPORT (01:25:00)**

The Committee had before it, and **NOTED**, a report \* from the Devon Audit Partnership presenting a progress report on the internal audit function during the 2021/22 year so far.

It continued to be the case that the Head of Internal Audit's Opinion was one of 'Reasonable Assurance' on the adequacy and effectiveness of the Authority's internal control framework.

The following areas of work were summarised:

- Income Management - 3 recommendations had been made to tighten up controls.
- Corporate Plan – SPAR indicators had been assessed and 2 core recommendations made. There had been consideration as to whether the Corporate Plan was achieving its aims as well as assessing its improvement activities.
- Income Compensation Scheme – the auditors had concluded that they were content the figures stated had been reasonable.

A further update was included:

- Work had been undertaken with regard to counter fraud training.
- Work was being taken forward but audit resources were being constrained. However, new audit staff were being recruited.
- Outstanding audit recommendations would be more 'visible' in future audit progress reports.
- It was noted that out of the 13 outstanding audit recommendations, 1 was high and 12 were now medium.

Note: \* Report previously circulated.

#### 48. **STATEMENT OF ACCOUNTS 2020 / 2021 (01:30:00)**

The Committee had before it a report \* from the Deputy Chief Executive (S151) presenting the final version of the annual Statement of Accounts to Members, highlighting any areas which had been amended since the draft accounts were published on the website and presented for external audit in July.

The Corporate Manager for Finance requested that the Statement of Accounts and Grant Thornton's Audit Findings report be taken as one item since they were so closely linked. This was agreed by the Chairman.

It was explained that there had been some minor changes to the draft Accounts previously reviewed by the Committee in July. Some were minor corrections to narrative, grammar and improving the explanation of the values within the Accounts. However, there was a change to the treatment of the upfront Pension Payment for the secondary contribution (deficit recovery payment). In the draft accounts, this had been treated as a prepayment as the payment covered the 3-years of this pension tri-annual valuation. However, in consultation with Grant Thornton, this had been amended and instead of being treated as a prepayment, it was now shown in the pension liability. In making this change, there had also been a change in the value of the pension charge to services for the year. Therefore, there were a number of minor movements in value throughout the accounts. These were highlighted in yellow to make their identification easy.

These alterations made no impact on the reported Outturn position or the Council's Usable Reserves.

Grant Thornton stated that the outstanding issues reported to the last meeting had now been resolved. All requested information had been received and corrections made where necessary. As such an unqualified opinion had been issued on the Council's financial statements.

It was further explained by the external auditors that:

- They had undertaken significant analysis in relation to the risks identified within the Group Accounts and how effectively the recommendations had been implemented with regard to 3 Rivers.
- They would be looking at the 3 Rivers Business Plan and how well it aligned with the Council's strategies.
- A Value For Money Opinion would be issued within 3 months and would be reported to the March Audit Committee.
- All adjustments within the Financial Statements had been processed hence the unqualified opinion.

Consideration was given to:

- What could be done to simplify the accounts and their presentation. It was explained that the Council had to follow the rules and regulations as specified by the statutory bodies, however, it had been acknowledged by the Redmond Review that there was a deal of complexity involved in the layout of local authority accounts which also impacted on the subsequent audit burden. A recommendation had been made by the Redmond Review to provide accounts at a simpler summary level going forwards. It was further explained that perhaps Members could receive more accounts training and better narrative provided by officers within the documents presented to them for approval.

The signatures required for the Accounts, Balance Sheet, Letter of Representation and the Annual Governance Statement were stated. It was confirmed that the formally appointed Chairman of the Audit Committee would be required as one of the signatories, not the Chairman appointed for the purposes of this meeting only.

The Corporate Manager for Finance thanked his team for their hard work and diligence in completing the accounts to time during a difficult set of circumstances. This was endorsed by the Committee.

**RESOLVED** that the annual Statement of Accounts for 2020/21 be approved and that the Letter of Representation be signed by the appropriate people.

(Proposed by Cllr N V Davey and seconded by Cllr A Wilce)

Reason for the decision:

There was a legal requirement to produce and publish audited accounts for the year to 31 March 2021 and for those accounts to be considered and approved by the Audit Committee.

Note: \* Report and Statement of Accounts circulated previously.

**49. GRANT THORNTON - AUDIT FINDINGS 2020 / 2021**

Consideration of Grant Thornton's audit findings had taken place in conjunction with the previous agenda item.

**50. PSAA EXTERNAL AUDIT ARRANGEMENTS (01:52:00)**

The Corporate Manager for Finance provided a verbal update with regard to the PSAA external audit arrangements. This included the following information:

A decision would be needed by the Council with regard to whether it wanted to seek external auditors itself or whether it wanted to opt into a PSAA exercise by March 2022. Based on price, ease of administration and the PSAA overseeing the procurement exercise, it was anticipated that the recommendation to Council would be to pursue the PSAA option. If this was to be the case and Council approved the recommendation the contract length would be 5 years with an option to extend for a further 2 years. PSAA would place an emphasis on 'quality audits' which were timely and provided social value. As a result of this, it was anticipated that there would be an inevitable rise in the audit fee level.

A report and recommendation would come to the next Audit Committee meeting which would need to make a subsequent recommendation to full Council.

**51. IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:59:00)**

No further items were requested for the next meeting other than those already listed in the work programme.

(The meeting ended at 7.30 pm)

**CHAIRMAN**

## AUDIT COMMITTEE 25 JANUARY 2022:

### PERFORMANCE AND RISK REPORT

**Cabinet Member** Cllr Bob Deed  
**Responsible Officer** Catherine Yandle, Operations Manager for Performance, Governance and Health & Safety

**Reason for Report:** To provide Members with an update on performance against the corporate plan and local service targets for 2021-22 as well as providing an update on the key business risks.

**RECOMMENDATION:** That the Committee reviews the Performance Indicators and Risks that are outlined in this report and feeds back any areas of concern.

**Relationship to Corporate Plan:** Corporate Plan priorities and targets are effectively maintained through the use of appropriate performance indicators and regular monitoring.

**Financial Implications:** None identified

**Budget and Policy Framework:** Produced in accordance with the Risk and Opportunity Management Strategy.

**Legal Implications:** None

**Risk Assessment:** If performance is not monitored we may fail to meet our corporate and local service plan targets or to take appropriate corrective action where necessary. If key business risks are not identified and monitored they cannot be mitigated effectively.

**Equality Impact Assessment:** No equality issues identified for this report.

**Impact on Climate Change:** No impacts identified for this report.

#### 1.0 Introduction

- 1.1 Appendices 1-5 provide Members with details of performance against the Corporate Plan and local service targets for the 2021-22 financial year.
- 1.2 Appendix 6 shows the higher impact risks from the Corporate Risk Register. See 3.0 below.
- 1.3 Appendix 7 shows the risk matrix for the Council.
- 1.4 All appendices are produced from the Corporate Service Performance And Risk Management system (SPAR).
- 1.5 When benchmarking information is available it is included.

## 2.0 Performance

**Please note that for all areas of the Council performance remains impacted by the effects of the Covid 19 pandemic. There are specific comments on the attached appendices reflecting this.**

### Environment Appendix 1A

- 2.1 Regarding the Corporate Plan Aim: Increase recycling and reduce the amount of waste. Both the recycling rate and residual waste rate are still slightly below target. The number of missed collections for recycling is very slightly below target but the numbers remain low.
- 2.2 The number of households with chargeable garden waste collections remains above target although there has been a slight decrease as we went into winter as is expected.

### Climate Change Appendix 1B

- 2.3 The electric car charger usage is well above the target now that lockdowns have been eased. The retro fitting measures are mainly showing favourable results for the year to date.
- 2.4 On Saturday 4th December, 35 trees were planted on council owned land at Mountbatten Way. The orchard will contain apple, plum, pear, cherry, mulberry and nut trees.
- 2.5 Two previously void properties in Lapford were on display for Mid Devon Councillors in December – showcasing achievable improvements the Council could make to support the decarbonisation of its housing stock. These homes meet decarbonisation targets set out in the recently adopted Housing strategy, with the Council looking to achieve a minimum Energy Performance Certificate of C (standard) in all properties by 2030 and becoming net zero by 2050 by retrofitting and upgrading existing properties.

### Homes Portfolio - Appendix 2

- 2.6 Regarding the Corporate Plan Aim: Deliver Housing: Housing delivery against the Local Plan is monitored annually as part of the Annual Monitoring report published by Forward Planning and on the Government's DELTA system.
- 2.7 Regarding the Corporate Plan Aim: Private Sector Housing: Bringing Empty homes into use is below target for the first time for 6 years. This reflects the diversion of resources to the Covid pandemic response over the last 18 months.
- 2.8 Regarding the Corporate Plan Aim: Council Housing: Repairs performance KPIs are all at or above target. In terms of gas servicing compliance we are just below target at 99.6%.



- 2.9 Regarding the Corporate Plan Aim: Support and grow active tenancy engagement: The new Tenant Involvement and Empowerment Policy went to Home PDG on 18 January 2022.

#### Economy Portfolio - Appendix 3

- 2.10 Regarding the Corporate Plan Aim: Improve and regenerate our town centres: This includes a continued focus on Town Centre Regeneration: Empty shops; MDDC has 100% occupancy on its own units.
- 2.11 The number of business rates accounts and business rates rateable value (RV) continue to increase and the number of empty business properties remains stable, this is encouraging in the light of the impact of the pandemic upon local businesses.

#### Community Portfolio - Appendix 4

- 2.12 The KPIs identified are mostly new PIs and performance on most has been affected by Covid 19. It is unlikely that much progress will be seen over the next few months. Several of the corporate plan aims will require partnership working with Devon County Council, the NHS and Town and Parish Councils and lobbying activity. Targets for these remain to be developed.
- 2.13 Referrals under the various schemes at the Leisure centres are showing well above target results after suffering badly during the various lockdowns when the Leisure centres were legally required to close or operate at reduced capacity, this is very encouraging.

#### Corporate - Appendix 5

- 2.14 The workforce statistics are all favourable with the exception of staff turnover; an increase in workforce mobility (churn) post lockdown was widely predicted last year after recruitment stalled during lockdown. Recruitment remains challenging.
- 2.15 The Response to FOI requests have been 100% on time since April 2019. The additional requested FOI statistics have been added as a note against the KPI.
- 2.16 The % total Council Tax collected and % total NNDR collected are both above target again encouraging.
- 2.17 North Devon and Mid Devon District Council's joint building control team has been nominated by their customers for a prestigious national award. NMD Building Control is proud to be in the running for the category of Building Control Team of the Year in the LABC (Local Authority Building Control) Building Excellence Awards. The national award ceremony will be held on 28 January 2022, celebrating both people and places in the construction industry.

### **3.0 Risk**

**Some risk scores have increased due to the Covid 19 pandemic especially as regards financing, homelessness and the economic outlook.**

- 3.1 The Corporate risk register is regularly reviewed by Group Managers and Leadership Team and updated as required.
- 3.2 Risk reports to committees include strategic risks with a current score of 10 or more in accordance with the Risk and Opportunity Management Strategy. (Appendix 6)
- 3.3 Appendix 7 shows the risk matrix for MDDC for this quarter. If risks are not scored they are included in the matrix at their inherent score which will be higher than their current score would be.
- 3.4 Operational risk assessments are job specific and flow through to safe systems of work. These risks go to the Health and Safety Committee biannually with escalation to committees where serious concerns are raised.

### **4.0 Conclusion and Recommendation**

- 4.1 That the Committee reviews the performance indicators and risks that are outlined in this report and feeds back any areas of concern.

**Contact for more Information:** Catherine Yandle Operations Manager for Performance, Governance and Health & Safety [cyandle@middevon.gov.uk](mailto:cyandle@middevon.gov.uk)

**Circulation of the Report:** Leadership Team and Cabinet Member

# Corporate Plan PI Report Environment

Monthly report for 2021-2022  
Arranged by Aims  
Filtered by Aim: Priorities Environment  
For MDDC - Services

## Key to Performance Status:

Performance Indicators:

No Data

Well below  
target

Below target

On target

Above target

Well above  
target

\* indicates that an entity is linked to the Aim by its parent Service

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## Corporate Plan PI Report Environment

### Priorities: Environment

### Aims: Increase recycling and reduce the amount of waste

#### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Residual household waste per household (measured in Kilograms) (figures have to be verified by DCC)</u>	379.8	362.0	33.9	62.8	93.9	125.2	155.5	186.7	215.0	248.5					Darren Beer	(April - November) + 2.26 % change compared to the same period in previous year. As household

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Print Date: 07 January 2022 15:48

## Corporate Plan PI Report Environment

### Priorities: Environment

**Aims: Increase recycling and reduce the amount of waste**

### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
																numbers increase and with no change to the current scheme this figure will continue to rise steadily (LD)
<b><u>Number of Fixed Penalty Notices (FPNs) Issued (Environment)</u></b>	10		0	0	0	0	0	0	0	0					Darren Beer	(July) Enforcement staff have spent a proportion of their time carrying out container delivery duties on behalf of waste and recycling; staff normally carrying out these duties

## Corporate Plan PI Report Environment

### Priorities: Environment

**Aims: Increase recycling and reduce the amount of waste**

### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
																have been re-assigned to waste collection to ensure minimal disruption of the front line service to customers. (LD)
<u>% of Household Waste Reused, Recycled and Composted (figures have to be verified by DCC)</u>	53.5%	54.5%	52.1%	51.4%	53.7%	53.9%	54.0%	54.9%	54.8%	54.4%					Darren Beer	(November) Household recycling tonnage has decreased by 121 tonnes and household residual waste has increased by 53 tonnes; the effect on waste arisings

## Corporate Plan PI Report Environment

### Priorities: Environment

**Aims: Increase recycling and reduce the amount of waste**

### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
																means that the recycling rate for the year to date is very slightly lower than for the same period in the previous year. (LD)
<b><u>Number of Households on Chargeable Garden Waste</u></b>	11,653	11,200	11,620	11,620	11,620	11,791	11,861	11,879	11,888	11,713					Darren Beer	(November) 4.8% increase compared to November 2020 (LD)
<b><u>% of missed collections reported (refuse and organic waste)</u></b>	0.02%	0.03%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.03%	0.03%	0.02%				Darren Beer	(December) Remaining on target for the year (LD)
<b><u>% of Missed Collections</u></b>	0.02%	0.03%	0.02%	0.02%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%				Darren Beer	(December) Remaining on

## Corporate Plan PI Report Environment

### Priorities: Environment

**Aims: Increase recycling and reduce the amount of waste**

### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>logged (recycling)</u>																target for the year (LD)

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## Corporate Plan PI Report Climate Change

Monthly report for 2021-2022  
Arranged by Aims  
Filtered by Aim: Priorities Climate Change  
For MDDC - Services

**Key to Performance Status:**

Performance Indicators:

No Data

Well below target

Below target

On target

Above target

Well above target

\* indicates that an entity is linked to the Aim by its parent Service

### Corporate Plan PI Report Climate Change

#### Priorities: Climate Change

#### Aims: Green Sources of Energy

Performance Indicators																
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Electric Car Charger usage</u>	1,867	2,300	279	633	1,017	1,442	1,918	2,322	2,768	5,821					Jason Ball, Andrew Busby	
<u>Electric Car Charger Units</u>	0	8	n/a	n/a	0	n/a	n/a	0	n/a	n/a		n/a	n/a		Jason Ball, Andrew Busby	(Quarter 2) Funding secured for 5 units. Procurement by lead partner to follow (in preparation). (JB)

#### Aims: Biodiversity

Performance Indicators																
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Corporate Tree Planting Scheme</u>	0	500	n/a	n/a	0	n/a	n/a	0	n/a	n/a		n/a	n/a		Jason Ball, Andrew Busby	(Quarter 1) Winter 2020-2021 planned planting was deferred due to pandemic restrictions. Planting planned for winter 2021-2022 and we are working to secure funding. (JB)
<u>Community climate and biodiversity grants</u>	No	Agree funding. Options paper to be considered by Env PDG.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Jason Ball, Andrew Busby	

#### Aims: Retro-fitting measures

## Corporate Plan PI Report Climate Change

### Priorities: Climate Change

#### Aims: Retro-fitting measures

Performance Indicators																	
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes	
<u>Corporate Renewable Energy Projects</u>	1	4	n/a	n/a	0	n/a	n/a		n/a	n/a		n/a	n/a		Jason Ball, Andrew Busby		
<u>ECO Flex</u>	1,028	300	113	171	239	269	302	355	393	418					Simon Newcombe		
<u>Housing Assistance Policy</u>	5	5	0	0	0	2	3	6	7	7					Simon Newcombe		
<u>Home Improvement Loans</u>	10	10	n/a	n/a	2	n/a	n/a	3	n/a	n/a		n/a	n/a		Simon Newcombe		

#### Aims: Other

Performance Indicators																	
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes	
<u>Community Schemes</u>	0	4	n/a	n/a	4	n/a	n/a	4	n/a	n/a		n/a	n/a		Jason Ball, Andrew Busby	(Quarter 1) Working with 2x local litter groups, and at least 2 sustainability groups in the district. (JB)	
<u>Council Carbon Footprint</u>	19,407	18,250	n/a	n/a		n/a	n/a		n/a	n/a		n/a	n/a		Jason Ball, Andrew Busby		

## Corporate Plan PI Report Homes

Monthly report for 2021-2022  
Arranged by Aims  
Filtered by Aim: Priorities Homes  
For MDDC - Services

### Key to Performance Status:

Performance Indicators:

No Data

Well below  
target

Below target

On target

Above target

Well above  
target

\* indicates that an entity is linked to the Aim by its parent Service

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## Corporate Plan PI Report Homes

### Priorities: Homes

### Aims: Deliver Housing

### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Net additional homes provided</u>	335	393	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Tristan Peat	
<u>Self Build Plots</u>	1	5	n/a	n/a	6	n/a	n/a	6	n/a	n/a	12	n/a	n/a		Tristan Peat	(Quarter 3) Permission granted on 1.10.2021 for a dwelling at Bow, Crediton (application reference: 21/01088/FULL), and 5 CSB plots at the Tiverton EUE (21/00128/MFUL) on 11.11.2021 (TP)

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## Corporate Plan PI Report Homes

### Priorities: Homes

### Aims: Deliver Housing

### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Gypsy &amp; Traveller Pitches delivered</u>	1	2	n/a	n/a	0	n/a	n/a	1	n/a	n/a	1	n/a	n/a		Tristan Peat	(Quarter 2) Retrospective planning permission granted for one pitch at Yeoford (TP)
<u>Number of affordable homes delivered (gross)</u>	30	94	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Tristan Peat	
<u>New Social Rent Council Houses</u>	0	17	n/a	n/a	0	n/a	n/a	0	n/a	n/a		n/a	n/a		Andrew Busby, Simon Newcombe	(Quarter 2) 1 buy back in Q2 (CY)
<u>Number of Homelessness Approaches</u>	587		n/a	n/a	144	n/a	n/a	316	n/a	n/a		n/a	n/a		Simon Newcombe	

### Aims: Community Land Trusts

### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Community Land Trusts Assisted</u>	2	1	n/a	n/a	0	n/a	n/a	0	n/a	n/a		n/a	n/a		Tristan Peat	(Quarter 2) All town and parish council have been contacted in October 2021 to advise about support available from the Council to

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## Corporate Plan PI Report Homes

### Priorities: Homes

### Aims: Community Land Trusts

#### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
																assist community-led affordable housing schemes (TP)

### Aims: Private Sector Housing

#### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Deliver homes by bringing Empty Houses into use</u>	101	72	0	9	16	20	20	30	35	42					Simon Newcombe	(June) There has been very little activity on Empty homes over the last 18 months due to covid responsibilities. It can take a minimum of 12 months from first contact to seeing a result so the reduced activity is a knock on effect from last year. (TW)
<u>Houses in Multiple Occupation</u>	96%	100%	100%	100%	100%	100%	100%	100%	100%	100%					Simon Newcombe	

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## Corporate Plan PI Report Homes

### Priorities: Homes

### Aims: Private Sector Housing

#### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>(HMOs) investigations</u>																
<u>Landlord engagement and Support</u>	14	9	n/a	n/a	1	n/a	n/a	4	n/a	n/a		n/a	n/a		Simon Newcombe	(Quarter 2) 3x Pinpoint in September (TW)

### Aims: Council Housing

#### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Tenant Census</u>	34%	Develop action plan	n/a	n/a		n/a	n/a		n/a	n/a		n/a	n/a		Simon Newcombe	(Quarter 2) Customer Engagement and Tenant Involvement Officers now in place. Work has commenced on the Tenant Engagement

## Corporate Plan PI Report Homes

Priorities: Homes

Aims: Council Housing

### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
																Strategy which will take account of the preferences of tenants as set out in the tenant census. (CY)
% <u>Emergency Repairs Completed on Time</u>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%							Simon Newcombe	
% <u>Urgent Repairs Completed on Time</u>	99.9%	95.0%	99.0%	99.5%	99.7%	99.6%	99.6%	99.4%	99.4%						Simon Newcombe	
% <u>Routine Repairs Completed on Time</u>	99.6%	95.0%	97.7%	98.3%	98.7%	98.8%	98.9%	98.9%	98.9%						Simon Newcombe	
%	99.4%	100%	100%	99%	99%	99%	99%	100%	100%						Simon	

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## Corporate Plan PI Report Homes

### Priorities: Homes

### Aims: Council Housing

### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<b><u>Properties With a Valid Gas Safety Certificate</u></b>															Newcombe	
<b><u>% Complaints Responded to On Time</u></b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	98.5%	98.6%	97.6%						Simon Newcombe	

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## Corporate Plan PI Report Economy

Monthly report for 2021-2022  
Arranged by Aims  
Filtered by Aim: Priorities Economy  
For MDDC - Services

### Key to Performance Status:

Performance Indicators:

No Data

Well below target

Below target

On target

Above target

Well above target

\* Indicates that an entity is linked to the Aim by its parent Service

## Corporate Plan PI Report Economy

### Priorities: Economy

#### Aims: Incubator and start-up space

#### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Incubator and Start-up space</u>	0	2	n/a	n/a	0	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	Adrian Welsh	(Quarter 1) Due to staff redeployment during the pandemic and reduced capacity within the team, this project has not progressed. A scoping exercise is programmed for late 21 when ED team capacity is back to full strength. (JB)
<u>Sites for Commercial Development</u>	0	2	n/a	n/a	0	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	Keith Ashton, Andrew Busby	

#### Aims: Improve and regenerate our town centres

#### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Number of business rate accounts</u>	3,356		3,358	3,362	3,366	3,375	3,381	3,384	3,405	3,429	3,436				Dean Emery	
<u>Business Rates RV</u>	£45,601,082		£45,614,697	£45,572,772	£45,572,772	£46,111,792	£46,092,812	£46,128,787	£46,258,944	£46,312,564	£46,354,264				Dean Emery	
<u>Empty Business</u>	244					250	250	242	249	232	240				Dean Emery	

# Corporate Plan PI Report Economy

## Priorities: Economy

Aims: Improve and regenerate our town centres

### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<b>Properties</b>																
<b><u>Tiverton Town Centre Masterplan</u></b>			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Adrian Welsh, Angharad Williams	(2021 - 2022) Tiverton Town Centre Masterplan second round consultation scheduled to follow outcome of CRF bid - Cabinet March 2022 (AW)
<b><u>Cullompton Town Centre Masterplan</u></b>	n/a				Yes		Yes	Yes							Adrian Welsh, Angharad Williams	(September) Delivery Plan being developed (CY)
<b><u>Crediton Town Centre Masterplan</u></b>	n/a		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Angharad Williams	(2021 - 2022) Procurement March 2022 (CY)
<b><u>Pannier Market Regular Traders</u></b>	34.7%	85%	63%	82%	80%	80%	86%	88%							Adrian Welsh	(May) First full month after easing of restrictions (JB)
<b><u>West Exe North and South</u></b>	13		n/a	n/a	13	n/a	n/a	13	n/a	n/a	14	n/a	n/a		Keith Ashton, Andrew Busby	(Quarter 3) 100% Occupied (CY)
<b><u>Fore St Tiverton</u></b>	4		n/a	n/a	5	n/a	n/a	5	n/a	n/a	5	n/a	n/a		Keith Ashton, Andrew Busby	(Quarter 3) 100% Occupied (CY)
<b><u>Market Walk Tiverton</u></b>	14		n/a	n/a	14	n/a	n/a	14	n/a	n/a	15	n/a	n/a		Keith Ashton, Jason	(Quarter 3) 100% Occupied

## Corporate Plan PI Report Economy

### Priorities: Economy

#### Aims: Improve and regenerate our town centres

##### Performance Indicators

Title	Prev Year	Annual End Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
															Ball, Andrew Busby	(CY)

### Aims: Community Land Trusts

##### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Community Land Trusts Assisted</u>	2	1	n/a	n/a	0	n/a	n/a	0	n/a	n/a		n/a	n/a		Tristan Peat	(Quarter 2) All town and parish council have been contacted in October 2021 to advise about support available from the Council to assist community-led affordable housing schemes (TP)

### Aims: Digital Connectivity

##### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Digital connectivity</u>			n/a	n/a	0	n/a	n/a		n/a	n/a		n/a	n/a		Adrian Welsh	(Quarter 4) Progress with the town centre wi-fi projects has been hampered by Covid 19, but is due to be delivered by 1st Qtr of 2022. Econ Dev Project Manager also working to ensure maximum uptake of FFTP through 2nd Phase CDR rollout through Airband (JB)

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## Corporate Plan PI Report Community

Monthly report for 2021-2022  
 Arranged by Aims  
 Filtered by Aim: Priorities Community  
 Filtered by Flag: Exclude: Corporate Plan Aims 2016 to 2020  
 For MDDC - Services

### Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
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\*  
 indicates that an entity is linked to the Aim by its parent Service

## Corporate Plan PI Report Community

### Priorities: Community

#### Aims: Health and Wellbeing

#### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Annual Community Safety Partnership (CSP) Action Plan</u>	12	12	1	3	5	7	11	13	13	15					Simon Newcombe	(November) Reclaim the night - promotion of issues around safe places and violence against women and girls Workforce Development Felt Trauma - training delivered to 10 staff (TW)
<u>Safeguarding standards for drivers</u>	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%					Simon Newcombe	
<u>Mental Health First Aiders</u>	0	5	n/a	n/a	0	n/a	n/a	2	n/a	n/a		n/a	n/a		Matthew Page	
<u>National and regional promotions</u>	7	9	1	1	1	1	2	3	3	3					Simon Newcombe	(September) FSA new food business project (TW)

#### Aims: Community Involvement

#### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>% of complaints resolved w/in timescales (10 days - 12 weeks)</u>	90%	90%	100%	99%	97%	97%	96%	95%	95%	93%	90%				Lisa Lewis, Brian Trebilcock	(December) 14 at 1st check (04/01/22) (RT)
<u>Number of Complaints</u>	273		38	78	116	145	179	214	235	269	292				Lisa Lewis, Brian Trebilcock	

Corporate Plan PI Report Community																
Priorities: Community																
Aims: Leisure Centres																
Performance Indicators																
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Health Referral Initiative starters</u>	6	15	3	7	17	25	39	48	48	54					Corinne Parnall	(November) 6 (K)
<u>Health Referral Initiative completers</u>	0	10	3	3	3	3	3	12	12	19					Corinne Parnall	(November) 7 (K)
<u>Health Referral Initiative conversions</u>	0	5	2	2	2	2	2	11	11	16					Corinne Parnall	(November) 5 (K)

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# Corporate Plan PI Report Corporate

Monthly report for 2021-2022

Arranged by Aims

Filtered by Aim: Priorities Delivering a Well-Managed Council  
For MDDC - Services

Key to Performance Status:

Performance Indicators:

No Data

Well below  
target

Below target

On target

Above target

Well above  
target

\* indicates that an entity is linked to the Aim by its parent Service

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## Corporate Plan PI Report Corporate

### Priorities: Delivering a Well-Managed Council

#### Aims: South West Mutual Bank

#### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>South West Mutual Bank</u>			n/a	n/a	n/a	n/a	n/a		n/a	n/a	n/a	n/a	n/a		Andrew Jarrett	(April - September) An update went to Cabinet on 26 October. A further £125,000 investment was secured during the last financial year. The length of time to obtain a Banking Licence means it will be mid-2024 before the first product openings. (CY)

#### Aims: Commercial Opportunities

#### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes

## Corporate Plan PI Report Corporate

### Priorities: Delivering a Well-Managed Council

#### Aims: Commercial Opportunities

#### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Tiverton Other</u>	8		n/a	n/a	8	n/a	n/a	8	n/a	n/a	8	n/a	n/a		Keith Ashton, Andrew Busby	(Quarter 3) 100% Occupied (CY)
<u>Industrial Units Cullompton</u>	15		n/a	n/a	14	n/a	n/a	14	n/a	n/a	15	n/a	n/a		Keith Ashton, Andrew Busby	(Quarter 3) 100% Occupied (CY)

#### Aims: Other

#### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Sickness absence %</u>	2.10%	2.78%	n/a	n/a	2.08%	n/a	n/a	2.45%	n/a	n/a	2.96%	n/a	n/a		Matthew Page	
<u>Appraisals completed</u>	97%	100%	n/a	n/a	n/a	n/a	n/a	94%	n/a	n/a	n/a	n/a	n/a		Matthew Page	
<u>% total Council tax collected - monthly</u>	96.96%	96.00%	11.02%	19.86%	28.76%	37.56%	47.90%	55.18%	65.54%	73.60%	80.81%				Dean Emery	
<u>% total NNDR collected - monthly</u>	96.81%	97.00%	9.29%	15.07%	31.84%	39.83%	45.54%	57.36%	60.58%	69.36%	75.47%				Dean Emery	



# Corporate Plan PI Report Corporate

Priorities: Delivering a Well-Managed Council

Aims: Other

## Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>New Performance Planning Guarantee determine within 26 weeks</u>	100%	100%	n/a	n/a	100%	n/a	n/a	100%	n/a	n/a	100%	n/a	n/a		Angharad Williams	
<u>Major applications overturned at appeal (over last 2 years)</u>	5%	10.00%	n/a	n/a	7.14%	n/a	n/a	6.30%	n/a	n/a	5.81%	n/a	n/a		Angharad Williams	
<u>Major applications overturned at appeal % of appeals</u>	0.05%	10.00%	n/a	n/a	8.33%	n/a	n/a	4.51%	n/a	n/a	3.01%	n/a	n/a		Angharad Williams	
<u>Minor applications overturned at appeal (over last 2 years)</u>	2%	10.00%	n/a	n/a	0.43%	n/a	n/a	0.22%	n/a	n/a	0.36%	n/a	n/a		Angharad Williams	
<u>Minor applications overturned at appeal % of appeals</u>	1.66%	10.00%	n/a	n/a	0.70%	n/a	n/a	0.63%	n/a	n/a	0.71%	n/a	n/a		Angharad Williams	

## Corporate Plan PI Report Corporate

Priorities: Delivering a Well-Managed Council

Aims: Other

### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Response to FOI/EIR Requests (within 20 working days)</u>	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%				Catherine Yandle	(December) Q3 received 140, replied 116, granted in full 65, refused in part or in full 29, review requests 1 (CY)
<u>Working Days Lost Due to Sickness Absence</u>	5.80days	7.00days	n/a	n/a	1.35days	n/a	n/a	3.20days	n/a	n/a	5.75days	n/a	n/a		Matthew Page	
<u>Staff Turnover</u>	24.5%	15.0%	n/a	n/a	5.8%	n/a	n/a	10.7%	n/a	n/a		n/a	n/a		Matthew Page	

## Corporate Risk Management Report - Appendix 6

Report for 2021-2022

Filtered by Prefix: Exclude Risk Prefix: OP, PR, EV

Filtered by Flag: Include: \* Corporate Risk Register

For MDDC - Services

Filtered by Performance Status: Exclude Risk Status: Low

Not Including Risk Child Projects records, Including Mitigating Action records

### Key to Performance Status:

Mitigating Action:

Milestone  
Missed

Behind  
schedule

In progress

Completed  
and  
evaluated

No Data  
available

Risks: No Data (0+)

High (15+)

Medium (6+)

Low (1+)

## Corporate Risk Management Report - Appendix 6

**Risk: Climate Change Declaration** The implications to the Council's strategic, budget and medium term financial plans are not yet fully explored and understood. This introduces an increased level of uncertainty. Impact of climate change on the financial viability of the Council.

Service: Climate Change

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Climate and Sustainability Specialist	Appointment commenced in March 2021	Catherine Yandle	30/04/2021	10/01/2022	Fully effective (1)
Completed and evaluated	Climate Change Strategy and Action Plan	Was approved by Cabinet on 1 October 2020. The Handbook needs completing and publishing	Catherine Yandle	09/12/2020	10/01/2022	Satisfactory (2)
In progress	Consideration by the Environment PDG	This PDG has been tasked with considering the Council's own policy response (s) to the Climate Change Declaration made at Full Council on 26 June 2019.	Catherine Yandle	19/07/2019	10/01/2022	Satisfactory (2)
Completed and evaluated	Devon Climate Emergency – Tactical Group	MDDC are part of the tactical group for the climate emergency that	Catherine Yandle	18/05/2020	10/01/2022	Fully effective (1)

## Corporate Risk Management Report - Appendix 6

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
		has strategic links to our own plans.				
In progress	Net Zero Advisory Group	This was approved by Cabinet on 23 April 2020 terms of reference to be progressed for the group, membership confirmed and first meeting held remotely.	Catherine Yandle	18/05/2020	10/01/2022	Satisfactory (2)
Current Status: High (20)		Current Risk Severity: 5 - Very High		Current Risk Likelihood: 4 - High		
Service Manager: Jason Ball, Catherine Yandle						
Review Note: The Climate and Sustainability Specialist is prioritising work streams for future consideration. A report on budget options for climate investment went to Environment PDG on 11 January 2022.						

## Corporate Risk Management Report - Appendix 6

**Risk: Coronavirus Pandemic** The risk to MDDC's ability to conduct business as usual

**Service: Governance**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Business Continuity Planning (BCP)	BCPs have been reviewed. Regular updates are being obtained from Public Health England and the Local Resilience Forum. Meetings of managers and Leadership Team via Skype now monthly.	Catherine Yandle	06/03/2020	10/01/2022	Satisfactory (2)
Completed and evaluated	Financial and Economic effects monitoring	To ensure that local authorities including MDDC are reimbursed in full for the Covid 19 response by Central government. Assurance has been received from Internal Audit reviews of our claims.	Catherine Yandle	13/05/2020	10/01/2022	Fully effective (1)

**Current Status: High (20)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 4 - High**

**Service Manager: Simon Newcombe**

**Review Note:** Staff absence rates are at present the highest they have been during the entire pandemic, it is expected that BCPs may need to be invoked over the next few months.

## Corporate Risk Management Report - Appendix 6

**Risk: Culm Garden Village** Possible discontinuance of Government funding support

**Service: Planning**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Funding opportunities	Lobby for the creation of further funding opportunities and for further rounds of the garden communities capacity funding	Adrian Welsh	03/02/2021	18/10/2021	Satisfactory (2)
In progress	Further bids for capacity funding	To continue to secure external funding to support the project	Tristan Peat	29/03/2019	18/10/2021	Satisfactory (2)
Current Status: Medium (12)		Current Risk Severity: 4 - High		Current Risk Likelihood: 3 - Medium		
Service Manager: Tristan Peat, Adrian Welsh						
Review Note: Future bid opportunities unknown at this stage and will be announced by Government in due course						

## Corporate Risk Management Report - Appendix 6

**Risk: Cyber Security** Inadequate Cyber Security could lead to breaches of confidential information, damaged or corrupted data and ultimately Denial of Service. If the Council fails to have an effective ICT security strategy in place.

Risk of monetary penalties and fines, and legal action by affected parties

**Service: I C T**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Email and Protective DNS	ICT have applied the all levels of the government secure email policy, which ensures secure email exchange with government agencies operating at OFFICIAL. PSN DNS has been configured at the Internet gateway, which ensures the validity of websites and blocks known sites.	Lisa Lewis	06/06/2019	10/01/2022	Satisfactory (2)
Completed and evaluated	Information Security Policy in place, with update training	Information Security Policy on LMS (online policy system) included in induction.	Catherine Yandle	22/10/2015	10/01/2022	Fully effective (1)
In progress	Regular user awareness training	Staff and Member updates help to reduce the risk	Catherine Yandle	03/01/2019	10/01/2022	Satisfactory (2)
In progress	Technical controls in place	Required to maintain Public Sector Network certification	Lisa Lewis	03/01/2019	10/01/2022	Satisfactory (2)

**Current Status: High (20)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 4 - High**

**Service Manager: Brian Trebilcock**

**Review Note:** In the process of replacing the firewall and upgrading anti-malware software.

## Corporate Risk Management Report - Appendix 6

**Risk: Economic Development Service** The macro economic position might necessitate a reactive response, impacting on the Council's resourcing and reducing its ability to deploy resources as planned.

**Service: Growth, Economy and Development**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Distribution and processing of Gov business support funding.	To assist businesses during the Covid19 pandemic and to help sustain them during this time of national restrictions.	Adrian Welsh	12/05/2020	10/01/2022	No Score(0)
In progress	Hardship funding	To support individuals/households but also crucial for self employed and furloughed staff as a result of the pandemic.	Adrian Welsh	12/05/2020	10/01/2022	No Score(0)
In progress	Recovery plans	Work underway in partnership with other Devon and regional partners to develop economic recovery plans to assist positive outcomes on local economy.	Adrian Welsh	12/05/2020	10/01/2022	No Score(0)
<b>Current Status: High (25)</b>		<b>Current Risk Severity: 5 - Very High</b>		<b>Current Risk Likelihood: 5 - Very High</b>		

**Service Manager: Adrian Welsh**

**Review Note:** The pandemic has had a critical impact on the local, national and global economy. Distribution of grant assistance again being required following the impacts of the Omicron variant. Development of a longer term approach to recovery is currently being considered by the Economy PDG.



## Corporate Risk Management Report - Appendix 6

**Risk: Economic Strategy** Failure to deliver projects/outcomes in Economic Strategy

**Service: Growth, Economy and Development**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Continue to seek out existing and new funding opportunities	To assist in ensuring adequate funding for delivery of COVID19 economic recovery work.	Adrian Welsh	10/06/2019	10/01/2022	Satisfactory (2)
In progress	partnership working	Continue to work closely with delivery partners to gain advance warning of difficulties so as to seek to mitigate and also to develop joint responses to COVID economic recovery	Adrian Welsh	10/06/2019	10/01/2022	Satisfactory (2)
In progress	Project Management	Continue rigorous project management, monitoring and reporting of economic development projects	Adrian Welsh	10/06/2019	10/01/2022	Satisfactory (2)
In progress	Recovery Plans	Recovery Plans will be put in place to aid recovery.	Adrian Welsh	12/05/2020	10/01/2022	Satisfactory (2)
In progress	Review and reprioritisation	Part of review of projects for Year 2 actions and a review of the likely impacts on the economy of the pandemic. This will consider maximising investment through external funding and prioritising officer time.	Adrian Welsh	31/01/2020	10/01/2022	Satisfactory (2)
<b>Current Status: High (20)</b>		<b>Current Risk Severity: 4 - High</b>		<b>Current Risk Likelihood: 5 - Very High</b>		

## Corporate Risk Management Report - Appendix 6

**Service Manager: Adrian Welsh**

**Review Note:** Work is underway with regard to Economic Strategy actions with a number of projects being progressed; however many other actions will be reviewed as part of the longer term recovery plan work and the need for revised prioritisation.

**Risk: Funding** Insufficient resources (including funding) to deliver growth aspirations of Corporate Plan.

**Service: Growth, Economy and Development**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Actively pursue funding opportunities through Levelling Up Agenda/Shared Prosperity Fund	Work currently being undertaken to be in a state of readiness as opportunities become available	Adrian Welsh	03/02/2021	10/01/2022	Satisfactory (2)
In progress	Lobbying	Officers will continue to review funding opportunities and seek opportunities to work closely with local partners and the HotSWLEP to seek additional funding support for key infrastructure.	Adrian Welsh	12/05/2020	10/01/2022	Satisfactory (2)
In progress	Officers have reprioritised work programmes to explore new funding opportunities	End of European funding sources	Adrian Welsh	10/06/2019	10/01/2022	Satisfactory (2)
<b>Current Status: High (16)</b>		<b>Current Risk Severity: 4 - High</b>		<b>Current Risk Likelihood: 4 - High</b>		

**Service Manager: Adrian Welsh**

**Review Note:** Given ongoing constraints on resource and the scale of the challenges to the GED team at this time there has been need to carefully prioritise project delivery. Funding opportunities are actively being pursued.

## Corporate Risk Management Report - Appendix 6

**Risk: Health and Safety** Inadequate Health and Safety Policies or Risk Assessments and decision-making could lead to Mid Devon failing to mitigate serious health and safety issues

**Service: Governance**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Risk Assessments	Review risk assessments and procedures to ensure that we have robust arrangements in place. Risk training sessions in place.	Catherine Yandle	28/05/2013	26/08/2021	Satisfactory (2)
Completed and evaluated	Risk assessments	Group Managers receive monthly automated reminders to update any outstanding risk reviews	Catherine Yandle	20/09/2019	26/08/2021	Fully effective (1)
Current Status: Medium (10)		Current Risk Severity: 5 - Very High		Current Risk Likelihood: 2 - Low		
Service Manager: Catherine Yandle						
Review Note: Covid working arrangements unchanged. RAs continue to be kept under review.						

## Corporate Risk Management Report - Appendix 6

**Risk: Homelessness** Insufficient resources to support an increased homeless population could result in failure to meet statutory duty to provide advice and assistance to anyone who is homeless.

### Service: Public Health

#### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
No Data available	Multi-skilled Staff	Due to an increase in homelessness approaches more applicants with complex needs are coming through the system that require far greater staff attention than normal. In order to mitigate this, staff are expanding their training around mental health, drug and alcohol awareness, and safeguarding, in order to create a more multi-skilled and adaptable workforce. This may require a greater allocation of resources as homelessness increases.	Michael Parker	21/12/2020	10/01/2022	No Score(0)
No Data available	RSI funding	The number of homeless approaches and the number of rough sleepers in the District are both likely to increase as a result of the economic instability and the current outbreak of Covid19. Our	Michael Parker	21/12/2020	10/01/2022	No Score(0)

## Corporate Risk Management Report - Appendix 6

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
		success in obtaining up to £6,400 in RSI funding to deliver services during the cold weather means that we can adapt to this increased caseload and better carry out early intervention and prevention options to aid rough sleepers and prevent returning to the streets.				
No Data available	Staff Support	Officers are trained and knowledgeable and the structure of Housing Options team reviewed to build resilience.	Michael Parker	22/06/2017	10/01/2022	No Score(0)
No Data available	Temporary Accommodation	With the rise in homelessness applicants, the overall cost of homelessness provisions will increase and therefore there is a need to make use of existing stock as temporary accommodation, as opposed to more costly alternatives such as bed and breakfast.	Tanya Wenham	21/12/2020	10/01/2022	No Score(0)

**Current Status: High (16)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 4 - High**

**Service Manager: Tanya Wenham**

**Review Note:** Position essentially unchanged from previous review. The number of approaches

## Corporate Risk Management Report - Appendix 6

continues to increase. The temporary accommodation and homelessness strategy are being reviewed alongside wider housing policies to take account of the growing need for temporary accommodation of varying types. See also Affordable Housing risk for wider update

**Risk: Information Security** Inadequate data protection could lead to breaches of confidential information and ultimately enforcement action by the ICO.

### Service: Governance

#### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Awareness and Training	Attend team meetings and other meetings such as Tenants Together to provide training and answer questions on request. Articles in the Link on an ad hoc basis. Annual Information Security training is mandatory for all network computer users	Catherine Yandle	09/08/2019	10/01/2022	Satisfactory (2)
Completed and evaluated	Breach notification	Security breaches are logged via the helpdesk and monitored for developing trends. Training and advice is offered in response to items logged.	Catherine Yandle	09/08/2019	10/01/2022	Fully effective (1)

**Current Status: Medium (12)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Catherine Yandle**

**Review Note:** IS and IS Incident policies were reviewed and approved by Cabinet on 4 January 2022. Policies updated on LMS.

## Corporate Risk Management Report - Appendix 6

**Risk: Infrastructure delivery** Inability to deliver, or delay in delivering, key transport infrastructure to unlock planned growth

**Service: Growth, Economy and Development**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Close working with Devon County Council (delivery partner) over the HIF schemes	DCC is the delivery partner for the Council's HIF highway infrastructure project. Close working is taking place in order to ensure risks of project delay or cost escalation are reduced. DCC is undertaking robust project management of the projects. These actions seek to ensure the projects remain on track and any problems are raised at an early stage allowing for corrective action.	Adrian Welsh	13/01/2021	18/10/2021	Satisfactory (2)
In progress	Close working with Homes England over the HIF schemes	Grant fund agreements over the HIF funding to deliver 2 highway infrastructure schemes. These include a range of requirements and project milestones. Close liaison with Homes England is taking place via monthly project update meetings and quarterly monitoring returns. This ensures Homes England is updated on both projects, is aware of issues as they arise and any corrective actions	Adrian Welsh	13/01/2021	18/10/2021	Satisfactory (2)

## Corporate Risk Management Report - Appendix 6

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
		can be taken- for example seeking the revision of project milestones to reflect the latest project programme.				
In progress	Partnership working	Close working with delivery partners to attempt to mitigate risks.	Adrian Welsh	12/05/2020	18/10/2021	Satisfactory (2)
In progress	Partnership working with infrastructure providers and statutory bodies	Reduce risk of delays and communication.	Adrian Welsh	10/06/2019	18/10/2021	Satisfactory (2)
In progress	target funding opportunities	To seek to bring forward delivery	Adrian Welsh	10/06/2019	18/10/2021	Satisfactory (2)

<b>Current Status: High (16)</b>	<b>Current Risk Severity: 4 - High</b>	<b>Current Risk Likelihood: 4 - High</b>
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**Service Manager: Adrian Welsh**

**Review Note:** We are working closely with Homes England on both HIF scheme and looking to mitigate project risks as and when they occur. The Cullompton Relief Road has now been granted planning permission. We await the outcome of the Levelling Up Fund bid to help bring forward the Cullompton Relief Road scheme. The SOBC for Cullompton Railway Station has been submitted to the DfT and has been well received. Further announcements from DfT expected shortly.



## Corporate Risk Management Report - Appendix 6

**Risk: Multi Storey Car Park** ASB may result in injury, may also be reputational damage if not seen to be dealing with issues.

**Service: Property Services**

**Mitigating Action records**

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Essential Maintenance / Improvement Project is underway	A full review of the MSCP structure and maintenance requirements has been fully assessed and works completed. New upgraded CCTV installed.	Andrew Busby	02/05/2020	10/01/2022	Fully effective (1)
Completed and evaluated	MSCP Improvement Project	A full review of the MSCP structure and maintenance requirements has been fully assessed and works are completed.	Andrew Busby	23/08/2020	10/01/2022	Fully effective (1)

**Current Status: Medium (12)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Keith Ashton, Jason Ball, Andrew Busby**

**Review Note:** Bi-monthly management group has been set up and met on 10 January 2022 to follow up reported ASB. Long list of actions to be followed. Detailed report to Community PDG in March 2022.

## Corporate Risk Management Report - Appendix 6

**Risk: Out of Hours ICT Cover** Ineffective out of hours ICT cover for services (eg leisure and Pannier Market) runs reputational risk of not having full system functionality

**Service: I C T**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Managed links in place and manual contingency plans available	to enable Leisure Centre continue to function outside of office house	Christina Cross	22/10/2015	06/09/2021	Fully effective (1)
Completed and evaluated	Managed links, remote access to resolve issues	Support all businesses within MDDC	Liz Reeves	12/09/2017	06/09/2021	Fully effective (1)

**Current Status: Medium (12)**

**Current Risk Severity: 3 - Medium**

**Current Risk Likelihood: 4 - High**

**Service Manager: Brian Trebilcock**

**Review Note:** Remote connectivity limits risk/access to staff. Mitigations in place at Leisure Centres, e.g. removing door access requirements and broadband for kit run off separate adsl lines.

## Corporate Risk Management Report - Appendix 6

**Risk: Overall Funding Availability** Changes to Revenue Support Grant, Business Rates, New Homes Bonus and other funding streams in order to finance ongoing expenditure needs.

**Service: Financial Services**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
No Data available	Engaging in commercial activities	To provide additional revenue streams	Paul Deal	28/09/2017	07/01/2022	No Score(0)
No Data available	Medium term planning	Latest gap approximately £3M A range of options are being considered but Covid, business rates and uncertainty over fair funding review make the situation extremely challenging	Paul Deal	28/09/2017	07/01/2022	No Score(0)
No Data available	We continue to work with managers to reduce costs and explore new income streams	To close the budget gap and maintain services	Paul Deal	07/02/2019	07/01/2022	No Score(0)
<b>Current Status: High (15)</b>		<b>Current Risk Severity: 5 - Very High</b>		<b>Current Risk Likelihood: 3 - Medium</b>		

**Service Manager: Paul Deal**

**Review Note:** The 2022/23 Finance Settlement was better than forecast, but failed to provide any information about the future funding for Local Government. At the time of review, the S151 is confident that we will balance the 2022/23 budget without significant management action required. However, a budget deficit is still forecast in future years than must be addressed. The 2023/24 progress will need to begin promptly and thoroughly review all aspect of the budget. All options identified will be Cabinet and PDG's in the Autumn 2022.

## Corporate Risk Management Report - Appendix 6

**Risk: Reduced Funding - Budget Cuts** We are subject to continuing budget reductions. If we concentrate on short term cost savings, it may increase long term impact of decisions

**Service: Financial Services**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
No Data available	Business Plans	Service Business Plans are reviewed each financial year with suggestions for revised performance targets based on budget to be agreed by Cabinet Member and PDG.	Paul Deal	28/05/2013	07/01/2022	No Score(0)
No Data available	Identify Efficiencies	Taking proactive steps to increase income and reduce expenditure through efficiencies, vacancies that arise and delivering services in a different way.	Paul Deal	28/05/2013	07/01/2022	No Score(0)
No Data available	Reserves	Cabinet have taken the decision to recommend a minimum general reserve balance of 25% of Net annual budget.	Paul Deal	28/05/2013	07/01/2022	No Score(0)
No Data available	Set Budget	Each year as part of the budget setting process, members are consulted via PDGs in time to evaluate savings proposals, ahead of the November draft budget.	Paul Deal	28/05/2013	07/01/2022	No Score(0)

**Current Status: High (20)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 4 - High**

**Service Manager: Paul Deal**

**Review Note:** At the time of review, the S151 is confident that we will balance the 2022/23 budget without significant management action required. However, a budget deficit is still forecast in future years than must be addressed. The 2023/24 progress will need to begin promptly and thoroughly review all aspect of the budget. All options identified will be Cabinet and PDG's in the Autumn 2022.

## Corporate Risk Management Report - Appendix 6

**Risk: Reputational damage - social media** impact of reputational damage through social media is a significant risk that warrants inclusion on the Authority's risk register.

**Service: Communications**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Monitoring social media	Two members of the communications team monitor the main corporate social media accounts on a rota basis. Alerts are also set up so the team receives notification of comments and can respond as appropriate. This is monitored in office hours only and the team does not provide 24 hour monitoring or a call out function. The Comms Team also works with other local authorities and takes part in social media training with other local authorities as the opportunities arise budgets permitting.	Jane Lewis	05/06/2019	30/06/2021	Satisfactory (2)

**Current Status: Medium (10)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 2 - Low**

**Service Manager: Jane Lewis**

**Review Note:** A new SM governance group has been formed. SM will also be included in LMS and a database of those who access will be kept. IT have been contacted to put SM access on the leavers list too.

**Risk: Resourcing Risk** If the Council fails to recruit and/or retain sufficient, suitable staff it may not be able to maintain essential and/or statutory services.

**Service: Human Resources**

### Mitigating Action records

No Mitigating Action records found.

**Current Status: Medium (12)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Matthew Page**

**Review Note:** The vacancy rate for the organisation is around 10% with turnover looking to come in at 18% for the 21/22 financial year. Sickness has been fairly low to date given the rise of the Omicron variant but we expect this to be more challenging in quarter 4.

## Corporate Risk Management Report - Appendix 6

**Risk: SPV - 3 Rivers - Failure of the Company** This will depend on Economic factors and the Company's success in the marketplace commercially.

For MDDC the impacts will be:

3 Rivers are unable to service and repay the loan from MDDC

Not receiving the forecast additional income

Not supporting corporate objectives.

### Service: Financial Services

#### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
No Data available	Cabinet	Monthly meetings with Shareholder Representatives and monthly update to Cabinet on progress with the recommendations action plan and projects.	Andrew Jarrett	09/11/2020	07/01/2022	No Score(0)
No Data available	Regular monitoring	The Board of 3 Rivers deliver a half yearly report to the Cabinet which provides an update on their delivery against their business plan. We charge interest to them at a commercial rate in order to maintain an "arms-length" relationship and the interest provides some mitigation to the outstanding principal.	Andrew Jarrett	30/05/2019	07/01/2022	No Score(0)

**Current Status: High (16)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 4 - High**

**Service Manager: Paul Deal**

**Review Note:** The MDDC accounts (which includes 3R within the Group Accounts) was audited and no issues were identified. The company's latest business plan was recently approved by Cabinet and continues in line with that plan.

## Corporate Risk Management Report - Appendix 6

**Risk: SPV 3 Rivers Reputational Impact** That 3 Rivers' reputation is damaged by the actions of the council, threatening the long-term success of the company and potentially threatening the operational activity of the company through increased costs, reduced revenues, staff retention, or future claims against the council.

**Service: Governance**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Work with Members	Sustained work with elected members to ensure that the necessary balance is struck between constructive challenge and debate, without bringing the company or its activity into disrepute. Awareness raising relating to the roles of the council's scrutiny committee in assuring governance outcomes, the audit committee providing assurance on risk and mitigation, and the cabinet in its decision-making as shareholder. Use of external advice when necessary to provided added assurance.	Stephen Walford	11/11/2020	12/01/2022	Satisfactory (2)

**Current Status: High (15)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Stephen Walford**

**Review Note:** With matters of governance now addressed, this risk sits predominantly with the actions of members who must work to balance the need for process checking, challenge and assurance, with the desire to use the company as a tool for political disagreement. As much as it might be (a point of political disagreement), the audit position is clear that such interventions are not beneficial to the company in commercial terms, and therefore unlikely to be in the long-term interests of the council in seeking to achieve its strategic objectives.

With regular updates at Cabinet continuing, alongside auditing, members have structurally embedded a range of mechanisms to give confidence in the governance, oversight and assurance process. The reputational risk from members bringing the company into disrepute is therefore very much in individual members' hands.

## Corporate Risk Management Report - Appendix 6

**Risk: Tiverton Pannier Market** Failure to maximise the economic potential of Tiverton Pannier Market

**Service: Growth, Economy and Development**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Continue to retain and prioritise market budget	To ensure most efficient use of resources	Adrian Welsh	10/06/2019	10/01/2022	Satisfactory (2)
In progress	continue to work with traders on promotion	To increase footfall.	Adrian Welsh	10/06/2019	10/01/2022	Satisfactory (2)
In progress	Implement and review market strategy	Implementation of strategy will increase market's financial success and help fulfill its function as a key driver for the town.	Adrian Welsh	10/06/2019	10/01/2022	Satisfactory (2)
In progress	Masterplan Implementation	To realise benefits from the Masterplan to increase visibility of market and increase footfall.	Adrian Welsh	10/06/2019	10/01/2022	Satisfactory (2)

**Current Status: Medium (12)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Adrian Welsh**

**Review Note:** Plans to maximise economic potential of the pannier market are being reviewed to reflect the current challenges and future opportunities arising from changing retail habits as a result of the pandemic. The Market Manager is embarking on a number of initiatives to attract more traders and customers to the market.

Printed by: Catherine Yandle

SPAR.net

Print Date: 12 January 2022  
13:23



## AUDIT COMMITTEE 25 JANUARY 2022

### PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN

**Cabinet Member** Cllr Bob Deed, Leader  
**Responsible Officer** Catherine Yandle, Group Manager Performance, Governance and Health & Safety

**Reason for Report:** To provide the Committee with an update on progress made against the Annual Governance Statement 2020/21 Action Plan.

**RECOMMENDATION(S):** The Committee note the progress update

**Relationship to the Corporate Plan:** Having good governance arrangements and an effective internal control environment is a fundamental element of being a well-managed council.

**Financial Implications:** None arising from this report.

**Budget and Policy Framework:** None arising from this report.

**Legal Implications:** None arising from this report.

**Risk Assessment:** Failure to monitor progress against the Annual Governance Statement Action Plan could result in comment from the external auditors when they next review the Annual Governance Statement.

**Equality Impact Assessment:** No equality issues identified for this report.

**Impact on Climate Change:** No impacts identified for this report.

#### 1.0 Introduction

- 1.1 The purpose of this report is to provide Members of the Committee with an update on the progress that has been made against the actions in the Annual Governance Statement Action Plan since the Audit Committee approved it on 21 September 2021.
- 1.2 The Action Plan is attached as Appendix A and progress updates have been noted on the document. There were 4 new issues identified in the 2020/21 Annual Governance Statement and 2 brought forward from 2019/20 which required remedial action.
- 1.3 2 actions are now completed. Progress has been made on the other 4 issues identified.
- 1.4 Progress against the Action Plan is reported at each Audit Committee. There is a column for RAG status to make progress clearer. Amendments since the last report are shown as tracked changes so they are highlighted.

**Contact for more Information:** Catherine Yandle Group Manager Performance,  
Governance and Health & Safety ext 4975

**Circulation of the Report:** Leadership Team and Cabinet Member

**List of Background Papers:** None

## Annual Governance Statement (2020/21)

Annual Governance Statement 2020-21 Action Plan				
Issues Identified	Action to be taken	By whom and progress	When	Status
1. External legal and financial reviews have been undertaken on 3 Rivers at the request of the Leader. A number of recommendations have come from this work regarding improving governance arrangements. These were all approved by Cabinet at their meetings of 11 June 2020 and, after consultation with Scrutiny and Audit committees, 9 July 2020. An action plan is in place to address the recommendations.	Progress will be monitored by Cabinet and in this action plan.	Chief Executive  The governance Action Plan for 3 Rivers Developments has been largely completed; 32 of the 33 recommendations and now that the revised shareholder agreement has been agreed, we can move to the final recommendation which is to seek external assurance that all identified actions have been completed.	31 October 2021  The external review report has been received and gives assurance that all of the recommendations have been implemented.	
2. The current economic situation is likely to continue to see a reduction in the number of staff employed by the Authority. We have identified that this presents a potential risk to our ability to retain the skills and experience needed. Measures are being implemented to combat this risk.	Our present issues, reflecting the national position, are recruitment to certain posts and retention of key staff e.g. HGV drivers	Director of Business Transformation and Corporate Affairs  <a href="#">Director of Business Transformation and Corporate Affairs</a>  <a href="#">There has been a working group established to examine how we best recruit to key vacancies in the Council eg HGV Drivers.</a>	<del>31 December 2021</del> <a href="#">31 January 2022</a>	

		<p><u>A 'work local' logo has been designed and printed on the side of some of our waste lorries to give visible presence to our vacancies and the work of the Council.</u></p> <p><u>Growing and developing our own staff is a priority through the Evolve programme. We have recently carried out an external staff survey which is leading to the design of a staff survey action plan with the Impact staff consultative group. An Employee Relations specialist has been recently recruited to HR.</u></p> <p><u>Active use of all available funding is being made to employ and retain staff including the Kick-start scheme and Apprenticeship levy.</u></p> <p><u>Growing our own staff is a priority.</u></p>		
3. There was some frustration with IT equipment and telephony, particularly at the start of the Covid pandemic, which is not surprising considering ways of working had to change overnight.	This is being addressed as part of the hybrid working project going forward.	<p>Director of Business Transformation and Corporate Affairs</p> <p><u>On target:</u></p> <ul style="list-style-type: none"> <li><u>• Desktop audit completed</u></li> <li><u>• Additional mobiles/headsets procured</u></li> <li><u>• New Telephony system currently being procured.</u></li> </ul>	30 September 2022	

## Annual Governance Statement (2020/21)

		<ul style="list-style-type: none"> <li><u>Broadband bandwidth doubled and replacement/redundant solution currently being procured.</u></li> </ul> <p><u>New infrastructure replacement ordered and implementation planning commenced</u><del>Temporary working arrangements will continue for the foreseeable future.</del></p> <p><u>Formal arrangements, including the necessary infrastructure changes, is a priority corporate project</u></p>		
4. The DAP audit report on Digitalisation: Electronic payments, online forms and Social Media received a limited assurance audit opinion.	There is no high level strategy that would help the Council maximise opportunities to engage more effectively with the general public and help to inform the Social Media policy including the relevant controls that need to be in place.	<p>Director of Business Transformation and Corporate Affairs</p> <p><u>Revised social media policy within Communications Strategy and now have governance group convened.</u><del>A social media governance group has been set up and two meetings held. An operational protocol is in development.</del></p>	31 December 2021	
5. The DAP audit report on Commercial Rents received a limited assurance audit opinion.	There are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that	<p>Deputy Chief Executive (S151)</p> <p>There were 10 recommendations which are being progressed. <u>5 are complete and the remainder are on</u></p>	<p><del>31 December 2021</del></p> <p><u>31 March 2022</u></p>	

## Annual Governance Statement (2020/21)

	they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.	<a href="#">target for completion by 31 March 2022</a>		
6. The Council has no formal process for to track the progress of External Audit recommendations raised through to completion.	External Audit findings and the recommendations raised will be added to SPAR to track alongside Internal Audit recommendations.	Deputy Chief Executive (S151)  When we receive the final External Audit Findings report this will be actioned.	<del>31 December 2021</del> <a href="#">31 January March 2022</a>	

Green is completed

Amber is in Progress

Red is not completed

White is not due for completion yet

Internal Audit

## Audit Progress Report 2021-22

Mid Devon District Council  
Audit Committee

Page 67  
January 2022

Robert Hutchins  
Head of Audit Partnership

Auditing for achievement

Agenda Item 10.

## Introduction

The Audit Committee, under its Terms of Reference contained in Mid Devon District Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities carry out an annual review of the effectiveness of their internal audit system and incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion for use by the organisation to inform its governance statement. This report provides our proposed opinion for 2021-22 based on work undertaken to date in the Opinion Statement.

The Internal Audit plan for 2021-22 was presented and approved by the Audit Committee in March 2021. The following report and appendices set out the background to audit service provision; summaries of audit work undertaken during the year and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

### Expectations of the Audit Committee from this progress report

Audit Committee members are requested to consider:

- the assurance statement within this report.
- the basis of our opinion and the completion of audit work against the plan.
- the scope and ability of audit to complete the audit work.
- audit coverage and findings provided.
- the overall performance and customer satisfaction on audit delivery.
- approve the amendments to the audit plan.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework and satisfy themselves from this assurance that the internal control framework continues to be maintained.

**Robert Hutchins**

**Head of Devon Audit Partnership**

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## Opinion Statement

**Overall, based on work performed during 2021/22 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.**

*This opinion statement will support Members in their consideration for signing the Annual Governance Statement.*

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews. An opinion on the adequacy of controls is provided to management as part of the audit report.

All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified. Implementation of action plans is the responsibility of management yet may be reviewed during subsequent audits or as part of specific follow-ups.

Directors and Senior Management are provided with details of Internal Audit's opinion on each audit review to assist them with compilation of their individual annual governance assurance statements at year end.

<b>Substantial Assurance</b>	A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.
<b>Reasonable Assurance</b>	There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.
<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved.
<b>No Assurance</b>	Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.

## Executive Summary of Audit Results

### Risk Based Audits

We provide a Limited Assurance in the second part of our audits on Cyber Security. The eight High priority recommendations reflect the high-risk environment, in which an attack can seriously impact on operations.

We provide a Reasonable Assurance for Trade Waste, and for Business Continuity.

### Fraud Prevention and Detection

We continue to work with council officers on measures to identify and prevent fraud.

**Appendix 1** provides a summary of the audits undertaken since our last progress report in March 2021, along with our assurance opinion. Where we provide a "Substantial assurance" or "Reasonable assurance" of audit opinion we can confirm that, overall, sound controls exist to mitigate exposure to risks identified. Where we provided a "Limited assurance" opinion then issues were identified during the audit process that required attention. We are broadly content that management are appropriately addressing these issues, and we continue to track recommendation completion.

## Audit Coverage and Performance Against Plan

We progress delivery of our 2021-22 audit plan. In the next few months, we will be providing important assurance on Emergency Planning, Safeguarding, and Performance Management, and are continuing to deliver our core audits.

Due to circumstances including resources, we are currently behind schedule in completing our plan but are making progress with several new auditors having now joined (albeit they will take time to bed in). We may therefore need to prioritise completion of key audits to support provision of an overall assurance opinion. DAP is also currently discussing smoothing our work activity over the next couple of year within Partnership meetings.

## Value Added

We know that

it is important that the internal audit service seeks to "add value" whenever it can. We believe internal audit activity has added value to the organisation and its stakeholders by:

- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.
- Undertaking audits across organisational boundaries such as last year's audit on Building Control for North Devon and Mid Devon.
- Confirming that core controls continue to be effective despite changing work conditions and current pressure of work.

## Audit Recommendations

There are currently 10 overdue High and Medium recommendations listed on Spar (See **Appendix 2** - 1 High and 9 Medium). This compares to 13 overdue recommendations that we reported at the last Audit Committee and denotes continued good clearance although several involved extension of target dates. We understand that only High priority recommendations need Audit Committee agreement to extend target dates.

**Appendix 3** provides detail of recommendations that have been extended by management more than six months beyond the original agreed implementation date. There are 18 recommendations in this area (1 High, 11 Medium, and 6 Low). The High Recommendation relates to review of regulations related to Procurement Waivers. Six other recommendations also relate to our Procurement audit. We will discuss the need to address all the recommendations with management.

**Customer Satisfaction** – For each review we ask for feedback on the audit. The number of returns has not been good, so it is a priority that we obtain more feedback in this area.

## Appendix 1 – Summary of audit reports and findings for 2021-22


### Risk Assessment Key

Spar – Local Authority Risk Register Score Impact x Likelihood = Total & Level  
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management  
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available

### Direction of Travel Assurance Key

Green – action plan agreed with client for delivery over an appropriate timescale.  
 Amber – agreement of action plan delayed, or we are aware progress is hindered.  
 Red – action plan not agreed, or we are aware progress on key risks is not being made.  
 \* report recently issued; assurance progress is of managers feedback at debrief meeting.

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
RISK BASED REVIEWS						
<div>Business Continuity</div> <div>Page 71</div>	<div>Reasonable Assurance</div> <div>Status: Final Report</div>	<div>The Council's response to the Covid-19 emergency was significantly aided by its work in recent years to create a Business Continuity Plan, Service Plans and in holding several test exercises. This identified improvements and changes required to manage the current Covid Pandemic emergency, whilst also helping with the prioritisation of key activities to support resumption or continuance of operations, including holding a list of services to be brought back up quickly in the event of an incident. Our opinion of Reasonable Assurance recognises the effective work of the Council in managing the emergency over the last 18 months.</div> <div>Whilst recognising current demands on the Council, more formal arrangements are needed to support business-as-usual Business Continuity arrangements in an overall Business Continuity strategy. These would detail how risks are to be identified, managed, resources assigned, resilience of systems and processes reviewed and improved. This strategy should be periodically agreed by Cabinet.</div>	0	5	0	<div>↑ G</div>
Trade Waste	<div>Reasonable Assurance</div> <div>Status: Final Report</div>	<div>Our review found that Trade Waste and Recycling are offering a competitive service with a good level of customer satisfaction. The Trade Waste Officer has not visited businesses during the Pandemic but has maintained communication using phone and email; this information is reported to line managers monthly. Logs of missed calls are low which demonstrates a good collection service. Most invoices are processed in April and October every year, these are raised promptly. Review of financial information shows an increase in profit over the last three years. Customer satisfaction was not known but a survey which was conducted as part of the audit revealed a good level of customer satisfaction. The Trade Waste Officer appears to be aware of customer requirements and shows good management of the service. Resuming the monitoring of waste transfer notices (which is our High Priority Recommendation) and a succinct overview of performance reporting to encompass</div>	1	6	1	<div>↑ G</div>




Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
		key points of Trade Waste will enhance the management of the service.				
<b>Cyber Security – Malware and Ransomware: Incident Response and Recovery</b>	Limited Assurance Status: Final Report	<p>This audit reviewed controls against the NCSC 'Cyber Essentials' accreditation, Ransomware and '10 Steps' guidance, focusing on Incident Response and Recovery. We identified that the council is working to strengthen controls in this area, and some essential controls are in place including daily back up of live systems, and monthly patching of operating systems. However, we identify weaknesses that need to be addressed to reduce risk in this area.</p> <p>Further detail is contained in our report.</p>	8	4	0	

## Appendix 2 – Clearance of audit recommendations

Audits with open recommendations	Year	Recommendations									Direction of Travel RAG	COMMENTS ON IMPLEMENTATION			
		High			Medium			Low					Totals		
		C	N	O	C	N	O	C	N	O	C	N	O		
Insurance	2017	1			3					1	4	0	1	🔴	Insurance checks for external contractors. 75% contracts are sourced through Framework agreements or SLoAC; compliance insurance is monitored through these agreements. Managers have received training in 2018/19 on monitoring of contracts. The Procurement Manager is about to roll out refresher training, due to complete end June 2020.
Job Evaluation	2019				2		3	3			5	0	3	🔴	The Member of staff with responsibility for this project is on L-T sick leave but this will be prioritised on their return.
Development Management S106	2018	1		1	2		1				3	0	2	🔴	<b>Dates extended to 31 January 2022.</b> S106 Officer is working on the parish reports for publication. To be completed by the end of 2021/22 financial year. S106 application 'smarter' form is being produced. Word of mouth being used to publicise funds, this is proving effective with money being allocated effectively.
Creditors	2018&19	1			5			4	2		10	2	0	🔴	Review of masterfile - <b>date has been extended a second time to end December 2021</b> to fit with workflows.
Debtors	2019&20				3	1		3		2	6	1	2	🔴	New sales pro-forma has been created to be introduced - <b>deadline extended by end of November 2021</b> . Identification of duplicate customers - <b>deadline extended to end of December 2021</b> to fit with workflows.
Ctax and NNDR	2018&20	1			3	1		4			8	1	0	🔴	Single Business Rates Relief project progressing - files sent for checking against a national data base for matches - awaiting results. Quality reviews are set up and being carried out.
Asset Management	2019				2			2			2	2	0	🔴	<b>Dates extended to 31 March 2022</b> due to time diverted to Climate Change support.
Housing Health & Safety	2019	1			14	1		2			17	1	0	🟢	Reducing Medium risk properties to low risk over next 2 years - budget resourced to increase target for 2021/22. Training - delayed due to Covid - dates extended.
Safeguarding	2019	3			3		1				6	0	1	🟢	3 safeguarding awareness training sessions have been carried out with operatives during May 2020. Now need to pick up on those who were unavailable at the time - delayed due to Covid.
Housing Benefits	2020						1				0	0	1	🟢	Delayed due to Covid.
ICT Core Material Systems	2020				2		3	2		3	4	0	6	🟢	
Payroll	2020	1			7					1	8	0	1	🟢	
Building Control	2020	3			1	1		1			5	1	0	🟢	<b>Date extended to 31/12/21</b> delay due to the pandemic - four cases of Covid within the team and very high workloads. Would like to provide face to face training which has not been possible due to the pandemic.
Procurement	2020		1		3	5			1		3	7	0	🟢	<b>Dates have been extended.</b> These recommendations are on hold while the future delivery mode of Procurement services are considered
Commercial Rents	2020				3	3		2			5	3	0	🟢	<b>Dates extended to 31/3/22</b>
Safe Staff Operations during Covid	2020				4	2	1	1	1	1	5	3	2	🟢	
Debt Recovery	2021					2	1							🟢	
Stores	2021		1		2	6			1		2	8	0	🟢	
Care Services	2021			1		7	4		1		0	8	5	🟢	
Cyber Security	2021		6			4					0	10	0	🟢	
Governance	2021					7					0	7	0	🟢	
Corporate Plan	2021					3					0	3	0	🟢	
Income Management	2021					1			2	1	0	3	1	🟢	
Business Continuity	2021					5					0	5	0	🟢	
Trade Waste	2021		1			6			1		0	8	0	🟢	
		15	1	1	50	14	9	19	5	7	84	14	17		

CORE
SYSTEM

**C = Completed** 73%  
**N = Not yet due** 12%  
**O = Overdue** 15%

Not progressing   
 Progressing some overdue   
 On Target, report just issued 

## Appendix 3 - Recommendations more than six months beyond original agreed implementation date

Audit	Recommendation	Management Action	Priority	Original Action Date	Current Planned Date	Latest management update
Job Evaluation Audit	Since the new computerised job evaluation process has been in place (February 2019) there has not been any analysis across the Council to monitor posts. The Council now have a mixture of posts which have been graded under the old system and the computerised system. The lack of monitoring/analysis of similar posts graded under the new on-line job evaluation system compared with those graded under the old system could mean that any disparity between posts is not identified which could inadvertently compromise compliance with equal pay legislation.	The new online system is the Council's current job evaluation scheme, and it is our intention and commitment to re-evaluate all roles under the new scheme. The plan is threefold (timescales next to proposal); 1. To evaluate roles when they become vacant to assist impartiality.	Medium	1/4/20	31/1/22	The Member of staff with responsibility for this project is on L-T sick leave but this will be prioritised on their return.
		2. To create Job families for different jobs operating at similar levels.		31/1/21	31/1/22	
		3. To create job templates.		31/9/20	31/1/22	
Creditors	A hard copy of user notes for processing and paying supplier invoices is available, although it was noted that these were created some years ago. Amendments to the process have been added manually, but there is only one copy of the user notes which are not saved electronically.	User notes will be recreated and saved electronically.	Low	31/7/19	31/12/21	
Creditors	A review of the supplier master file has not been carried out to ensure that suppliers are still valid and are	Annual review will be carried out to ensure supplier records are still valid.	Low	No date on report – given	31/12/21	

	in use.			date of 1yr from report date – 30/11/19		
<b>Income Management</b>	There is currently no regular review carried out to identify duplicate customers or those who are no longer used. The integrated debtors' module within e-Financials does not allow customers to be deleted or made inactive, therefore a note is placed on some (but not all) customer records when a customer is no longer in use.	As per the observation, purging of duplicate customers can't be done, however we will ensure there is a narrative to indicate that it is an old user account	Medium	31/12/19	31/12/21	New sales pro-forma has been created to be introduced and implemented.
<b>Income Management</b>	Our review of the sales invoicing procedure found the coding and VAT treatment of sales invoices to be accurate, and that invoices were raised in a timely manner. Although descriptions relating to the type of services supplied were also accurate, there were some instances where the dates for the provision of the service had been omitted by the requesting officer, and therefore some improvement is required in this area for clarity. Document retention of the invoicing requests also needs to be more consistent to ensure that there is a clear audit trail relating to the authorisation for raising sales invoices.	Suitable guidance will be issued to officers to ensure that there is consistency in the completion of the sales invoice request template. Document retention will be reviewed in October 19, as part of this retention of invoice requests will be looked at in terms of storage options.	Low	31/12/19	30/11/21	
<b>Asset Management Strategy incl.</b>	The property/land ownership database in Uniform (CAPS) is currently not fully populated, but	Measures are in place to ensure that adequate monitoring of the project and	Low	31/12/19	31/3/22	Dates extended to 31 March 2022 due to time diverted to



<b>leasing</b>	there is an on-going project to bring the database up to date with the latest information. An exercise is being carried out by the Gazetteer Management Service, to bring the database up to date, with a target date for completion being the end of 2019. After this we understand that it will be the responsibility of Estates to maintain all ownership records relating to Council owned land and building. Managers should ensure that the project is regularly monitored.	training of Business Support staff is sufficient, to ensure accurate maintenance of Council asset information.				Climate Change support.
<b>Asset Management Strategy incl. Leasing</b>	Once the project to get the Corporate Property database up to date has been completed, it will be the responsibility of the Estates team to continue with maintenance of the records when notified by Legal Services. Training will be required for the Business Support Officers who will be responsible for maintaining the database, as will user guides to ensure the integrity of the information in the Corporate asset database.	Training needs will be identified, and user guides produced to ensure consistency and integrity of the asset ownership module in the Uniform (CAPS) system. Appraisal objectives for training have been included for all Business Support Officers.	Low	No date on report. Report date July 2019. Would expect a low completed within 1 year which would make target date: 31/7/20	31/3/22	Dates extended to 31 March 2022 due to time diverted to Climate Change support.
<b>Building Control</b>	Internal audits are currently undertaken by the Building Control Manager, which may impair independence and objectivity, calling into question the reliability of the internal audit results.	We agree that it is less than ideal that the Service Manager has been carrying out the audits although this has been a useful tool for driving improvement. This arose due to the auditor leaving. Training of a replacement auditor has been delayed due to COVID-19 but internal training is now planned for an auditor and lead auditor. It is felt strongly the	Medium	28/2/21	31/12/21	Date extended to 31/12/21 delay due to the pandemic - four cases of Covid within the team and very high workloads. Would like to provide face to face training which has not been possible due to the pandemic.



internal audits should be carried out by staff outside the management team but within the Building Control Service.

- The quality system is intended to demonstrate compliance not only with ISO 9001 but is intended to meet the requirements of the Building Safety Regulator. Hence, there is a need to verify compliance with the Building Control Performance Standards including aspects such as ensuring that inspection regimes are appropriate for the risk. There is therefore a need for specialist knowledge in the performance of audits.
- The auditor will be independent of the management team but integral to the working of the department. Independence from management would enable areas to be targeted in audits that can highlight operational weaknesses and promote genuine improvement. However, inside knowledge aids rather than hinders this ability.
- The appointment of an auditor provides an excellent development opportunity providing an insight into the management system that provides a basis for future promotion. Indeed, I believe this approach benefited my own development when I was a Quality Auditor in Swindon in the 1990's
- The use of internal resources in the auditing role helps with buy-in from staff giving them genuine

		control and helps drive service improvement from the shop floor rather than it being imposed from outside. Hence, if the relationship between management and auditor is managed correctly it can help embed a quality system ethos more effectively within the team. Hence, as the system becomes more mature it is hoped that all staff will become confident and feel comfortable raising non-conformance reports, in addition to scheduled audits, highlighting issues to management knowing that issues will be formally reviewed.				
<b>Procurement</b>	MDDC has created a Responsible Procurement Strategy and a Sustainable Procurement Policy & Procedure which have been introduced into the Dashboard Nov 2019. Neither of these have yet been referred to committee. These documents are signposted for managers to use but ratification is required for official approval and adoption by presentation to Cabinet.	Submit the Responsible Procurement Strategy and Sustainable Procurement Policy & Procedure Recognition so that it gets put onto the framework by legal services and goes to committee asap for approval.	Low	31/3/21	31/3/22	Dates have been extended. These recommendations are on hold while the future delivery mode of Procurement services are considered
<b>Procurement</b>	While there is a Finance Plan with procurement elements, the Council does not have a discrete Procurement Business Plan or supporting procurement performance framework. This means that there is no document to identify how procurement could be improved, such as further reducing the number of suppliers the Council deals with and mapping out the key contracts that need to be maintained. It also means that the	We will create a Procurement Business Plan outlining the priorities for Procurement to concentrate on for the next couple of years. It will also map out the key performance indicators that will be reported to senior management.	Medium	31/7/21	30/9/22	

	objectives of the service, how these objectives filter into the Corporate Plan and monitoring performance against these objectives are not outlined.					
<b>Procurement</b>	<p>Supplier spend is regularly monitored by the Procurement team however, this is currently a manual task.</p> <p>We understand that there was a business objects report that can be generated monthly, but further development of the report is required before it is fit for purpose.</p> <p>If the report cannot generate the information required, then an alternative approach should be considered, to create a more efficient way of monitoring supplier spend. This would increase assurance that supplier spend that is potentially reaching a threshold where a contract should be in place, has been identified.</p>	Accepted.	Medium	31/7/21	31/12/21	
<b>Procurement</b>	<p>The previous audit report on Procurement made a recommendation for training of Group Managers on contract management, with a completion date of 31 March 2019 (subsequently revised to June 2020). Due to the C-19 emergency this was not progressed. The completion of this training was queried at the January 2021 Audit Committee. We understand that this training has now re-started.</p> <p>In addition, Procurement training to all eProcurement users and authorisers through learning and</p>	Procurement made a recommendation that contract management training should be undertaken by all officers who effect the tender/contract process not just the group managers. Procurement was not then and are not now in a position to offer this as a procurement training function only the recommendation to do so but will help to establish those who would benefit from the training. Officers will need to engage directly with MDDC's learning and	Medium	31/3/21	31/3/22	

	<p>development is planned from January 2021 to reinforce the correct purchasing sequence of events and checks to ensure orders are raised, in advance of the works, goods or services being received by the Council</p> <p>This action is coupled with looking into the option to have multiple users able to GRN the goods/services. These planned actions should be followed with monitored and stricter enforcement of the "Invoices only paid if PO and GRN " rule.</p>	<p>development to affect this training – the contract management training is available via L&amp;D with Achilles Manual 121 Procurement Training to all Eproc and Efin users has commenced Jan 2021 and will continue until all users are re-trained (estimated at August 2021) when this training will become an electronic and video L&amp;D online training function. This will be separated into learning sections so that only those sections required are presented to users (I.e., Requisitioners will see a slightly different set of instruction to that of an Authoriser). Those users that carry out both functions in a controlled manner will see a combination of both. This electronic training will sit within the MDDC officer annual training requirements so it will be monitored / tracked automatically.</p>				
<b>Procurement</b>	<p>Aggregation in supplier values is not currently being picked up automatically so that when recognised action may be taken to address and ensure rules adhered to.</p> <p>Management comment that when every spend is apportioned to the Contract Register, ideally a 'running total' will be available and reported automatically to the generic Procurement Office email if a supplier is nearing their monetary threshold. Further investigation should be undertaken to align the</p>	Accepted	Medium	31/7/21	31/12/21	

	MDDC Contract Register.					
<b>Procurement</b>	The Council should support a Counter Fraud and Anti-Corruption culture to reduce the risk of fraud and corruption. Trust should not be a substitute for strong internal controls. Many elements of the procurement system have a function in terms of preventing fraud and corruption. As part of the current review of the Councils CF Strategy, management should ensure there is sufficient focus on the procurement risk.	Procurement has the Fraud, Corruption & Bribery policy within the Responsible procurement area of the Procurement dashboard and controls for purchase card use etc. but always open to investigating more robust options that mitigate risk.	Medium	31/3/21	31/3/22	
<b>Procurement</b>	The Finance regulations do not clearly state the requirement to refer Waivers for council visibility. The regulations (per Sec 5.1.3 Financial Regulations) appear to state that waivers issued are to go for review by Council Committee. However, practice currently in use, as stated on the waiver form notes that only if budget is exceeded by £50k should approval and confirmation be sought from Scrutiny. This practice conflicts with the instructions laid down in the Financial Regulations which requires review by Committee (but is not specific on which one). The Finance Regulations should therefore be reviewed to clarify the procedure to be followed for Waivers. The three current contract waivers should be reported to the relevant Committee for review to ensure reputational risk is considered.	Waiver Form has now been revised and updated to February 2021 v2 to align with the Financial Regulations with the financial threshold removed from the waiver and advising that: <i>All Waivers will be referred to Scrutiny (or Audit) Committee after agreement – those raising / agreeing the Waiver should be aware that they may be subsequently reviewed by the Committee.</i> The three Waivers in question will need to be presented to Scrutiny by the requestors / authorisers of these waivers for due consideration and Procurement will advise those users to do so. The DCE (S151) will revise the FRegs to establish a more clarified position relating to the need for and the referral route for waivers asap.	High	31/3/21	31/12/21	

<b>Commercial Rents</b>	The property/land ownership database in Uniform (CAPS) is currently not fully populated and the project to bring the database up to date with the latest information had stalled. The exercise to bring the database up to date has now recommenced with a new appointee. Information required is currently on spreadsheets, but the reporting functions of CAPS is not in use.	The property/land ownership database in Uniform (CAPS) is currently not fully populated. The project to bring the database up to date should be completed as soon as possible to take advantage of the expected ease of management reporting and envisaged time efficiency benefits to be realised. Managers should ensure that the project is regularly monitored until completion	Medium	01/3/21	31/3/212	
<b>Commercial Rents</b>	The property/land ownership database in Uniform (CAPS) is currently not fully populated and the project to bring the database up to date with the latest information had stalled. The exercise to bring the database up to date has now recommenced with a new appointee. Information required is currently on spreadsheets, but the reporting functions of CAPS is not in use.	Once the Corporate Property database is up to date, it will be the responsibility of the Estates team to continue with maintenance of the records when notified by Legal Services. Training will be required for the Business Support Officers who will be responsible for maintaining the database, as will user guides to ensure the integrity of the information in the Corporate asset database.	Medium	01/3/21	31/3/22	
<b>Commercial Rents</b>	The Agreement with BBCL should be re-visited to ensure the agreement contains clearer lines of communication documented in the event of possible unrecoverable or overdue rental income and agreed processes for actions to be taken in such situations. Consideration should be given to the setting of indicators to measure the	The agreement with BBCL will be reviewed and KPI's introduced to include/ ensure their credit control team communicate with the Council on a regular basis set out via procedure. Has reviewed at Scrutiny Committee additional Performance Indicators will be	Medium	01/3/21	31/3/22	

	agent's performance.	introduced for rates of return on direct and indirect cost basis.				
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## Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon & Torridge councils. We aim to be recognised as a high-quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk).

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## AUDIT COMMITTEE 25 JANUARY 2022

### ARRANGEMENTS FOR THE APPOINTMENT OF EXTERNAL AUDITORS FROM 2023/24

**Cabinet Member(s):** Cllr Andrew Moore, Cabinet Member for Finance  
**Responsible Officer:** Andrew Jarrett, Deputy Chief Executive (S151)]

**Reason for Report:** To advise Members of the options, process and legislative requirement to appoint External Auditors for the Accounting Periods from 2023/24 and to seek Member endorsement of the recommended option for Council approval.

**Recommendation:** To propose that Full Council agree opting into the PSAA procurement process for the appointment of an External Auditor from 2023/24.

**Financial Implications:** The Council's external audit fees are £36,729 for 2020/21. However over the past couple of years, additional charges have been made by Grant Thornton, our current external auditor, for undertaking additional work as prescribed by the regulators. The prospectus indicates that these additional tasks will continue, and that there is likely to be a further increase in fees to address imbalance in the audit market and attract new entrants / retain current organisations in the market. Scale fees are therefore likely to return to levels prior to the last PSAA procurement exercise in 2017.

**Budget and Policy Framework:** Additional budget provision has been made for the likely increase in fees. The audit itself will follow the prescribed process outlined by the regulator.

**Legal Implications:** Local Authorities are required under legislation to appoint their own External Auditors for the Accounts 2023/24 (when the current contract expires). The Local Audit and Accountability Act 2014 requires Local Authorities to decide between opting from one of the following two options available, namely:

1. Utilising the Public Sector Audit Appointments (PSAA), under the appointing persons regime, Local Audit (Appointing Person) Regulations 2015, or
2. Running our own procurement exercise.

Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt-in must be made by Full Council.

**Risk Assessment:** The principal risks are that the Authority:

1. fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
2. does not achieve value for money in the appointment process.

These risks are considered best mitigated by opting into the sector-led approach through PSAA. The process as set out above and the recommendation should ensure compliance with the Local Audit and Accountability Act 2014.

**Equality Impact Assessment:** There are no Equalities Impact implications relating to the content of this report.

**Relationship to Corporate Plan:** The audit will help ensure that the council's financial resources are directed towards the delivery of our Corporate Plan's priorities and that they provide Value for Money (VfM).

**Impact on Climate Change:** There are no Climate Change implications relating to the content of this report.

## **1. Introduction/Background**

- 1.1. Since the abolition of the Audit Commission on 31 March 2015, Councils have had the choice of procuring and appointing their own External Auditors or opting into a national scheme run by the Public Sector Audit Appointments Limited (PSAA). In February 2017, the Council agreed to opt-in to the national appointment scheme for the period covering the accounts for 2018/19 to 2022/23.
- 1.2. PSAA is an independent, not-for-profit company limited by guarantee and established by the Local Government Association, whose costs are around 4% of the scheme with any surplus distributed back to scheme members. It was originally established, under powers delegated by the Secretary of State, to operate the transitional arrangements of existing contracts that were scheduled to terminate in March 2017 and were subsequently extended for a further year.
- 1.3. The current PSAA contract and arrangements will end in March 2023 and a decision on whether to opt-in to the national scheme again needs to be made by 11 March 2022.
- 1.4. The Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. This means that PSAA can make auditor appointments for audits of the accounts of principal authorities, which choose to opt into its arrangements, for the five financial years 2023/2024 to 2027/2028.
- 1.5. This is a further update to the report which was presented to the Audit Committee on the 21 September 2021. It summarises the key proposals contained in the Public Sector Audit Appointments Ltd (PSAA) prospectus (Appendix A) and recommends opting into the PSAA procurement process.
- 1.6. On 22 September 2021 the Chief Officer of Public Sector Audit appointments wrote to our Chief Executive making the formal Invitation to opt into the national scheme for auditor appointments. A copy of this letter is included within Appendix A, along with a copy of the Prospectus in Appendix B and the Procurement Strategy in Appendix C.
- 1.7. The deadline for formal acceptance of this invitation is 11 March 2022 which means that this meeting of the Audit Committee must make its recommendation in order that it can be considered by Full Council at its meeting on 23 February 2022.

- 1.8. For information purposes, the S151's across Devon discussed this matter at its December meeting and were all minded to opt in. Therefore the option of a joint local procurement has not been considered.

## **2. Changes in the audit**

- 2.1. Since the 2017 procurement much has changed in the local audit market. During 2018 a series of financial crises and failures in the private sector year led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.
- 2.2. The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.
- 2.3. This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with Covid-19 creating further significant pressure for finance and audit teams.
- 2.4. None of these problems is unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

## **3. The Appointed Auditor**

- 3.1. The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Best Value assessment of the council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.
- 3.2. The auditor must act independently of the council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.
- 3.3. The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) employ authorised Key Audit Partners to oversee the work. As the report below sets out there is a currently a shortage of registered firms and Key Audit Partners.
- 3.4. Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract.
- 3.5. Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

#### **4. The Options open to MDDC**

4.1. As laid out above, there are effectively two options open to the Council, namely:

1. Utilise the Public Sector Audit Appointments (PSAA), under the appointing persons regime, Local Audit (Appointing Person) Regulations 2015, or
2. Run our own procurement exercise.

#### **4.2. Option 1 - Sector led Procurement Exercise Utilising PSAA.**

- 4.2.1. This is the least resource demanding of the two options available to the Authority. The use of PSAA provides for a procurement exercise undertaken on a larger scale than an Authority led procurement exercise and will ensure that the most competitive rates are obtained through economies of scale. This will result in a larger interest from the registered Audit Sector Partners and result in a reduced cost for undertaking the procurement exercise (establishing an audit panel, advertising and interview costs) as procurement exercise costs will be shared by the number of Authorities opting for this option.
- 4.2.2. The PSAA will take into considered, if requested, joint working arrangements across organisations and ensure the same auditor is appointed to ensure smooth working. The monitoring of contracts, quality, compliance and independence will be managed by the PSAA, who will also mediate any conflicts arising.

- 4.2.3. Supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.
- 4.2.4. However, elected members have less opportunity for direct involvement other than through the LGA and/or stakeholder representatives.

#### **4.3. Option 2: Running our own procurement exercise**

- 4.3.1. To conduct our own procurement exercise would require the establishment of an Auditor Panel. The majority of the panel members must be independent appointees, which precludes current and former elected members (or officers) and their close families and friends. The Panel role cannot, therefore, be performed by the Audit Committee. Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus ongoing expenses and allowances.
- 4.3.2. This exercise will therefore involve disproportionate use of resources (cost and management time) and would not deliver economies of scale/bulk buying power which the sector led procurement process would deliver. The Council would therefore not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.
- 4.3.3. The specification or scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. A local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement
- 4.3.4. In light of the benefits that the sector led procurement option undertaking our own procurement exercise is not recommended.

#### **5. Conclusions/recommendations.**

- 5.1. The primary aim of the PSAA Procurement Strategy is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.
- 5.2. Opting in to the sector-led national approach would therefore seem a logical way of maintaining the collective purchasing power that a national framework would provide. Best value for MDDC is therefore most likely to be achieved through joining the PSAA approach as opposed to going it alone.
- 5.3. For the reasons stated above, Option 1 is recommended option as it provides the best opportunity to deliver Value for Money.
- 5.4. The date by which principal authorities will need to opt into the appointing person arrangement is 11 March 2022. The aim is to award contracts to audit firms by the end of June 2022, giving six months to consult with authorities on appointments before the 31 December 2022 deadline.

5.5. This is a decision that requires a recommendation to be made to Full Council.

**Contact for more Information:** Andrew Jarrett – Deputy Chief Executive (S151)  
[ajarrett@middevon.gov.uk](mailto:ajarrett@middevon.gov.uk) / 01884 234242

Paul Deal – Corporate Manager for Financial  
Services [Pdeal@middevon.gov.uk](mailto:Pdeal@middevon.gov.uk)

**Circulation of the Report:** Cabinet Member seen and approved [yes/no – name of  
Cabinet Member], Cabinet, Leadership Team seen and approved [yes/no]

**List of Background Papers:** Appendix A – Letter to CEO from PSAA  
Appendix B – PSAA Prospectus  
Appendix C – PSAA Procurement Strategy  
Appendix D - Form of notice of acceptance of  
the invitation to opt in

22 September 2021

To: Mr Walford, Chief Executive  
Mid Devon District Council

Copied to: Mr Jarrett, S151 Officer  
Councillor Evans, Chair of Audit Committee or equivalent

Dear Mr Walford,

### **Invitation to opt into the national scheme for auditor appointments from April 2023**

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at [ap2@psaa.co.uk](mailto:ap2@psaa.co.uk). We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to [ap2@psaa.co.uk](mailto:ap2@psaa.co.uk), and we will respond to you.

Yours sincerely

Tony Crawley  
Chief Executive

Encl: Summary of the national scheme



## Why accepting the national scheme opt-in invitation is the best solution

### Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

### The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

### What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

## **Opting in**

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

## **Local Government Reorganisation**

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

## **Next Steps**

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).

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# PROSPECTUS

## The national scheme for local auditor appointments

All eligible bodies

September 2021

[www.psaa.co.uk](http://www.psaa.co.uk)

## About PSAA

Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing auditors and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme, overseeing issues of auditor independence and monitoring compliance by the auditor with the contracts we enter into with the audit firms.

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# Introduction

PSAA has issued its formal invitation to all eligible bodies to opt into the national scheme for local auditor appointments for the second appointing period, which will provide external audit arrangements for the period commencing from the financial year 2023/24.

This prospectus is published to provide details of the national scheme and to assist eligible bodies in deciding whether or not to accept PSAA's invitation. The scheme has been shaped by [your feedback to the June 2021 consultation](#) on our draft prospectus. The key areas of our approach that have been refined in response to consultation feedback are set out later in this prospectus.

In relation to appointing auditors, eligible bodies have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.

A decision to become an opted-in authority must be taken in accordance with the Regulations, that is by the members of an authority meeting as a whole, i.e. in Full Council, except where the authority is a corporation sole, such as a police and crime commissioner, in which case this decision must be taken by the holder of that office.

An eligible body that has decided to join the scheme must inform PSAA by returning the Form of Acceptance Notice (issued with the opt-in invitation) **no later than midnight on Friday 11 March 2022**.

An eligible body that does not accept the opt-in invitation but subsequently wishes to join the scheme may apply to opt in only after the appointing period has commenced, that is on or after 1 April 2023. In accordance with the regulations, as the appointing person, PSAA must: consider a request to join its scheme; agree to the request unless it has reasonable grounds for refusing it; and notify the eligible body within four weeks of its decision with an explanation if the request is refused. Where the request is accepted, PSAA may recover its reasonable costs for making arrangements to appoint a local auditor from the opted-in body.



# Audit does matter

The purpose of audit is to provide an independent opinion on the truth and fairness of the financial statements, whether they have been properly prepared and to report on certain other requirements. In relation to local audit the auditor has a number of distinctive duties including assessing the arrangements in place to deliver value for money, and dealing with electors' objections and issuing public interest reports.

Good quality independent audit is one of the cornerstones of public accountability. It gives assurance that taxpayers' money has been well managed and properly expended. It helps to inspire trust and confidence in the organisations and people responsible for managing public money.

*"The LGA set up PSAA to provide a way for councils to meet the legislative requirements of audit procurement without unnecessary bureaucracy and to provide leverage for councils by collaborating in a difficult market. It is now more important than ever that councils work together to ensure we get what we need from the audit market."*

*James Jamieson. Chairman of the Local Government Association*

## Context: changes in the audit market

In 2014 when the Local Audit and Accountability Act received Royal Assent the audit market was relatively stable. In 2017 PSAA benefitted from that continuing stability. Our initial procurement on behalf of more than 480 bodies (98% of those eligible to join the national scheme) was very successful, attracting very competitive bids from firms. As a result, we were able to enter into long term contracts with five experienced and respected firms and to make auditor appointments to all bodies. However, although we did not know it at the time, this was the calm before the storm.

2018 proved to be a very significant turning point for the audit industry. A series of financial crises and failures in the private sector gave rise to questioning about the role of auditors and the focus and value of their work. In rapid succession the Government commissioned four independent reviews, all of which have subsequently reported:

- Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator;
- the Competition and Markets Authority review of the audit market;
- Sir Donald Brydon's review of the quality and effectiveness of audit; and
- Sir Tony Redmond's review of local authority financial reporting and external audit.

In total the four reviews set out more than 170 recommendations which are now at various stages of consideration by Government with the clear implication that a series of significant reforms could follow. Indeed, in some cases where new legislation is not required, significant change is already underway. A particular case in point concerns the FRC, where the Kingman Review has inspired an urgent drive to deliver rapid, measurable improvements in audit quality. This has already created a major pressure for firms and an imperative to ensure full compliance with regulatory requirements and expectations in every audit they undertake.

By the time firms were conducting 2018/19 local audits, the measures which they were putting in place were clearly visible in response to a more focused regulator that was determined to achieve change. In order to deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain higher levels of assurance. However, additional work requires more time, posing a threat to firms' ability to complete all of their audits by the target date for publication of audited accounts (then 31 July) - a threat accentuated by growing recruitment and retention challenges, the complexity of local government financial statements, and increasing levels of technical challenges as bodies explored innovative ways of developing new or enhanced income streams to help fund services for local people.

This risk to the delivery of timely audit opinions first emerged in April 2019 when one of PSAA's contracted firms flagged the possible delayed completion of approximately 20 audits. Less than four months later, all firms were reporting similar difficulties, resulting in more than 200 delayed audit opinions.

2019/20 audits have presented even greater challenges. With Covid-19 in the mix both finance and audit teams have found themselves in uncharted waters. Even with the benefit of an extended timetable targeting publication of audited accounts by 30 November, more than 260 opinions remained outstanding. The timeliness problem is extremely troubling. It creates disruption and reputational damage for affected parties. There are no easy solutions, and so it is vital that co-ordinated action is taken across the system by all involved in the accounts and audit process to address the current position and achieve sustainable improvement without compromising audit quality. PSAA is fully committed to do all it can to contribute to achieving that goal.

Delayed opinions are not the only consequence of the regulatory drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been received than in prior years and audit costs have increased.

None of these problems are unique to local government audit. Similar challenges have played out throughout other sectors where, for example, increased fees and disappointing responses to tender invitations have been experienced during the past two years.

All of this paints a picture of an audit industry under enormous pressure, and of a local audit system which is experiencing its share of the strain and instability as impacts cascade down to the frontline of individual audits. We highlight some of the initiatives which we have taken to try to manage through this troubled post-2018 audit era in this prospectus.

We look forward to the challenge of getting beyond managing serial problems within a fragile system and working with other local audit stakeholders to help design and implement a system which is more stable, more resilient, and more sustainable.

## Responding to the post-2018 pressures

MHCLG's<sup>1</sup> Spring statement proposes changes to the current arrangements. At the time of writing, a formal consultation on the proposals in the Spring statement is underway and is due to close on 22 September 2021. The significant work to reform audit in the wake of the four independent reviews is underway. Further wide-ranging change is almost certain to occur during the next few years, and is very likely to have an impact during the appointing period that will commence in April 2023. Organisations attempting to procure audit services of an appropriate quality during this period are likely to experience markedly greater challenges than pre-2018.

Local government audit will not be immune from these difficulties. However, we do believe that PSAA's national scheme will be the best option to enable local bodies to secure audit services in a very challenging market. Firms are more likely to make positive decisions to bid for larger, long term contracts, offering secure income streams, than they are to invest in bidding for a multitude of individual opportunities.

We believe that the national scheme already offers a range of benefits for its members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency and value for money;
- on-going management of any independence issues which may arise;
- access to a dedicated team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members;
- collective savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- a sector-led collaborative scheme supported by an established advisory panel of sector representatives to help inform the design and operation of the scheme;

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<sup>1</sup> Immediately prior to the publication of this document it was announced that MHCLG has been renamed to Department for Levelling Up, Housing and Communities (DLUHC). The document refers to the department as MHCLG.

- avoiding the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- providing regular updates to Section 151 officers on a range of local audit related matters and our work, to inform and support effective auditor-audited body relationships; and
- concerted efforts to develop a more sustainable local audit market.

The national scheme from 2023/24 will build on the current scheme having listened to the feedback from scheme members, suppliers and other stakeholders and learning from the collective post-2018 experience.

Since 2018 we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties including:

- commissioning an independent review undertaken by Cardiff Business School of the design of the scheme and implementation of our appointing person role to help shape our thinking about future arrangements;
- commissioning an independent review by consultancy firm Touchstone Renard of the sustainability of the local government audit market, which identified a number of distinctive challenges in the current local audit market. We published the report to inform debate and support ongoing work to strengthen the system and help to deliver long term sustainability;
- proactively and constructively engaging with the various independent reviews, including the significant Redmond Review into Local Authority Financial Reporting and External Audit;
- working with MHCLG to identify ways to address concerns about fees by developing a new approach to fee variations which would seek wherever possible to determine additional fees at a national level where changes in audit work apply to all or most opted-in bodies;
- establishing the Local Audit Quality Forum, which has to date held five well attended events on relevant topics, to strengthen engagement with Audit Committee Chairs and Chief Finance Officers;
- using our advisory panel and attending meetings of the various Treasurers' Societies and S151 officer meetings to share updates on our work, discuss audit-related developments, and listen to feedback;
- maintaining contact with those registered audit firms that are not currently contracted with us, to build relationships and understand their thinking on working within the local audit market;
- undertaking research to enable a better understanding of the outcomes of electors' objections and statements of reasons issued since our establishment in April 2015; and
- sharing our experiences with and learning from other organisations that commission local audit services such as Audit Scotland, the NAO, and Crown Commercial Services.

As a member of the newly formed Local Audit Liaison Committee (established by MHCLG as outlined in its Spring statement), we are working closely with a range of local audit stakeholders including MHCLG, FRC, NAO, ICAEW, CIPFA and the LGA to help identify and develop further initiatives to strengthen local audit. In many cases desirable improvements are not within PSAA's sole gift and, accordingly, it is essential that this work is undertaken collaboratively with a common aim to ensure that local bodies continue to be served by an audit market which is able to meet the sector's needs and which is attractive to a range of well-equipped suppliers.

One of PSAA's most important obligations is to make an appropriate auditor appointment to each and every opted-in body. Prior to making appointments for the second appointing period, commencing on 1 April 2023, we plan to undertake a major procurement enabling suppliers to enter into new long term contracts with PSAA.

In the event that the procurement fails to attract sufficient capacity to enable auditor appointments to every opted-in body or realistic market prices, we have fallback options to extend one or more existing contracts for 2023/24 and also 2024/25.

We are very conscious of the value represented by these contract extension options, particularly given the current challenging market conditions. However, rather than simply extending existing contracts for two years (with significant uncertainty attaching to the likely success of a further procurement to take effect from 1 April 2025), we believe that it is preferable, if possible, to enter into new long term contracts with suppliers at realistic market prices to coincide with the commencement of the next appointing period.

MHCLG has recently undertaken a consultation proposing amendments to the Appointing Person Regulations. We have set the length of the next compulsory appointing period to cover the audits of the five consecutive financial years commencing 1 April 2023.

## **PSAA is well placed to lead the national scheme**

As outlined earlier, the past few years have posed unprecedented challenges for the UK audit market. Alongside other stakeholders PSAA has learned a great deal as we have tried to address the difficulties and problems arising and mitigate risks. It has been a steep learning curve but nevertheless one which places us in a strong position to continue to lead the national scheme going forward. MHCLG's Spring statement confirmed Government's confidence in us to continue as appointing person, citing our strong technical expertise and the proactive work we have done to help to identify improvements that can be made to the process.

The company is staffed by a team with significant experience of working within the context of the regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees. All of these roles are undertaken with a detailed, ongoing, and up-to-date understanding of the distinctive context and challenges facing

both the sector and a highly regulated service and profession which is subject to dynamic pressures for change. Where appropriate we have worked with MHCLG to change our regulations where they are preventing efficiency.

We believe that the national collective, sector-led scheme stands out as the best option for all eligible bodies - especially in the current challenging market conditions. It offers excellent value for money and assures the independence of the auditor appointment.

Membership of the scheme will save time and resources for local bodies - time and resources which can be deployed to address other pressing priorities. Bodies can avoid the necessity to establish an auditor panel (required by the Local Audit & Accountability Act, 2014) and the need to manage their own auditor procurement. Assuming a high level of participation, the scheme can make a significant contribution to supporting market sustainability and encouraging realistic prices in a challenging market.

The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the NAO<sup>2</sup>), the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements.

The scope of public audit is wider than for private sector organisations. For example, for 2020/21 onwards it involves providing a new commentary on the body's arrangements for securing value for money, as well as dealing with electors' enquiries and objections, and in some circumstances issuing public interest reports.

Auditors must be independent of the bodies they audit to enable them to carry out their work with objectivity and credibility, and to do so in a way that commands public confidence. We will continue to make every effort to ensure that auditors meet the relevant independence criteria at the point at which they are appointed, and to address any identified threats to independence which arise from time to time. We will also monitor any significant proposals for auditors to carry out consultancy or other non-audit work with the aim of ensuring that these do not undermine independence and public confidence.

The scheme will also endeavour to appoint the same auditor to bodies involved in formal collaboration/joint working initiatives, if the parties consider that a common auditor will enhance efficiency and value for money.

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<sup>2</sup> MHCLG's Spring statement proposes that overarching responsibility for the Code will in due course transfer to the system leader, namely ARGA, the new regulator being established to replace the FRC.

# PSAA's commitments

## PSAA will contract with appropriately qualified suppliers

In accordance with the 2014 Act, audit firms must be registered with one of the chartered accountancy institutes - currently the Institute of Chartered Accountants in England and Wales (ICAEW) - acting in the capacity of a Recognised Supervisory Body (RSB). The quality of their work will then be subject to inspection by either or potentially both the RSB and the FRC. Currently there are fewer than ten firms registered to carry out local audit work.

We will take a close interest in the results of RSB and FRC inspections and the subsequent plans that firms develop to address any areas in which inspectors highlight the need for improvement. We will also focus on the rigour and effectiveness of firms' own internal quality assurance arrangements, recognising that these represent some of the earliest and most important safety nets for identifying and remedying any problems arising. To help inform our scrutiny of both external inspections and internal quality assurance processes, we will invite regular feedback from both audit committee chairs and chief finance officers of audited bodies.

## PSAA will support market sustainability

We are very conscious that our next procurement will take place at a very difficult time given all of the fragility and uncertainties within the external audit market.

Throughout our work we will be alert to new and relevant developments that may emerge from the Government's response to the Kingman, CMA and Brydon Reviews, as well as its response to the issues relating specifically to local audit highlighted by the Redmond Review. We will adjust or tailor our approach as necessary to maximise the achievement of our procurement objectives.

A top priority must be to encourage market sustainability. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work which suppliers must undertake, firms will be informed as to which developments should be priced into their bids. Other regulatory changes will be addressed through the fee variation process, where appropriate in the form of national variations.

## PSAA will offer value for money

Audit fees must ultimately be met by individual audited bodies. The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies.

We believe that the most likely way to secure competitive arrangements in a suppliers' market is to work collectively together as a sector.



We will seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies. We will also continue to seek to minimise our own costs (which represent approximately 4% of overall scheme costs). We are a not-for-profit company and any surplus funds will be returned to scheme members. For example, in 2019 we returned a total £3.5million to relevant bodies and, more recently, we announced a further distribution of £5.6m in August 2021.

We will continue to pool scheme costs and charge fees to opted-in bodies in accordance with our published fee scale as amended from time to time following consultations with scheme members and other interested parties. Pooling is a key tenet of the national collective scheme.

Additional fees (fee variations) are part of the statutory framework. They only occur if auditors are required to do substantially more work than anticipated, for example, if local circumstances or the Code of Audit Practice change or the regulator (the FRC) increases its requirement on auditors.

Audit developments since 2018 have focused considerable attention on audit fees. The drive to improve audit quality has created significant fee pressures as auditors have needed to extend their work to ensure compliance with increased regulatory requirements. Changes in audit scope and technical standards, such as the requirement in the new Code of Audit Practice 2020 for the auditor to provide a VFM arrangements commentary, have also had an impact. Fees are rising in response to the volume of additional audit work now required.

The outcome is awaited of MHCLG's recent consultation on changes to the regulations, designed to provide the appointing person with greater flexibility to allow a fee scale to be set during the audit year (rather than before it starts). If implemented, these changes will enable approved recurring fee variations to be baked into the scale fee at an earlier date so the scale fees are more accurate and the volume of fee variations is reduced.

It is important to emphasise that by opting into the national scheme you have the reassurance that we review and robustly assess each fee variation proposal in line with statutory requirements. We draw on our technical knowledge and extensive experience in order to assess each submission, comparing with similar submissions in respect of other bodies/auditors before reaching a decision.

## Procurement Strategy

Our [procurement strategy](#) sets out the detail and scope of the procurement to deliver contracts from which the auditor appointments will be made for eligible bodies that decide to accept the invitation to opt into PSAA's scheme.

Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.



We expect to initiate a new procurement for audit services in February 2022 and, subject to a satisfactory outcome, to award contracts in August 2022. Subject to consultations with opted-in bodies and audit firms, we plan to make auditor appointments by 31 December 2022 (as required by the regulations).

## Response to consultation feedback

PSAA consulted with eligible bodies and other stakeholders on our draft prospectus for the national scheme for local auditor arrangements from April 2023, and with the audit services market on important features of its procurement strategy. The insight provided from both these important consultations has helped to shape the arrangements that PSAA will implement from 2023/24. Key areas are highlighted below.

### Evolution of the Local Audit Framework

The consultation responses highlight the need for system-wide change. In many areas it is not within PSAA's remit to effect the significant change required.

The newly formed Local Audit Liaison Committee (as outlined in MHCLG's Spring statement), has enabled PSAA to highlight the need for a range of actions to tackle the identified issues that are essential to support a more stable, more resilient, and more sustainable local audit system. Sometimes the actions can be taken by individual organisations, but more frequently responsibility lies collectively across the system. The Liaison Committee and its members are now taking actions forward, including:

- All stakeholders to communicate the importance of audit timeliness as a consistent message to audit firms;
- PSAA to work with the FRC to develop the approach to quality evaluation of tenders;
- MHCLG and other stakeholders to understand the extent of potential increased audit costs for all eligible bodies and to consider how these might be met;
- All stakeholders to consider ways in which to attract new entrants (firms and Key Audit Partners) into the market;
- Central government departments to provide clarity on the direction of local audit policy to inform firms' consideration ahead of next procurement;
- The NAO and FRC to work together to consider how they can provide clarity about the future direction of the Code of Audit Practice to firms ahead of the next procurement; and
- MHCLG, CIPFA and the LGA to consider how to support finance departments with accounting and audit requirements.

In the vast majority of the areas consulted on which were within PSAA's remit, responses were supportive of our proposals for the national scheme from 2023/24 which is very encouraging. Areas where we have revisited and evolved our approach are highlighted below.

## **Minimum Audit Fees**

Audit fees are rising in all sectors in response to increased regulatory requirements for audit quality and changes in audit scope and technical standards. Striving to ensure realistic fee levels is a vital prerequisite to achieving a more sustainable and stable local audit market.

Where individual audits currently attract scale fees that do not cover the basic costs of the audit work needed for a Code-compliant audit, we propose to implement a minimum fee level at the start of the next appointing period, for the audit of the 2023/24 accounts. Our independent research indicates a minimum fee level of £31,000 should apply, based on the 2020/21 scope of audit work, to any opted-in body (a police and crime commissioner and a chief constable constitute one body for this purpose).

We cannot anticipate scale fees for the next appointing period at this stage, because they will depend on the prices achieved in the procurement and any changes in audit requirements. Where any price increase means that the scale fee for a body does not reach the floor set by the minimum fee, the fee for that body would increase to reach the minimum level. It is likely, given current expectations, that the introduction of a minimum fee specifically would lead to an increase in fees for a relatively small number of local bodies. PSAA consults each year on the fee scale and will consult in 2023 on the 2023/24 fee scale.

Introducing a minimum fee is a one-off exercise designed to improve the accuracy of the fee scale for the next appointing period. Fee variations would continue to apply where the local circumstances of an audited body require additional audit work that was not expected at the time the fee scale was set.

## **Standardised fee variations**

Current local audit regulations allow PSAA to approve fee variation requests only at individual bodies, for additional audit requirements that become apparent during the course of an audit year. MHCLG has announced the intention to amend the regulations, following a consultation, to provide more flexibility. This would include the ability for PSAA to approve standardised fee variations to apply to all or groupings of bodies where it may be possible to determine additional fees for some new requirements nationally rather than for each opted-in body individually. Where it is possible to do this, it would have the effect of reducing the need for local fee variations.

## **Approach to social value in the evaluation of tenders**

We plan to retain our original proposal of a 5% weighting but to broaden the criteria by asking bidders to describe the additional social value they will deliver from the contract, which could include the creation of audit apprenticeships and meaningful training opportunities. Bidders will also be asked to describe how their delivery of social value will be measured and evidenced.

## Contract Management

The quality of the audit services received by opted-in bodies is very important to both the bodies themselves and to PSAA. Our intention is therefore to focus a significant majority of the quality assessment of tender submissions on resourcing, capacity and capability (including sector knowledge) and on client relationship management and communication. Correspondingly, we intend to apply a lesser weighting to those criteria that are regularly assessed by the regulator. We will seek the views of the regulator in developing the detail of our approach.

We will also review the contract terms used in 2017 ahead of the next procurement of audit services. In particular we will consider the potential to introduce enhanced performance management arrangements aligned to the greater emphasis on quality within the tender evaluation process. Any such revision must ensure continued compliance with the FRC's Ethical Standard which prevents audit fees from being *"calculated on a predetermined basis relating to the outcome or result of a transaction, or other event, or the result of the work performed"*.

## Information and Communication

Following the success of the webinars held to support the recent consultation, PSAA will be running a series of webinars starting in October 2021. The webinars will provide eligible bodies with the opportunity to hear and ask questions about specific areas of scheme arrangements and PSAA's work, and our progress to prepare for the second appointing period. Details of the [webinar series](#) can be found on our website.

## Eligible Principal Bodies in England

The following bodies are eligible to join the proposed national scheme for appointment of auditors to local bodies:

- county councils
- metropolitan borough councils
- London borough councils
- unitary councils
- district councils
- combined authorities
- passenger transport executives
- police and crime commissioners for a police area
- chief constables for an area
- national park authorities for a national park
- conservation boards
- fire and rescue authorities
- waste authorities
- the Greater London Authority and its functional bodies
- any smaller bodies whose expenditure in any year exceeds £6.5m (e.g. Internal Drainage Boards) or who have chosen to be a full audit authority (Regulation 8 of Local Audit (Smaller Authorities) Regulations 2015).

## Board Members

Steve Freer (Chairman)

Keith House

Caroline Gardner CBE

Marta Phillips OBE

Stephen Sellers

PSAA Board members bring a wealth of executive and non-executive experience to the company. Areas of particularly relevant expertise include public governance, management and leadership; local government and contract law; and public audit and financial management.

Further information about PSAA's Board can be found at  
<https://www.psaa.co.uk/about-us/who-we-are/board-members/>

## Senior Executive Team

Tony Crawley, Chief Executive

Sandy Parbhoo, Chief Finance Officer

Andrew Chappell, Senior Quality Manager

Julie Schofield, Senior Manager Business & Procurement

Within the PSAA senior executive team there is extensive and detailed knowledge and experience of public audit, developed through long standing careers either as auditors or in senior finance and business management roles in relevant organisations.

Further information about PSAA's senior team can be found at  
<https://www.psaa.co.uk/about-us/who-we-are/executive-team/>

# Annex - Procurement Options

## Our Preferred Option

A 5 year contract with the fallback of the right to extend one or more of the current contracts if there are insufficient or unaffordable bids.

## Other Options Considered and Rejected

### Option 1

Extending the existing contracts for 2 years and deferring the procurement. We want to secure 5 year contracts if we can because we believe this option is more attractive to the market.

### Option 2

A 5 year contract with a commitment not to extend the existing contracts. We need the back stop of the right to extend the existing contracts if there are insufficient bids to allow us to make auditor appointments to all opted in bodies or if any of the bids received propose unacceptable prices.

### Option 3

A 5 year contract with pre-determined prices for years 1 and 2 thereby avoiding the need for firms to price in the value of the right to extend the existing contracts. We believe such an arrangement will be unattractive to the market. Firms should be able to offer their own prices for years 1 and 2.

# **Audit services procurement strategy 2022**

**September 2021**

**High quality independent audit is one of the cornerstones of public accountability. It gives assurance that taxpayers' money has been well managed and properly expended. It helps to inspire trust and confidence in the organisations and people responsible for managing public money.**



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## Introduction

1. Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association (LGA) in August 2014. It has a Board of non-executive directors supported by a Chief Executive and a team of staff who have significant experience and skills in managing contracts for public audit services. More information about the PSAA Board and Executive team can be found at <http://www.psaa.co.uk/about-us/who-we-are/>.
2. In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 (the Act) and the Local Audit (Appointing Person) Regulations 2015 (the Regulations). Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme, overseeing issues of auditor independence and monitoring compliance by the auditor with the contracts we enter into with the audit firms.
3. During the next few months all eligible bodies will need to make important decisions about their external audit arrangements for the period commencing from the financial year 2023/24.
4. In relation to appointing auditors, local bodies have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme managed by PSAA.
5. Events since 2018 have resulted in an audit industry that is under enormous pressure and the local audit system is experiencing its share of the strain and unavoidable instability as impacts cascade down to the frontline of individual audits.
6. We believe that PSAA's national scheme offers the best option for local bodies to secure the appointment of appropriately qualified auditors in the current challenging market conditions. The Local Government Association and MHCLG<sup>1</sup> have expressed similar views.

## Background to the procurement

7. One of PSAA's most important obligations is to make an appropriate auditor appointment to each and every opted-in body. Prior to making appointments for the second appointing period, commencing on 1 April 2023, we plan to undertake a major procurement enabling suppliers to enter into new long term contracts with PSAA.

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<sup>1</sup> Immediately prior to the publication of this document it was announced that MHCLG has been renamed to Department for Levelling Up, Housing and Communities (DLUHC). The document refers to the department as MHCLG.

8. In the event that the procurement fails to attract sufficient capacity to enable auditor appointments to every opted-in body or realistic market prices, we have fallback options to extend one or more existing contracts for 2023/24 and also 2024/25.
9. We are very conscious of the value represented by these contract extension options, particularly given the current challenging market conditions. However, rather than simply extending existing contracts for two years (with significant uncertainty attaching to the outcomes of a further procurement to take effect from 1 April 2025), we believe that it is strongly preferable, if possible, to enter into new long term contracts with suppliers at realistic market prices to coincide with the commencement of the next appointing period.
10. We will, however, consider the circumstances in which it may possibly be necessary to extend one or more current contracts nearer to the commencement of the procurement. This will enable our approach to take into account latest information including any relevant policy announcements or clarifications.
11. MHCLG's Spring statement proposes changes to the current arrangements. At the time of writing, a formal consultation on the proposals in the Spring statement is underway and is due to close on 22 September 2021. Following the publication of its response to the consultation on changes to the Local Audit (Appointing Person) Regulations 2015, the government has committed to introduce secondary legislation to provide the appointing person with greater flexibility to allow a fee scale to be set during the audit year. New regulations are expected to come in to force this Autumn. These changes would enable approved recurring fee variations to be baked into the scale fee at an earlier date so the scale fees are more accurate and the volume of fee variations is reduced.
12. PSAA has set the length of the next compulsory appointing period to cover the audits of the five consecutive financial years commencing 1 April 2023.
13. PSAA needs to enter into new contracts with audit firms in order to make auditor appointments to opted-in bodies by 31 December 2022, as required by the Appointing Person Regulations. This procurement strategy sets out our current plans for the basis on which the procurement of audit services will be carried out.

### **Objectives of the procurement**

14. Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.
15. The objectives of the procurement are to maximise value for local public bodies by:
  - securing the delivery of independent audit services of the required quality;
  - awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;

- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
  - encouraging audit suppliers to submit prices which are realistic in the context of the current market;
  - enabling auditor appointments which facilitate the efficient use of audit resources;
  - supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and
  - establishing arrangements that are able to evolve in response to changes to the local audit framework.
16. It is necessary to enter into contracts with a number of audit suppliers to provide sufficient capacity for all of the audits required, enable PSAA to manage auditor independence issues and, if possible, grow the number of active suppliers in the local audit market.

### **Scope of the procurement**

17. The procurement will cover the audits of the accounts of all eligible bodies that opt into the appointing person scheme. Eligible bodies include local authorities, combined authorities, police and crime commissioners including PFCCs, chief constables, fire and rescue authorities, waste authorities, passenger transport executives and national park authorities.
18. There are currently 476 eligible bodies that will receive invitations to opt into the appointing person arrangements during September 2021. This number may reduce slightly from 1 April 2023 given the planned reorganisation in the counties of Cumbria, North Yorkshire, and Somerset. The closing date for acceptance of the opt-in invitation is 11 March 2022. We expect to receive acceptances from eligible bodies throughout the opt-in period and will maintain and publish an up to date record of bodies joining the scheme on the PSAA website.
19. PSAA has allowed a considerably longer period during which an eligible body can opt in compared to the statutory minimum period of eight weeks. It is hoped this will enable eligible bodies to meet the requirement under the regulations to make the decision to opt in at a full council meeting. (As corporations sole, the full council requirement does not apply to police and crime commissioners and police, fire and crime commissioners).
20. In order to maximise the potential economies of scale for eligible bodies as a result of entering into large contracts with firms, and to manage any auditor independence issues, PSAA will seek to provide as much clarity and certainty as possible concerning the volume and nature of audits it is able to offer to firms.

### **Evolution of this strategy**

21. This strategy has been developed based on our knowledge and experience of previous procurements for audit and related services, including the lessons learned from our 2017 procurement and the research we have commissioned since that time. Importantly it has

been shaped by the feedback received to the market engagement exercise and consultation with eligible bodies, which we undertook in June 2021. [A summary of the response to PSAA's consultation and market engagement](#) has been published.

22. PSAA has produced a risk allocation matrix (attached as an appendix) to inform the development of its commercial model and pricing approach as described in this strategy. It sets out PSAA's assessment of the risks that each party is required to bear so provision can be made to mitigate and manage these risks in the most effective and economical manner.
23. This procurement strategy was agreed by the PSAA Board on 15 September 2021. It has also been shared and discussed with members of the Liaison Committee chaired by MHCLG and involving representatives of FRC, NAO, CIPFA, ICAEW and the LGA. In a number of areas feedback has helped us to evolve our thinking on the procurement characteristics outlined in the June 2021 draft prospectus and market engagement documents.
24. PSAA will continue to informally engage with the market following the publication of this procurement strategy until the contract notice is published.
25. Two market briefings will be held – in November 2021 and January 2022 – to explain and answer questions about our procurement strategy.
26. Shortly after the January briefing, we expect to publish the contract notice. From that point forward, all engagement in respect of the procurement will be conducted in accordance with the arrangements described in the procurement documentation.
27. The significant work to reform audit in the wake of the four government reviews (Kingman's review of the FRC; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit) is underway.
28. Further wide-ranging change is almost certain to occur during the next few years, and is very likely to have an impact during the appointing period that will commence in April 2023. Alongside changes to the general and local audit framework, the Government is reviewing the public sector procurement regulations, following the UK's withdrawal from the European Union.
29. Given this context we will keep the procurement strategy under review and may make appropriate revisions as a result of any policy, regulatory or other significant changes arising.

## The procurement strategy

### The procurement route

30. The Public Contract Regulations 2015 (the Contract Regulations), unless superseded, will apply to the procurement and it will be carried out in accordance with those Regulations.

### Choice of procurement procedure

31. PSAA is keen, if possible, to enter into contracts with a larger number of suppliers registered as local public auditors than the current five. This could include a non-registered firm working with a registered firm.
32. This will give PSAA the ability to manage auditor independence issues, for example, where an audit supplier has a pre-existing relationship with an opted-in body which prevents it from accepting an audit appointment. It will also provide the flexibility to enable PSAA to respond to the significant number of joint or shared working arrangements for which partner eligible bodies often express a preference for the appointment of a common audit supplier. By entering into contracts with a number of suppliers, PSAA will help to support the drive towards a long term competitive and more sustainable market for local public audit services.
33. Because the nature of the services being procured is highly specialised, PSAA will follow the restricted procedure (rather than the open procedure) in accordance with the Contract Regulations. This will enable PSAA to identify those suppliers with the necessary financial standing, technical capability, skills and experience to provide services and then invite all those shortlisted to tender.
34. Bids will be accepted from suppliers which are registered as, or that are currently proceeding through the registration process to become, a local public auditor with a supervisory body approved by the Financial Reporting Council, currently the Institute of Chartered Accountants in England and Wales (ICAEW). The registration and ongoing monitoring processes test supplier quality and competence.
35. Bids from consortia or other forms of joint working arrangements will be permitted where at least one member organisation within the consortium or arrangements is individually registered as (or going through the process of registration to become) a local public auditor with the ICAEW.
36. An award made to a supplier going through the registration process will be conditional on the ICAEW, as the Registered Supervisory Body, approving their registration and the procurement will not seek to prejudice ICAEW's approval process.
37. Suppliers invited to tender will be asked to quote prices for a contract length of five years, which matches the opt-in period for eligible bodies. The contracts will include the option to extend the contract duration by up to a further two years, by mutual agreement.
38. Variant bids will not be permitted.

## Contract lots

39. PSAA will structure its procurement and invite bids as set out in the paragraphs below, subject to confirmation once the number of eligible bodies opting into the scheme is known.
40. There will be a single England-wide contract area, containing between 7 and 11 lots. There will also be a further two lots which will be classed as “development lots”.
41. The size of the lots will be graduated to enable bidders to match their capacity and risk appetite with their preferred lot size.
42. The number of individual lots and their indicative value will be clearly set out in the invitation to tender. PSAA will reserve the right to award work in excess of the lot size as a mitigation should we be unable to award all lots.
43. For each individual lot, PSAA will give an indication of the minimum volume of work which the lot will contain.
44. The two “development lots” will be sized at around 2% and 1% of opted-in bodies in order to encourage new entrants.
45. There will be no requirement for bidders to participate in joint audits.
46. Except for the development lots, each lot in its final form will reflect a sensible balance of geography and a blend of the different authority types, taking account of the guiding principles used when making auditor appointments as set out in para 54 below. Most lots are likely to include one or more public interest entity (PIE) audits. However, in addition to the two development lots, two further lots will exclude any PIE audits.
47. The indicative value of each lot will be expressed by reference to the ‘audited body notional value’ (ABNV), which comprises the published scale fees for 2021/22 for all opted-in bodies. This will establish a consistent baseline for bidders’ pricing.
48. Within the invitation to tender we will provide further information that will be helpful to bidders in their consideration of bid prices covering:
  - those future regulatory and Code-related changes up to April 2023 that we expect bidders to reflect in their pricing. Correspondingly, we will identify those possible changes where there is insufficient information available to do so and outline how these will be handled; and
  - a schedule of opted-in bodies which details the most recent audit year completed, the scale fee and the nature and value of recurring fee variations that are already baked into the scale fee.
49. Named audits will not be allocated to a lot until the procurement is complete and the subsequent consultation processes with opted-in bodies and successful bidders have taken place. Having a larger number of lots increases the opportunity for a greater



proportion of a lot to be concentrated in specific geographical areas rather than being spread across the country.

50. There is no “auditor of last resort” in England, unlike other UK public sector procurers of volume public audit services. Given the statutory nature of audit, and its obligation to make an auditor appointment to every opted-in body, PSAA will endeavour to encourage the market to bid in a manner which represents value for money for the public purse, without damaging sustainability.
51. When making auditor appointments following contract award, PSAA will consider the status of prior year audits and will be guided by the following principles:
  - ensuring auditor independence;
  - ensuring any contractually guaranteed levels of work are met;
  - ensuring a blend of authority types for each audit firm;
  - taking account of a firm’s principal locations (as specified in its tender response);
  - providing continuity of audit firm, where appropriate; and
  - accommodating joint/shared working arrangements between local bodies where possible.

### **Bidding rules relating to lots**

52. In the interests of market sustainability, and subject to receiving sufficient bids and to the outcome of the evaluation of responses to the invitation to tender, PSAA expects to award no more than 35% of the aggregate value of its total portfolio (and potentially a lesser maximum percentage) to any single supplier. Ideally PSAA wants to enter into long term contracts with a larger number of suppliers than we do currently, reflecting a more balanced distribution of work. Our lot structure will aim to enable this, subject to us receiving sufficient bids. The exact number of lots that any successful bidder could be awarded will be set out in the invitation to tender documents.
53. Bidders will be required to indicate the maximum amount of work per annum that they are able/would be willing to deliver, as a percentage of PSAA’s total work based on 2021/22 scale fees. Where a bidder submits bids for multiple lots, this information would be used by PSAA to ensure that any bidder is not awarded work in excess of its stated capacity. In addition, bidders will be permitted to indicate that, should they win a lot, their bids for smaller sized lots are to be withdrawn.
54. Bidders will not be required to bid for all lots. However, they will be able to bid for all lots which fall within the range which they have specified as their maximum capacity.
55. PSAA will award contracts to a number of suppliers, to enable it to:
  - manage any independence issues that may arise when making auditor appointments to opted-in audited bodies;
  - respond to shared or joint working arrangements between audited bodies;



- make an appropriate auditor appointment to each opted-in audited body after fulfilling its statutory duty to consult such bodies on proposed appointments; and
  - support the drive for longer-term market sustainability.
56. Contract lots will be awarded to the suppliers submitting the most economically advantageous tenders i.e. assessed using a price/quality ratio.
57. Bidders will be invited to express their bids for each lot as a fixed proportion of the relevant ABNV. Bidders can submit a percentage value that is greater or less than 100%. Bidders will be able to submit different bid rate percentages for each lot.
58. PSAA recognises that the location of an audit is an important consideration for bidders. Bidders for all lots, other than the “development lots”, will therefore be able to select up to four geographical areas which would be least attractive/convenient for them to audit (from a pre-defined list of English County and Combined Authority areas<sup>2</sup>). PSAA would seek to avoid appointing the bidder, if successful, to audits within the selected geographic areas. In the event that it was necessary to appoint the bidder to any audits in those areas, the relevant bid rate would be increased by a premium of 30% in respect of the audits concerned.
59. It is recognised that bidders for the “development lots” may have the capacity to work in a relatively limited geographical area compared to larger suppliers. They will therefore be able to select up to 4 areas in which they would be able to undertake audits and provide details of any exclusions within those areas using the same predefined list of English County and Combined Authority areas.
60. Should either or both of the development lots not be awarded, PSAA would seek to offer the additional volume of work initially to the highest scoring winning bidder across all the lots and, if this is declined, to offer it to the second highest scoring winning bidder across the lots and so on working down through lot winning bidders.

## Audit Fees

61. PSAA strongly believes the national, sector-led, collective scheme offers benefits to both audit services suppliers and eligible bodies. By opting into PSAA’s scheme, individual bodies will avoid the costs of their own procurement and management of contracts and also the requirement to set up an auditor panel with independent members. Audit services suppliers avoid the expense of participating in multiple procurements and, where successful, the challenge of being subject to and managing a range of different contract management regimes.
62. PSAA’s costs of managing the scheme are covered by audit fees paid by opted-in bodies. Over the current contract term, from 2018 to 2023, our annual operating costs have averaged approximately 4% of total annual contract spend. We plan to continue to

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<sup>2</sup> Counties (including any Councils or Other Relevant Local Bodies within the County area), and Combined Authorities (including any Councils or Other Relevant Local Bodies within the Combined Authority area)

manage our own costs appropriately and to ensure that the national scheme offers excellent value for its members.

63. PSAA will continue to pool scheme costs and charge fees to opted-in bodies in accordance with our published fee scale as amended from time to time following consultations with scheme members and other interested parties.
64. As a not-for-profit organisation, PSAA returns to opted-in bodies any surplus funds generated by the scheme after all costs have been met. This obligation is set out clearly in our articles of association. Our most recent distribution of surplus funds, totalling £5.6m was announced in August 2021.
65. PSAA expects to make a statement on the impact of the procurement outcome on 2023/24 scale fees following contract award in late Summer 2022.
66. PSAA will consult on the proposed scale of fees for 2023/24 and subsequently expects to publish the fees applicable no later than the end of November 2023, subject to approval of the anticipated amendment to the Appointing Person Regulations which would move the latest date by which audit fees must be set from 31 March to 30 November of the year to which the audit relates.
67. For each year of the contract, PSAA intends to increase the remuneration paid to its audit firms by reference to the annual increase in CPI.
68. Additional fees (fee variations) are part of the legal framework. They only occur if substantially more or less work is required than is envisaged in the scale fee or the auditor is entitled to recover costs or expenses from the audited body under specific provisions in the regulations, for example in relation to public interest reports or objection work.
69. The regulations require PSAA to consider every fee variation on a case-by-case basis. Over the past nine months we have made improvements to our internal processes to enable the handling of a larger number of claims and we will continue to review and make improvements where possible for the benefit of all parties.
70. PSAA reviews and robustly assesses each fee variation proposal. We apply our technical knowledge and experience of all audits to assess each submission and can compare with similar submissions for other bodies across all our audit suppliers before reaching a decision. Our process requires that fees for additional work are discussed with and explained to the audited body before they can be proposed to PSAA. The Regulations require that the proposals must be approved by PSAA before they can be invoiced.
71. PSAA will provide a copy of the current rate card with the invitation to tender. Each winning bidder will be remunerated for additional work for each lot that it wins at a rate equal to the current rate card multiplied by its bid rate for that particular lot.

72. PSAA will update the rate card through the appointing period in line with changes to scale fees that are not related to the level of work – for example, inflation.
73. The hourly rates used as part of the determination of the valuation of variations will continue to be the same for all audited bodies.

## Procurement process

74. The key stages in the procurement process are set out below. In accordance with the Contract Regulations, PSAA will ensure that at each stage the process complies with the requirements of equal treatment, non-discrimination, transparency, and proportionality.
75. PSAA will use the Delta e-tendering platform to undertake this procurement.

### Timetable and key milestones

76. The timetable and key milestones for the procurement are summarised in Table 1. The target dates are provisional and may be subject to change.

Table 1 – indicative procurement timetable

Key milestone	Target Date
Publish Contract Notice and issue documentation on request	w/c 7 February 2022
Deadline for submission of Selection Questionnaires	w/c 14 March 2022
Issue invitation to tender to short-listed suppliers	w/c 4 April 2022
Deadline for submission of tenders	w/c 11 July 2022
PSAA Board approval of contract awards, assuming a satisfactory outcome	August 2022

77. Following a statutory consultation process auditor appointment for opted-in bodies will be made by 31 December 2022 for audit years from 2023/24.
78. This timetable is consistent with the requirement set out in the Local Audit and Accountability Act 2014, for an authority to appoint an auditor to audit its accounts for a financial year by no later than 31 December in the preceding financial year.

### Contract Notice

79. The purpose and scope of the procurement will be set out in the Contract Notice to be published on the Find A Tender Service and Contracts Finder.

### Pre-qualification (selection) stage

80. The pre-qualification (selection) stage will be designed to enable PSAA to assess potential audit suppliers' ability to meet PSAA's requirements.
81. The selection questionnaire evaluation criteria will be:
- compliance with grounds that would otherwise lead to mandatory or discretionary rejection under the Contract Regulations;
  - satisfactory organisational, financial and economic standing and insurance arrangements;
  - capability and capacity;
  - technical and professional knowledge and experience; and
  - eligibility for appointment under the Act and Regulations, either through being registered with ICAEW or going through the process of registration.
82. Evaluation at this stage will result in a pass or fail outcome for each potential supplier. All suppliers achieving a pass outcome will be invited to tender.

### Tender stage

83. The tenders for each lot will be evaluated in accordance with the published evaluation criteria to identify the most economically advantageous tenders. The relative weighting of price and quality will be 20:80 with 5 marks of the 80 quality marks being attributed to social value, which equates to 5% of the overall score. PSAA plan to ask bidders to describe the additional social value they will deliver from the contract, which could include the creation of audit apprenticeships and meaningful training opportunities. Bidders will also be asked to describe how their delivery of social value will be measured and evidenced.
84. The quality of responses at tender stage will be assessed against a range of relevant criteria such as audit approach, quality assurance, client communications and resourcing and capacity & capability including sector knowledge. Aligned with the Government's proposal that the ARGA become the local audit system leader, we will seek the FRC's input in developing our approach.
85. Bidders will only be requested to provide one response to the quality section of the tender irrespective of the number of contract lots they bid for, although some questions may require a lot-specific response. The "development lots" will be assessed against the same criteria but in some areas may have a different assessment focus requiring a separate response from bidders interested in these lots.
86. The formal tender evaluation criteria and methodology will be described in the invitation to tender documentation, and published on the PSAA website.

## Establishment of a Dynamic Purchasing System (DPS)

87. Alongside the publication of a Contract Notice for the main audit services procurement outlined above, PSAA will publish a second, separate Contract Notice to establish a DPS.
88. The form of selection questionnaire used for the main audit services procurement would include a box that bidders could tick to signal their agreement to automatically qualify to participate in the DPS if they pass the pre-qualification stage of the main audit services procurement.
89. Once the DPS is established, a supplier that is not a member of the DPS (e.g. a firm that decided not to tick the box on the main procurement selection questionnaire or a new supplier to the local audit market) could apply to join at any point during the DPS's period of validity if they satisfy the selection requirements, and none of the grounds for exclusion apply. PSAA would evaluate the supplier's selection questionnaire within the legally required timescale of 10 working days of receipt unless there are justifiable reasons for an extension.
90. The establishment of a DPS has the potential to offer several benefits over the life of the term of the contracts awarded from the main audit services procurement:
  - provide an alternative to the current practice of automatically seeking to distribute additional audits between contracted firms, for example, in the event of local government reorganisation, or if existing bodies request to join the scheme after the initial opt-in invitation and procurement processes;
  - enable suppliers who are not awarded a contract from the main audit services procurement to bid for PSAA work, so they are not "locked out" (and provide winning suppliers the opportunity to bid for further audits);
  - enable consideration of different contract durations and the potential to stagger future tenders, subject to the proposed changes to the Regulations being implemented; and
  - should any of the 2017 audit services contracts need to be extended, provide a mechanism through which to undertake the procurement of services for the audits beyond 2023/24 or 2024/25.
91. Additionally, the DPS will provide a potential option in the event of not receiving sufficient bids to the main audit services procurement.
92. PSAA do not intend to use the DPS to procure replacements for auditor appointments made as part of the 2022 contract award before the end of the contract's duration unless there is a specific reason for doing so. Such reasons might include the identification of an independence conflict, the breakdown of auditor-audited body relationship, or as a result of a supplier's poor performance in line with agreed contract terms.
93. The key characteristics of any procurement undertaken through the DPS are likely to be very similar to those used for the main procurement, for example the evaluation ratio of 20:80, price to quality. Clearly there will also need to be some differences, for example, to reflect that a DPS procurement may be for an individual audit, small group of audits

or a more significant volume of work. All procurement documentation will be available when the Contract Notice for the DPS is published at the same time as the Contract Notice for the main procurement in early February 2022.

94. PSAA expect the DPS to become operational during May 2022, and intend to maintain it throughout the next contract period.

## Appendix - Risk Allocation Matrix

### Introduction

The allocation and management of risk is central to all commercial contracts and is one of the core commercial principles informing the approach to contracting with third parties. Each party seeks to minimise its overall risk and maximise its reward, which creates an inherent tension between contracting parties. Effectiveness and value for money of contracted services will only be achieved where risk allocation is appropriate and where the party managing the risk is the one most reasonably able to do so.

### Purpose

PSAA produced this risk allocation matrix to inform the development of its commercial model and pricing approach for contract of audit services to deliver the national scheme for local auditor appointments from April 2023. It sets out PSAA's assessment of the risks that each party is required to bear so provision can be made to mitigate and manage these risks in the most effective and economical manner.

### Review

The risk allocation matrix will be reviewed periodically up to the point that the procurement is initiated where appropriate in the light of comments from audit firms and to ensure that it reflects the emergence of new information and any changes in circumstances.

### Risk Allocation Matrix

Risk id	Risk Category	Explanatory comments	Potential risk allocation	
			PSAA	Audit Firms
1.	<b>Data inaccuracy</b> Risk that inaccurate (or incomplete) data is provided to bidders during the procurement exercise leading to inaccurate pricing or solution.	<ul style="list-style-type: none"><li>PSAA will make available the latest information about the audits at the commencement of the procurement, e.g. the most recent audit year completed, the scale fee and the nature and extent of recurring fee variations that are already baked into the scale fee but do not warrant the accuracy of this information. PSAA will adjust the ABNV to reflect any inaccuracies subsequently discovered in this information (see 12 below).</li></ul>	<ul style="list-style-type: none"><li></li></ul>	
2.	<b>Inflation</b> Risk that the cost of supplier's inputs will rise over time due to inflation.	<ul style="list-style-type: none"><li>The contract will provide indexation on the price paid to audit firms based on the annual application of the prevailing rate of CPI.</li><li>There is also an inflation risk for the audit firm; the cost pressures they experience may exceed their estimates and any allowance provided by an index-based adjustment.</li></ul>	<b>shared</b>	

## Risk Allocation Matrix

Risk id	Risk Category	Explanatory comments	Potential risk allocation	
			PSAA	Audit Firms
3.	<b>Performance / availability</b> Risk that the service will not be delivered to the requisite performance/availability levels.	<ul style="list-style-type: none"> <li>Audit firms must deliver the service in accordance with the NAO's Code of Audit Practice and all regulatory requirements e.g. of the FRC.</li> <li>The contract will include a performance measure that relates to the audit firm's stated capacity to deliver to a number of audits equal in value to the lot size plus a margin (say 5% of the lot size) for audits awarded before the end of 2022. The availability of sufficient audit resources is a supplier risk.</li> </ul>		•
4.	<b>Volume /demand</b> Risk that the actual usage of the service is less than the guaranteed minimum.	<ul style="list-style-type: none"> <li>Local bodies that decide to opt into PSAA's scheme are then statutorily committed to remain in the scheme for the full appointing period of five years, unless they are abolished under local government reorganisation.</li> <li>Contractual provision will guarantee a minimum volume of work.</li> </ul>	•	
5.	<b>Volume /demand</b> Risk that the actual usage of the service is greater than the lot size plus a small margin (say 5%) for audit awards before the end of 2022.	<ul style="list-style-type: none"> <li>PSAA may only award work in excess of this figure with the supplier's agreement.</li> </ul>	•	
6.	<b>Volume/demand</b> Substantial additional work.	<ul style="list-style-type: none"> <li>PSAA will pay for substantial additional work and certain statutory actions as defined in the Appointing Person regulations namely                             <ul style="list-style-type: none"> <li>the consideration of the making of and the making of a public interest report or a written recommendation under Schedule 7 of the 2014 Act;</li> <li>the exercise of any functions under section 27 of the 2014 Act in relation to the right to make objections at the audit;</li> <li>any application to the court under section 28 of the 2014 Act for a declaration that an item of account is contrary to law or any appearance as respondent to any appeal against such a declaration;</li> <li>the consideration of the issue of and any issue of an advisory notice under Schedule 8 of the 2014 Act;</li> <li>any application for judicial review under section 31 of the 2014 Act or any appearance as respondent to any application for judicial review made in respect of the exercise of the auditors' functions.</li> </ul> </li> </ul>	•	



## Risk Allocation Matrix

Risk id	Risk Category	Explanatory comments	Potential risk allocation	
			PSAA	Audit Firms
		<ul style="list-style-type: none"> <li>Substantial additional work will include future regulatory and code related changes unless notified to bidders in the ITT.</li> </ul>		
7.	<b>Change in law</b>	<ul style="list-style-type: none"> <li>The supplier mostly takes this risk. The supplier shall neither be relieved of its obligations to supply services under the contract nor be entitled to an increase in charges as the result of the general change in law.</li> </ul>	.	●
8.	<b>Performance risk</b> Risk that the services have/project has not been planned adequately for the purpose required or are not properly performed.  Performance Indicators.	<ul style="list-style-type: none"> <li>Audit firms will have the responsibility for the adequacy of the planning and performance of the service provided and their compliance with the output/performance specification. The scope of local audit is fixed by third parties. It is determined by the requirements of the:                             <ul style="list-style-type: none"> <li>NAO's Code of Audit Practice which sets the scope of the audit;</li> <li>The Code of Practice on Local Authority Accounting published by CIPFA/LASSAC which sets the format of the financial statements;</li> <li>HM Treasury in respect of the arrangements for Whole of Government Accounts; and</li> <li>FRC (expected to become ARGA in the year this contract starts) who regulate the work of auditor in the application of International Auditing Standards.</li> </ul> </li> <li>PSAA intends to establish a series of KPIs as part of its contract management arrangements.</li> </ul>		●
9.	<b>Delivery risk</b> Risk that the delivery of the audit does not meet planned timescales.	<ul style="list-style-type: none"> <li>The Accounts &amp; Audit Regulations effectively set a target date for completion of the audit. The past two years (2018/19 and 2019/20) have featured high levels of delayed opinions as a result of a variety of factors. As a result there is a current backlog of outstanding opinions.</li> <li>Audit firms must meet the target dates unless there are good reasons outside their control such as the poor preparation of audit papers or the need for statutory actions.</li> </ul>	<b>shared risk</b>	

## Risk Allocation Matrix

Risk id	Risk Category	Explanatory comments	Potential risk allocation	
			PSAA	Audit Firms
10.	<b>Scope of the Contract</b>  Audits are not allocated until after contract award.  Audits are awarded remote from the audit firm's principal office.	<ul style="list-style-type: none"> <li>Current thinking is that contract lots will be based on work of a specified value of work that is populated with named audits, reflecting a blend of authority types, after completing the tender evaluation process, in consultation with both winning firms and bodies. We are aware that audit firms expressed a preference for bidding for audits on a geographic basis. However, having considered this approach thoroughly we have concluded that it is likely to put at risk the statutory requirement on the appointing person to appoint an independent auditor to every opted-in authority. We intend to introduce a mechanism to enable bidders to reflect geographical preferences in their bids. In addition, when making auditor appointments following contract award (and therefore with audit quality matters already having been assessed), PSAA will have regard to the status of prior year audits and will be guided by the following principles: <ul style="list-style-type: none"> <li>ensuring auditor independence;</li> <li>ensuring any minimum guarantees of work are delivered;</li> <li>ensuring a blend of authority types for each audit firm;</li> <li>taking account of a firm's principal locations (as specified in its tender response);</li> <li>providing continuity of audit firm, where appropriate; and</li> <li>accommodating joint/shared working arrangements where possible.</li> </ul> </li> </ul>		•
11.	<b>The audit services fee</b>  Pricing for Code compliant audits where there is no substantial additional or lesser work or no statutory actions.	<ul style="list-style-type: none"> <li>The ITT will ask for prices based on the "audited body notional value" for 2021/22. The ABNV is the scale fee for 2021/22 plus any recurring fee variations that have subsequently been approved.</li> <li>The winning bidder of each lot will be remunerated for their work to deliver Code compliant audits at a rate equal to the ABNV for that lot multiplied by its bid rate for that lot.</li> <li>Where individual audits currently attract scale fees that do not cover the basic costs of the audit work needed for a Code-compliant audit, PSAA propose to implement a minimum fee level at the start of the next appointing period, for the audit of the 2023/24 accounts. Our independent research indicates a minimum fee level of £31,000 should apply, based on the 2020/21 scope of audit work, to any opted-in body (a police and crime commissioner and a chief constable constitute one body</li> </ul>		•

## Risk Allocation Matrix

Risk id	Risk Category	Explanatory comments	Potential risk allocation	
			PSAA	Audit Firms
	Valuation of substantial additional work.	<p>for this purpose).</p> <ul style="list-style-type: none"> <li>PSAA cannot anticipate scale fees for the next appointing period at this stage because they will depend on the prices achieved in the procurement and any changes in audit requirements. Where any price increase means that the scale fee for a body does not reach the floor set by the minimum fee, the fee for that body would increase to reach the minimum level. PSAA consults each year on the fee scale and will consult in 2023 on the 2023/24 fee scale.</li> <li>The hourly rates used as part of the determination of the valuation of variations will continue to be the same for all audited bodies.</li> <li>The winning bidder of each lot will be remunerated for additional work at a rate equal to the current rate card (which will be included in the ITT) multiplied by its bid rate for that lot.</li> <li>The rate card will be updated through the appointing period in line with changes to scale fees that are not related to the level of work – for example, inflation.</li> </ul>		
12.	<b>Termination</b> Risk that PSAA will terminate (or partially terminate) the contract early i.e. before the end of the initial contract term.	<ul style="list-style-type: none"> <li>Contractual provisions describe the conditions under which termination would be invoked, covering: <ul style="list-style-type: none"> <li>Insolvency or change of control</li> <li>Material irremediable or unremedied breach</li> <li>Persistent failure</li> <li>Corruption, bribery, or discrimination</li> <li>Serious security risk</li> <li>Legislative changes.</li> </ul> </li> </ul>		•
13.	<b>Subcontractor insolvency</b> Risk that a subcontractor within the supplier's or subcontractors' supply chain becomes insolvent during the course of the contract term.	<ul style="list-style-type: none"> <li>The audit firm must take this risk as it is responsible for its own supply chains. Failure in the subcontractor supply chain is explicitly excluded from the definition of a 'Force Majeure Event'.</li> </ul>		•

## Risk Allocation Matrix

Risk id	Risk Category	Explanatory comments	Potential risk allocation	
			PSAA	Audit Firms
14.	<b>Industrial action</b> Risk of industrial action including by any of the supplier's staff.	<ul style="list-style-type: none"> <li>The audit firm must take this risk as it is responsible for its own employee relations and it has the ability to control and it is a core element of service delivery. An industrial dispute relating to the audit firm's (or any subcontractor's) personnel is explicitly excluded from the definition of a 'Force Majeure Event'. The audit firm must also take the risk of disruption by other industrial action e.g. the transport network but not industrial action at PSAA or the audited body.</li> </ul>		<ul style="list-style-type: none"> <li></li> </ul>
15.	<b>Force majeure</b> Risk of unforeseen events outside of the reasonable control of the supplier, that affect the supplier's ability to deliver any aspect of the contract to requirement time, budget, and performance.	<ul style="list-style-type: none"> <li>Neither Party shall be liable to the other Party for any delay in or failure to perform its obligations under the Contract (other than a payment of money) if such delay or failure results from a Force Majeure Event. Each Party shall use all reasonable endeavours to continue to perform its obligations hereunder for the duration of such Force Majeure Event. However, if any such event prevents either Party from performing all of its obligations under the Contract for a period in excess of six (6) Months, either Party may terminate the Contract by notice in writing with immediate effect.</li> </ul>	<b>shared risk</b>	

## **Appointing Period 2023/24 to 2027/28**

### **Form of notice of acceptance of the invitation to opt in**

(Please use the details and text below to submit to PSAA your body's formal notice of acceptance of the invitation to opt into the appointing person arrangements from 2023)

Email to: [ap2@psaa.co.uk](mailto:ap2@psaa.co.uk)

Subject: **Mid Devon District Council**

**Notice of acceptance of the invitation to become an opted-in authority**

This email is notice of the acceptance of your invitation dated 22 September 2021 to become an opted-in authority for the audit years 2023/2024 to 2027/2028 for the purposes of the appointment of our auditor under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015.

I confirm that **Mid Devon District Council** has made the decision to accept your invitation to become an opted-in authority in accordance with the decision making requirements of the Regulations, and that I am authorised to sign this notice of acceptance on behalf of the authority.

Name: **[insert name of signatory]**

Title: **[insert role of signatory]** (authorised officer)

For and on behalf of: **Mid Devon District Council**

Date: **[insert date completed]**

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## AUDIT COMMITTEE 25 JANUARY 2022

### REVIEW AND REVISION OF THE FINANCIAL REGULATIONS

**Cabinet Member(s):** Cllr Andrew Moore, Cabinet Member for Finance  
**Responsible Officer:** Deputy Chief Executive (S151): Andrew Jarrett

**Reason for Report:** To make recommendations for amendments to the Financial Regulations of the Authority, to ensure they are appropriate, reflecting the Authority's latest structure and delegations.

**RECOMMENDATION:** That the revisions to the Regulations are recommended by this Committee for approval by Full Council.

**Relationship to Corporate Plan:** The safeguarding of assets and the provision of practical efficient processes to provide value for money are intrinsic to the Corporate Plan.

**Legal Implications:** Failure to comply with legislation could lead to non-compliance and potentially prosecution and claims for damages.

**Risk Assessment:** Failure to comply with legislation could lead to non-compliance and potentially prosecution and claims for damages. Failing to review thresholds and procedures could lead to inefficient practices damaging value for money assessments.

**Financial Implications:** There are no direct financial implications arising from this report, however the Financial Regulations set the boundaries in which the Council operates.

**Equality Impact Assessment:** There are no direct Equality implications arising from this report

**Climate Change Assessment:** There are no direct Climate implications arising from this report

#### 1.0 Introduction/Background

- 1.1 The Financial Regulations provide the framework rules for the management of the Council's finances. The Council has a responsibility in law for 'making arrangements for the proper administration of its financial affairs'.
- 1.2 This responsibility includes ensuring that the Council complies with the law, implementing an effective system of governance, financial management and internal control, making proper arrangements for the management of risk, preparing accounts and budgets, undertaking effective internal audit, preventing and detecting fraud, and putting in place arrangements for securing economy, efficiency, and effectiveness in its use of resources, and achieving value for money.

- 1.3 The Financial Regulations are designed to demonstrate how the Council will meet these financial responsibilities and they apply to every Member and Officer of the Council.
- 1.4 The Financial Regulations must be regularly reviewed and updated and to ensure that they comply with current statutory requirements, internal and external audit expectations, and current 'proper practices' with regard to financial management issued by professional bodies such as the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.5 It is two years since the last review of Financial Regulations and during that time a number of changes have occurred. This report highlights the pertinent changes using "tracked changes" for easy of review by Members. In summary, amendments have been made to
- Job Titles, reflecting the corporate restructure moving from "Group Managers" to "Corporate Managers" and "Operational Managers" – Not shown as tracked changed to keep the document simple to follow
  - Amendments to Financial Thresholds within Appendix A, and other minor amendments to provide greater clarity – shown through Tracked Changes.
  - Amendments to provide greater clarity to the user, for example Section 14.5.1 or the Glossary – shown through Tracked Changes.

More detail is included within the sections below.

## **2.0 Contract Management and Procurement (Section 5)**

- 2.1 The Procurement and Contracts Management Section has been updated to improve our internal processes and compliance with the statutory regulations. These can be found at Section 5.1.11. In addition, the financial thresholds have been updated by Government from 1 January 2022 and now include VAT. This is shown within Appendix A (Subsection H) of the Financial Regulations.
- 2.2 We await broader changes to the Procurement regulations arising from the UK's exit from the EU. The latest understanding is that these are due to be announced in 2023 as currently no parliamentary time has been identified to review the proposed amendments.

## **3.0 Emergency Action**

- 3.1 Amendments have been made to the financial thresholds for the incursion of expenditure in the event of an emergency. Alongside, the approval process has been simplified in order to speed up the response; for expenditure up to £250k two instead of three approvers are required. For expenditure over £250k, the approval should include the Chief Executive and Cabinet Member for Finance. A written update report should be taken to the next meeting of the Cabinet.

## **4.0 Delegated Authority Thresholds (Appendix A)**

- 4.1 The authorisation to order goods and to pay invoices is an important safeguard to protect the public purse. The existing limits need to be revised to reflect



operational demands. Appendix A of the Financial Regulations shows the updated position.

- 4.2 It is also proposed to increase the general authorisation limit (Subsection A) for a Corporate Group Manager to £100k from £50k to reflect the level of seniority within the Council and improve efficiency within the process. Therefore, the Deputy Chief Executive is now only required to approve for transactions between £100k and £250k. Cabinet continue to approve for between £250k to £500k and Full Council is required to approve anything over £500k.
- 4.3 Similarly, Subsection C (Budget Virements) have also been updated to reflect the above proposed amounts. In addition, greater clarification is included within Subsection C. Each Corporate Manager has authority to move budget across services within their own area of responsibility. Where a budget is transferred from one service area to another, and where that second service area is under the responsibility of a different Corporate Manager, both parties are required to agree in line with the authorisation level and threshold as set out in the table.
- 4.4 In Subsection E, the proposed thresholds for debt write off have been increased, again to reflect the seniority of the Corporate Manager and improve efficiency within the process.
- 4.5 Similarly, again, Subsection F is also updated using the same financial thresholds for Stock Deficiency or Obsolete Stock write off. Subsection I also reflects these proposed thresholds for Stock Adjustments / Write offs.
- 4.6 As highlighted in paragraph 2.1, the procurement thresholds have been increased to reflect the updated national regulations from 1 January 2022.

## 5.0 Conclusion

- 5.1 The various recommendations above are proposed to ensure compliance with current legislation and maintain best practice. Improving the efficiency of our operations, whilst safeguarding the Council's assets remains an ongoing commitment. Going forward therefore, further revisions will need to be made from time to time to ensure these goals continue to be met.

**Contact for more Information:** Andrew Jarrett, Deputy Chief Executive (S151)  
01884 234242 ([ajarrett@middevon.gov.uk](mailto:ajarrett@middevon.gov.uk))

Paul Deal, Corporate Manager for Financial Services  
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**Circulation of the Report:** Cllr Andrew Moore and Leadership Team

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# MID DEVON DISTRICT COUNCIL

## FINANCIAL REGULATIONS

Chief Officer: s151 Officer

### Revision History

Version	Date	Main Amendment
1.0	Apr 2013	First Release
1.1	Oct 2016	Chapter 5 Procurement/App A Financial Limits
1.2	Jan 2019	Full update incl. amended App A
<u>1.3</u>	<u>Dec 2021</u>	<u>Full review and update job titles and thresholds</u>

# MDDC Financial Regulations

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## **1.0 General Introduction**

### **1.0 Introduction and overview**

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### **1.4 Reviewing and changing Financial Regulations**

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### **1.0 Introduction and Overview**

### **1.1 Status of Financial Regulations**

The Financial Regulations provide the framework for managing the Council's financial affairs and contribute to good corporate governance, internal control and the management of risks. In addition they assist sound administration, reduce the risk of irregularities and support delivery of effective, efficient and economical services. Article 16 of The Constitution provides for their authority.

The Financial Regulations, which include Contract Procedure Rules and financial aspects of the Constitution, are formally adopted by the Council and provide the framework for the financial administration of the Council. The framework is designed to promote sound and proper financial management of the Council's financial affairs, meet Best Value principles and to safeguard the interests of the Council, its employees, or any person acting on behalf of the Council.

The Financial Regulations apply to all officers and Members of the Council and anyone acting on behalf of the Council. They also apply to any partnerships that the Council is a member of and for which the Council is the accountable body. Where the Council is not the accountable body then the lead Council officer is responsible for ensuring propriety and proper processes are followed so that the Council's reputation is not at risk.

All elected Members, employees of the Council and persons acting on behalf of the Council are responsible for ensuring that they use the Council's resources and assets in a responsible and lawful manner. The Council is under a statutory obligation to secure Best Value and everyone should strive to achieve the principles of Best Value and avoid any legal challenge to the Council.



These Financial Regulations cover all areas of Council activity and to assist Members and officers, the Financial Regulations are set out in self-contained sections. Any financial values are summarised in **Appendix A** to allow ease of update.

All decisions with financial implications must have regard to proper financial propriety. Where there is any doubt as to the appropriateness of a financial proposal or correctness of a financial action, clarification must be sought from the Deputy Chief Executive (S151) in **advance** of any decision or action.

To help you understand the terminology used in the Financial Regulations, a Glossary of Terms is located after Section 18.

## **1.2 Financial Roles and Responsibilities**

### **1.2.1 Chief Executive**

The Chief Executive, as the Head of Paid Service, is responsible for the corporate and overall strategic management of the Council as a whole. He/she must report to, and provide information for, the Cabinet, the Full Council, the Scrutiny Committee and other committees. He/she is responsible for establishing a framework for management direction, style and standards, and for monitoring the performance of the organisation.

### **1.2.2 Deputy Chief Executive (S151)**

These Regulations (in conjunction with the remainder of the Council's Constitution) identify the financial responsibilities of Council, Cabinet, Scrutiny and Audit Committee Members, the Head of Paid Service, the Monitoring Officer, the Deputy Chief Executive (S151) and other Service managers. The functions of the Deputy Chief Executive (S151) are detailed in the Constitution at section 12.04.

Section 151 of the 1972 Local Government Act requires that every local authority shall make arrangements for the proper administration of its financial affairs. Every authority shall make one officer responsible for the administration of those affairs. Within Mid Devon District Council (MDDC) this role has been assigned to the Deputy Chief Executive (S151). The Financial Regulations assist the Deputy Chief Executive (S151) in discharging his/her duties under the 1972 Act and the Accounts and Audit Regulations 2015.

The Deputy Chief Executive (S151) is responsible for issuing advice and guidance to underpin the Regulations that Members, Officers and others acting on behalf of the authority are required to follow.

His/her responsibilities include:

- Reporting to Council Members or the Cabinet, in consultation with the Monitoring Officer and Chief Executive, if there is likely to be unlawful expenditure or an unbalanced budget (Section 114, Local Government Finance Act 1988, as amended).

- Advising Members or relevant Officers, in consultation with the Monitoring Officer, about particular decisions where those decisions are likely to be contrary to the agreed policy framework or budget (Local Government Act 2000).
- Ensuring the adequacies of accounting records and supporting information, control systems and the statement of accounts (Accounts and Audit Regulations 2015).
- Undertaking an effective system of internal audit (Accounts and Audit Regulations 2015).
- Reporting to the Council, at the time the budget is considered and the Council Tax set, on the robustness of the budget estimates and the adequacy of financial reserves (Section 25, Local Government Act 2003).
- Reporting to the Council where, in relation to the previous financial year, it appears that a controlled reserve is or is likely to be inadequate (Section 27, Local Government Act 2015).
- Setting affordable borrowing limits and to arrange the Council's affairs to remain within those limits (Section 3, Local Government Act 2003).
- Preparing five year capital and revenue forecast plans with their consequential impact on Council Tax, taking account of affordability in both the short and long term (The medium term financial plan).
- Keeping the Council's finances under review during the year and to take action if there is evidence that financial pressures will result in budget overspend or if there is a shortfall in income (Section 28(3) Local Government Act 2003).
- Maintaining strong financial management underpinned by effective financial controls.
- Contributing to corporate management and leadership by the provision of financial advice for service delivery, strategic planning and policy making across the authority.
- Supporting and advising Members on financial matters and decisions.
- Supporting and advising Officers in their operational role on financial matters and decisions.
- Producing Financial Regulations for adoption by the Council.
- Advising Corporate Managers and Directors of any amendments to Financial Regulations.
- Acting as or appointing a Money Laundering Officer in compliance with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.
- Producing a robust Financial Plan, in consultation with all Corporate Managers and Directors, to achieve efficiency targets set by the Council and facilitate their delivery.
- Providing advice on the optimum use of available resources in the management of capital and revenue budgets.

- Providing financial management information in a timely manner.
- Preparation of statutory and other accounts, associated grant claims and supporting records.
- Provision of effective financial management systems and procedures.
- Provision of effective income collection and payments systems.
- Advising on treasury, investment and cash-flow management.

To ensure that the Deputy Chief Executive (S151) is able to fulfil the responsibilities identified, the post holder shall:

- Be able to contribute to papers for corporate management meetings in advance and have access to decisions made.
- Have the right to attend meetings of corporate management where financial issues are being considered.
- Have unrestricted access to the Chief Executive, the Monitoring Officer, Corporate Managers and Directors and to Members whenever they consider it appropriate to do so.
- Have unrestricted access to external organisations where the Council acts either as Accountable Body or enjoys an external relationship with a Specific Entity.
- Have the right to report to Full Council, the Cabinet and the Scrutiny Committee whenever they consider it appropriate to do so.
- Have unrestricted access to the Council's Internal Audit team, to external auditors and to other inspectorates.

### **1.2.3 Corporate Managers and Directors**

Corporate Managers and Directors duties include:

- Consulting with the Deputy Chief Executive (S151), or his/her Departmental Representative, on any matter, including submission of plans and/or bids for external funding or potential costs identified through external financial relationships, that is likely to have a financial impact on the capital programme or revenue budget, prior to committing the Council to that impact.
- Managing the financial activities of their services, within the agreed budgets and procedures determined by the Deputy Chief Executive (S151).

Corporate Managers and Directors must therefore ensure that:

- Departmental financial arrangements are adequate and effective in order to comply with these Financial Regulations.
- Departmental measures are taken to confirm the legality of all financial activities.

- Implementing financial administration and accounting procedures determined by the Deputy Chief Executive (S151) and adopting detailed financial records as agreed with the Deputy Chief Executive (S151).
- Ensuring the operational use of the Council's main financial systems, except in exceptional circumstances, are agreed with the Deputy Chief Executive (S151) prior to use.
- Providing departmental support in the keeping and closing of the Council's accounts, in particular that background documentation is available, which meets the standards set by the Deputy Chief Executive (S151) in liaison with the Council's external auditors.
- Obtaining the approval of the Deputy Chief Executive (S151), or his/her Departmental Representative, prior to introducing or significantly changing financial administration/accounting procedures or associated financial records.
- Ensuring that the Deputy Chief Executive (S151) and/or his/her Departmental Representative are provided with all necessary data to allow the timely submission of grant claims, financial returns or publication of financial information.
- Ensuring the security and confidentiality of financial information within their Department, including adherence to guidance issued relating to data protection legislation.
- Where staff have financial responsibilities, ensuring wherever possible that separation of duties exist.
- Acting to implement the recommendations of reports issued by the external and internal auditors in consultation with the Deputy Chief Executive (S151) and their Departmental Representative and the appropriate Service Cabinet Member where relevant.

Corporate Managers and Directors may vest their responsibilities to other Officers provided that such authorisation is given in writing. Corporate Managers and Directors must ensure that they always retain accountability for their responsibilities.

#### **1.2.4 Service Managers/Budget holders**

Service Managers/Budget holder's duties include:

- Planning and agreeing budget and corresponding service provision with Corporate Managers and Directors on an annual basis.
- Ensuring that financial objectives within their area of responsibility are achieved and Best Value secured.
- Reporting adverse variances to budget and to agree remedial actions with Corporate Managers and Directors.
- Vireing between cost centres/budgets in their areas of responsibility, subject to Financial Regulations (See Section 4).

Managers are responsible for ensuring adequate records, financial and otherwise, have been maintained for all externally funded schemes subject to audit by the European Commission or grant awarding bodies.

### **1.2.5 Personal Responsibility**

All Members and Officers have a general responsibility for taking reasonable action to provide for the security of the Council's assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves Best Value.

All employees shall inform their line manager immediately about any matter that involves or is thought to involve irregularities concerning cash, stores, income, expenditure, assets (including data held by the Council) or any suspected irregularity concerning the exercise of the functions of the Council. Line managers should consult with their Corporate Managers and/or Directors without delay.

As an alternative to the Financial Regulation above, employees may raise concerns under the Whistle-Blowing Procedures confidentially.

### **1.2.6 Emergency Action**

In the event of an emergency, the Chief Executive, Corporate Managers or Directors are empowered to authorise all necessary actions. The Chief Executive, Corporate Managers or Directors shall notify the Deputy Chief Executive (S151), in writing, of the circumstances and estimated financial impact and report formally to Cabinet subsequently.

### **1.2.7 Powers of Delegation**

The powers of delegation in respect of the Deputy Chief Executive (S151) are detailed in the Constitution at Section 5, page 65. Corporate Managers are required to 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 responsible budget holders/service managers or other designated officers, references to the Service Manager in the Regulations should be read as referring to them.

### **1.2.8 Money Laundering Reporting Officer**

The Operations Manager for Performance, Governance and Health and Safety is appointed as the Money Laundering Reporting Officer. He/ she is responsible for notifying the National Crime Agency of any suspected cases of money laundering committed within the Council as soon as possible and fulfilling other duties as defined by legislation or regulations.

## **1.3 Awareness of Existence and Content of Financial Regulations**

Service managers are responsible for ensuring that all of their staff are fully aware of the existence and content of the Regulations and other internal regulatory documents (such as Human Resource and ICT policies and procedures) and that they comply with them.

Any non-compliance with the Regulations must be reported to the Deputy Chief Executive (S151) and the Operations Manager for Performance, Governance and Health and Safety immediately.

#### **1.4 Reviewing and Changing Financial Regulations**

The Deputy Chief Executive (S151) is responsible for maintaining a continuous review of these Regulations and submitting any additions or changes necessary to the Council for approval. The Deputy Chief Executive (S151) is also responsible for reporting, where appropriate, breaches of the Financial Regulations to the Council via the Audit Committee.

#### **1.5 Compliance**

A failure to comply with these Financial Regulations, or procedures issued under them may constitute misconduct in the case of Officers, or a breach of the Members Code for Members. Reported breaches will be investigated by Internal Audit in the first instance and could lead to disciplinary action. The Deputy Chief Executive (S151) is to be advised immediately.

If you have any queries, comments or concerns on the content of the Regulations, please contact either the Deputy Chief Executive (S151) or the Operations Manager for Performance, Governance and Health and Safety.

## **2.0 Systems and Internal Control**

- 2.1 Accounting records**
- 2.2 Controlled stationery**
- 2.3 Officer authorisation procedures**
- 2.4 Security of cash, tills, safes and keys**
- 2.5 Document retention**
- 2.6 Segregation of duties**
- 2.7 Business continuity**
- 2.8 New electronic systems**

### **2.0 Systems and Internal Control Procedures**

#### **Why are these important?**

Maintaining proper accounting records is the way in which the Council evidences its responsibility for the stewardship of public resources.

The Council has a statutory responsibility to “present fairly” the financial consequences of its operations during the year, which are subject to external audit. This audit provides assurance that the accounts have been prepared in accordance with the current Code of Practice on Local Authority Accounting in the United Kingdom and the Service Reporting Code of Practice for Local Authorities (SeRCOP) and that arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council’s resources.

#### **Risks:**

- The Council cannot account for all income received and expenditure made.
- Financial systems provide inaccurate or misleading information leading to poor decision making.
- Insecure accounting or financial systems give rise to opportunities for fraud or loss.
- Statutory timescales for reporting on the Council’s financial affairs are not met.

## **2.1 Accounting Records**

The Deputy Chief Executive (S151) is responsible for determining the accounting systems and procedures adopted and maintained by the Council. All income, expenditure, assets and liabilities are to be properly accounted for in line with published guidance, with the maintenance of a complete audit trail, either electronic or paper for all entries made.

All financial systems and records of accounting are to be in a form approved by the Deputy Chief Executive (S151), who is to be consulted and must approve any changes to accounting records and procedures prior to them being made.

Financial and accounting systems shall incorporate appropriate controls to ensure that, where relevant:

- All data input is genuine, complete, accurate, timely and not duplicated.
- All processing of data is carried out in an accurate, complete and timely manner.
- Output from the system is complete, accurate and timely.
- Segregation of duties wherever possible is built into business processes to reduce the risk of fraud e.g. a single individual cannot authorise and make payment to others.
- All transactions and activities have a clear trail of accountability by authorised, responsible officers.
- Appropriate authorisation levels are set for all staff dependent upon their level of responsibility.
- Records and data are securely retained and in accordance with data protection guidance.
- The Council's transactions, material commitments and contracts and other essential accounting information must be recorded completely, accurately and on a timely basis.

## **2.2 Controlled Stationery**

### **Why is this important?**

Controlled stationery by its very nature has an inherent value. Examples of such stationery are official receipt books, cheque books and cheque stationery. If such stationery is lost or stolen income due to the Council may never reach it or money may be paid out to fraudulent payees.

### **Risks:**

- Stationery could be lost or stolen leading to financial, possibly considerable, loss to the Council.
- Income based services could be put at risk if monies collected are being diverted into fraudsters hands.



**Regulations:**

- The Deputy Chief Executive (S151) shall be responsible for controlling financial stationery.
- The design and use of all financial stationery shall be subject to the approval of the Deputy Chief Executive (S151).
- The Deputy Chief Executive (S151) shall nominate officers responsible for the ordering, secure storage and issue of financial stationery.
- Proper arrangements are to be made for the security of financial stationery held. No stationery is to be left in circumstances which could lead to unauthorised use.
- An adequate, but not excessive stock of financial stationery will be held. Proper and secure arrangements are to be made for the destruction of any out of date stationery.
- A record of all cheques issued, either electronic or manual is to be made.

**2.3 Officer Authorisation Procedures****Why is this important?**

Officers can have considerable financial power that needs to be controlled through effective delegation, with clearly defined limits to their delegated authority. Many transactions are now electronically approved and formal paper based lists of authorised signatories are now impractical.

Examples of related areas:

- Official orders
- Sales invoices
- Cheque signatories
- Electronic funds transfers
- Valuation certificates and fee accounts
- Expense claims forms
- Travel and subsistence claim forms
- Wages/timesheets
- Overtime claims

**Risks:**

- Officers could exceed their authority.
- Fraud, loss, extravagance or waste could arise.

**Regulations:**

- Procedures are to be put in place to ensure appropriate officers authorise transactions up to agreed levels. Specific guidance will be cited in relevant sections of the Financial Regulations and HR policies.

## **2.4 Security of Cash, Tills, Safes and Keys**

### **Why is this important?**

Money collected by the Council is extremely vulnerable until it is banked. Up to that point it is the Council's responsibility to ensure the safe storage and transit of cash. The security of cash, tills, keys and safes is therefore, essential if the Council is to fulfil its duty.

### **Risks:**

- Cash could be lost or stolen.
- Suspicion in respect of stolen cash may rest with a number of staff if they all had access keys.
- Claims against the Council's insurers may be invalidated.

### **Regulations:**

- Employees of the Council responsible for collecting, holding and the paying in of cash receipts must ensure that it is held under secure arrangements at all times. All cash holdings are to be kept to a minimum and within agreed insurance levels.
- Members of staff who are authorised to gain access to any Council safe or till are responsible for the security of the keys at all times.
- The combination of any Council safe must not be disclosed to another person without the express authorisation of the relevant Service manager. The combination of a safe must be changed immediately when a member of staff, who is authorised to open that safe, leaves the services of the Council.
- All keys held for any official purpose by an authorised member of staff must be held under proper and secure arrangements and not passed or be available to any unauthorised person. The loss or theft of keys is to be reported to the Deputy Chief Executive (S151) immediately.
- All staff are to ensure that all windows, safes and drawers are locked in any location wherever cash or keys are held out of hours.
- Where a till discrepancy is in excess of the amount cited in Appendix A, they shall be referred to Internal Audit.

## **2.5 Document Retention**

### **Why is this important?**

Although the archiving of documents may cause operational difficulties for management, it is vital that these are retained for as long as necessary, and in an adequate environment, to satisfy legal and all other practical requirements. In particular, prime records used within the Council's financial

and key non-financial systems must be given due protection to maintain an adequate trail from source right through to completion of transactions.

#### **Risks:**

- Statutory obligations concerning the retention of key documents are not met, e.g. HM Revenue and Customs requirements and penalties may arise.
- The Council may be disadvantaged in taking or defending legal action if prime documents are not retained.
- Performance statistics cannot be verified.
- The external auditor may not be able to verify the Council's final accounts and grants may be lost.

#### **Regulations:**

- Financial records, whether electronic or paper, must be retained for six years plus the current year. The Operations Manager for Performance, Governance and Health and Safety will provide guidance to Service managers on the retention of documents which is available on SharePoint.

### **2.6 Segregation of Duties**

Wherever possible the following principles should be complied with when allocating accounting duties:

- The duties of providing information about sums due to, or from, the Council and calculating, checking and recording these sums must be separate from the duty of collecting or dispersing them.
- Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.

### **2.7 Business Continuity**

The Deputy Chief Executive (S151) is to ensure that accounting and financial records are held securely and procedures are in place to enable accounting records to be reconstituted in the event of a systems failure. Working with the Corporate Managers and Directors responsible for Business Continuity and ICT, a documented and tested business continuity plan to allow information processing to resume quickly in the event of an interruption, shall be in place.

### **2.8 New Electronic Systems**

The acquisition or renewal of all accounting software must be subject to the approval of the Deputy Chief Executive (S151), the Data Protection Officer and Corporate Manager for Digital

Transformation and Customer Engagement. The purchasing or leasing of computer and ancillary equipment is only to be undertaken in accordance with the ICT Strategy.

All new financial systems shall be documented, tested in parallel and users trained in their operation, prior to the system being used in a live environment.

## **3.0 Financial Planning**

- 3.1 Overall strategic policy framework**
- 3.2 Service performance plans for financial years**
- 3.3 Asset and vehicle management**
- 3.4 Year end balances - earmarked reserves**
- 3.5 Maintenance of reserves**
- 3.6 Ring-fencing of reserves**
- 3.7 Medium term financial planning**
- 3.8 Reports with financial implications**

### **3.1 Overall Strategic Policy Framework**

The strategic plans of the Council are embraced by these key documents:

- Corporate Plan
- Medium Term Financial Plan
- Workforce Plan.

The Corporate Plan sets out the Council's key service priorities as agreed by Members. Policy Development Groups propose policies to the Cabinet in accordance with these priorities. The Medium Term Financial Plan looks forward to the next five years and examines the forecasted income and expenditure for both revenue and capital linked to the Corporate Plan's priorities. (See 3.7 below). Finally, the Workforce Plan looks at staff deployment and employment strategies linked to the Corporate Plan. Constraints imposed by our financial resources often limit what the Council can achieve, within a given time frame, for both revenue and capital.

### **3.2 Service Performance Plans for Financial Years**

Corporate Managers and Directors working with their Cabinet Members are required to produce service plans detailing service provision and level of performance linked to their budget for each

financial year. Initial draft service plans should be created and available in September of each year to assist in the budget setting process.

These plans should be discussed by the Policy Development Groups when budgets are reviewed and amended accordingly. New Government initiatives and other legislative requirements will need to be brought in, also any possible savings identified to help facilitate an overall balanced budget. The service plans will therefore evolve over the budget setting period.

The final service plans, with agreed budgets and salary estimates, are to be presented to Leadership Team for approval before the commencement of the financial year, April 1, for each service.

### **3.3 Asset and Vehicle Management**

Corporate Managers, Directors and Service Managers need to consider the equipment and assets used in the provision of their service in relation to their service performance plans. It is vital that we can demonstrate value for money in our decision making. Assets used by services will have finite lives and provision in their service revenue budgets is needed to facilitate the asset's replacement at the end of its useful life.

Where an item of equipment is needed for a service due consideration should be given to:

- the frequency of use by staff.
- the priority of future service provision.
- the asset's expected life.
- the cost of ongoing maintenance and other running costs of the asset.
- the cost to purchase the asset.
- the cost and conditions relating to leasing the asset.
- the expected residual value of the asset at the end of its useful life.

These factors should then lead to a Best Value decision as to whether the Council:

- purchases the asset.
- procures the asset by way of a finance lease.
- hires the asset for short periods, as and when required.
- enters into an agreement with another organisation for its use.

In all cases Managers should be able to demonstrate value for money and consideration of these factors if challenged on their decision - the current practice should not be mechanically followed year on year.

The current limit for capitalisation of assets is shown in Appendix A. Assets whose values exceed the threshold shown in Appendix A will be capitalised and recorded in the fixed asset register maintained by the Deputy Chief Executive (S151).

Where acquisitions of capital assets are expected in future periods, these should be planned for and be incorporated into the Medium Term Financial Plan. Although the expenditure is treated as capital in the accounts, Service Managers should make an annual revenue contribution each year

towards that asset's replacement. This will help to control demands on the capital programme and ensure ongoing provision for replacement, for example an asset costs £100k today with an expected life of 5 years. The expected replacement cost in five years is £120k. The service should budget for an annual charge of  $\text{£}120\text{k}/5 = \text{£}24\text{k}$  each year to be made into a specific earmarked reserve carried forward to year six so that in year 6 £120k is available to acquire the replacement asset.

Clearly service managers will need to consider their asset provisions made to date annually and if a shortfall is envisaged for replacement, additional provision in future budget(s) will need to be made.

Even if an asset is below the current capitalisation threshold in value, if its cyclical replacement is not budgeted for there can be large spikes in expenditure in financial years when new assets are purchased e.g. there could be a year where large amounts of equipment are to be replaced whose individual values are low. Service managers should therefore consider their future needs and create an earmarked reserve to provide for this eventuality also.

In the case of our vehicle fleet, where non specialist vehicles such as vans can be moved between services an overall strategy for vehicles needs to be made by the Corporate Manager responsible for Transport Management.

### **3.4 Year End Balances - Earmarked Reserves**

#### **Why is this important?**

The Regulations below cover arrangements for the transfer of resources between accounting years i.e. earmarked reserves.

#### **Risk:**

- Balances are not carried forward correctly.

#### **Regulations:**

- The Deputy Chief Executive (S151) is to administer the scheme of earmarked reserves within the guidelines approved by the Council.
- Net underspends on service estimates may be carried forward, subject to:
  - The detailed constraints and completion of a request form [FIN751](#) as specified by the Deputy Chief Executive (S151).
  - Detailing the sources of underspends or additional income and the specific application of those resources for approval by Deputy Chief Executive (S151).

The Deputy Chief Executive (S151) is to report all underspends on service estimates carried forward to the Cabinet.

Where capital projects are part complete their unused budget shall be rolled forward automatically to future year(s) to ensure their completion, without the need for a completed form FIN 751.

### **3.5 Maintenance of Reserves**

#### **Why is this important?**

The Cabinet must decide the level of General Fund and Housing Revenue Account reserves that it wishes to maintain before it can decide the level of council tax or council house rents.

Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending should such events occur. Reserves for specific purposes may also be maintained.

#### **Risks:**

- The Council may be unable to meet its financial commitments or any unforeseen costs that may arise during the year.
- The Council fails to comply with standard CIPFA codes of practice on local authority accounting.

#### **Regulations:**

- The Deputy Chief Executive (S151) shall advise the Cabinet and Full Council on prudent levels of reserves for the Council and take into account the advice of the external auditors and generally accepted practice.
- The Deputy Chief Executive (S151) will comply with accepted standard codes of practice in respect of the maintenance of reserves.

### **3.6 Ring-Fencing of Reserves**

Service managers shall only use specific reserves for the purposes for which they were intended.

The Housing Revenue Account and General Fund are ring-fenced and legislation provides that neither can be used to subsidise, or help finance the other. All transactions between the two are required to be at arm's length, fair and equitable to both funds.

Unless funded by a revenue contribution to capital, all capital monies must be expended on capital expenditure. Revenue monies may be used for either revenue expenditure or a revenue contribution to capital expenditure.

### **3.7 Medium Term Financial Planning**

#### **Why is this important?**

Without planning for the short/medium/longer term future budget shortfalls could occur impairing the delivery of corporate goals and creating a reactive rather than proactive management style.



Future expected trends and the financial “headroom” can be identified and fed into the Corporate Plan. Potential risks are also highlighted.

### **Regulations:**

- The Deputy Chief Executive (S151) will produce and update a Medium Term Financial Plan for the Council covering an advanced period of five years. This is to be presented annually to the Leadership team and the Cabinet for approval prior to budgets for the following year having been set.
- Corporate Managers, Directors and service managers have a duty to inform the Deputy Chief Executive (S151) of any projected major changes (amounts up or down of £20k or more) to their service in future periods.

The Medium Term Financial Plan shall consider the following factors over the life of the plan:

- the Government’s current spending review proposals.
- the likely level of Council Tax rises.
- the Corporate Plan goals.
- new service initiatives.
- service savings.
- income from fees and charges.
- the effects of inflation.
- future legislative changes including taxation.
- the demands of a proposed capital programme.
- treasury management considerations.
- any other factors whose impact could exceed £20k.

Its scope shall embrace the General Fund, the future capital programme, the Housing Revenue Account, future treasury management, and identify the expected level of reserves and any shortfalls.

The plan must state what is known, estimated and assumed in producing the plan.

Sensitivity analysis should be employed to give the reader an idea of a 1% variation - some factors could have a seriously detrimental effect on budgets or reserves whereas other factors might be far less influential.

In making strategic decisions, amending the Corporate Plan, and approving future budgets, Leadership Team and the Cabinet shall have regard to the Medium Term Financial Plan and its implications.

## **3.8 Reports with Financial Implications**

### **Why is this important?**

Without understanding the financial impact of any proposal a poor decision could be made, exposing the Council to risks, possibly leading to an overspent budget. Significant resources could also be diverted from key corporate goals.

### **Regulations:**

- All reports to Members of Policy Development Groups, Scrutiny and the Cabinet shall be reviewed by the Deputy Chief Executive (S151) to quantify as accurately as possible the financial effects and risks of any proposals **before** details are published and to ensure that reports published are fit for purpose.

## **4.0 Budgetary Control**

- 4.1 Resource allocation**
- 4.2 Budget preparation**
- 4.3 Budget approval**
- 4.4 Responsibility for budgets**
- 4.5 Budget monitoring**
- 4.6 Budget changes (virements)**

### **4.0 Budgetary Control and Monitoring**

#### **Why is this important?**

Budget management ensures that once Council has approved the budget, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account responsible managers for defined elements of the budget.

By monitoring the budget on a regular basis, variances against budgetary targets can be identified along with changes in trends and resource requirements at the earliest opportunity. Effective budget monitoring will also inform what management intervention is needed.

The scheme of budgetary virements is intended to enable the Council, service managers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore optimise the use of resources.

#### **Risks:**

- There may be inefficient use of public money and a failure to comply with the Council's objectives.
- Budgets could become overspent with nobody being held accountable for them.
- Systems could fail with nobody being made aware that they have.

- The Council could face prosecution and/or a qualified external audit report for failing to comply with legislation and accepted standards.

#### **4.1 Resource Allocation**

The Chief Executive and Deputy Chief Executive (S151) are jointly responsible for developing and maintaining a resource allocation process that ensures that both capital and revenue expenditure plans take account of the Council's policy framework and changing priorities. It is the responsibility of Corporate Managers and Directors to ensure that the revenue and capital budget estimates reflect agreed service plans and are in line with the Medium Term Financial Plan and the Corporate Plan.

#### **4.2 Budget Preparation**

The Deputy Chief Executive (S151), in consultation with Corporate Managers and Directors, shall prepare a budget timetable to ensure that the draft budget is finalised for approval by the Cabinet and Full Council within statutory timetables.

The Budget will be prepared in consultation with the relevant service manager or his/her nominated representative. In assisting the Deputy Chief Executive (S151) to prepare their budgets, due regard shall be given to:

- spending patterns and pressures revealed through the budget monitoring process.
- the prior year's actual outturn.
- legal requirements.
- the Corporate Plan.
- the Workforce Plan.
- initiatives already commenced.
- the future introduction of new Central and regional Government initiatives.

The Deputy Chief Executive (S151) will encourage the best use of resources and value for money by working with service managers to identify opportunities to improve economy, efficiency and effectiveness.

The Authority is legally obliged to set a balanced budget.

#### **4.3 Budget Approval**

The Deputy Chief Executive (S151), as Section 151 Officer, is responsible for ensuring that General Fund, Housing Revenue Account and capital budgets are prepared on an annual basis for consideration by Full Council, and in accordance with professional and statutory requirements.

Full Council may amend the budget or ask the Cabinet to reconsider it before approving it.

After the budget has been approved by Council there will be no increase in the overall budget, unless sanctioned by the Cabinet. Expenditure is to be committed only against an approved budget head, unless approved virements have been made. (See section 4.6 below)

The Deputy Chief Executive (S151) will produce an annual summary Budget Book.

#### **4.4 Responsibility for Budgets**

Corporate Managers and Directors are responsible for the budgets relating to their service areas and are required to sign approving their service plans and acknowledging accountability for their budgets annually.

If the Corporate Manager or Director wishes to delegate responsibility for the budget to their service manager(s) then evidence of the onward delegation needs to be documented and the service manager will need to sign to accept the delegated budgetary responsibility. Inclusion of such accountability within the signed Job Description of the Service manager shall be regarded as sufficient documentary evidence.

It is the responsibility of Corporate Managers and Directors to control income and expenditure within their area and to monitor performance. Corporate Managers and Directors must ensure that there is a clear allocation of responsibility for revenue budget at cost centre level and capital schemes within their areas. Budget responsibility should be aligned as closely as possible to the decision making that commits expenditure. Corporate Managers and Directors should report on variances within their own areas. They must also take any action necessary to avoid exceeding their budget allocation and alert the Deputy Chief Executive (S151) to any problems. The notification must also include an explanation of any remedial action necessary.

#### **4.5 Budgetary Control and Monitoring**

It is the responsibility of the service manager to control income and expenditure within their service areas and monitor performance. Any variances (both over and under spends) are to be discussed with their Corporate Manager and accountant.

Service managers should also take any action necessary to avoid exceeding their budget allocation and alert the Deputy Chief Executive (S151) and Corporate Manager to any problems, immediately as they arise.

The Deputy Chief Executive (S151) will present a budget monitoring report to Leadership Team and the Cabinet, outlining any areas of concern (i.e. identified material overspends and shortfalls in income) along with explanations from service managers as to the actions that are recommended to address the concerns.

#### **4.6 Budget Changes (Virements)**

The scheme of virements is administered by the Deputy Chief Executive (S151).

The transfer of budgetary provision from one service unit to another is permissible, providing virement conditions are complied with as detailed below.

A budget virement may not be made between the Housing Revenue Account and the General Fund.

Service managers are responsible for initiating the virements procedure. Approval for each virement will require the completion of a virement request form [FIN701](#).

Budgetary virements may be required by changes in accounting practice issued by CIPFA and other regulatory bodies. In such cases virement request form [FIN701](#) will not be required provided the overall budget, before and after, remains the same.

Appendix A shows the thresholds for approval split between those virements within service units and those between service units. Where a virement request has been approved, under no circumstances is income or expenditure to be vired between different financial years (ultimately amending the overall budget liability).

Approved virement request forms must be processed by the appropriate accountant who will amend the financial ledger accordingly. Approved forms must be retained for audit purposes.

## **5.0 Procurement and Contracts**

### **5.1 Contract procedure regulations**

### **5.2 Employment status - Use of consultants and service companies**

### **5.3 Construction industry scheme**

### **5.4 Receipt of goods**

### **5.5 Authorisation for payment**

### **5.6 Payments**

### **5.7 Contract register**

## **5.0 Procurement of Works, Goods and Services**

### **Why is this important?**

Public money should be spent with demonstrable probity and in accordance with the Council's policies. Local authorities have a statutory duty to achieve best value, in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements and reduce the following risks.

### **Risks:**

- Goods or services may be ordered for personal use and later paid for by the Council.
- The incorrect volume, number or quality of goods and services may be received.
- The Council may be committed to spending on goods and services for which no budgetary provision has been determined.
- Officers failing to follow contract and tendering procedures may leave both themselves and the Council open to accusations of favouritism, unfair contract terms and legal challenge.
- Goods or services ordered may fail to meet the Council's environmental, health and safety and other strategies and policies.

- The procedures which should be followed when considering any spend of Council money are set out in the Contract Procedure Regulations.

## **5.1 Contract procedure regulations**

### **5.1.1 Why do we have contract procedure regulations?**

The Council is obligated by Section 135 of the Local Government Act 1972, to make contract procedure regulations for the supply of goods or services or for the execution of works.

The purpose of contract procedure regulations is to provide a framework within which the Council can get value for money when obtaining supplies of goods, services and works.

Officers must comply with these contract procedure regulations, which lay down minimum requirements for procuring goods, services and works. Guidance on the procurement process can be obtained from the Procurement Team. Officers must always seek advice from the Procurement Team in the first instance and from the Council's Legal Services department when in any doubt and in particular for all contracts where European Law applies. If an authorising officer has any questions about the Contract Procedure Regulations, they should contact the Deputy Chief Executive (S151).

Every contract made by the Council shall comply with these contract procedure regulations.

Every contract made by the Council shall comply with the Public Contracts Regulations 2015 (PCR) or the concessions Contracts Regulations 2016, as applicable.

Contract procedure regulations must be followed unless the law (in particular, European Procurement Directives, but also UK law) requires something different.

### **5.1.2 Who do the contract procedure regulations apply to?**

These contract procedure regulations apply to:

- All contracts made and to all orders placed by, or on behalf of the Council for the procurement, hire and commissioning of goods, services and works including where the Council is acting on behalf of public bodies.
- All Officers and Members of the Council.
- Any person or organisation engaged to manage a contract or undertake work that involves procurement on behalf of the Council. In each case the requirement to comply with the contract procedure regulations is to be included in the terms of engagement.
- The selection of sub-contractors where these are nominated by the Council under a main contract.



### **5.1.3 Reviewing and changing the Contract Procedure Regulations**

The Deputy Chief Executive (S151) is responsible for maintaining a continuous review of the contract procedure regulations and submitting any additions or changes necessary to the Council for approval. The Deputy Chief Executive (S151) is also responsible for reporting, where appropriate, breaches of the contract procedure regulations to the Council via the Cabinet.

Any non-compliance with the contract procedure regulations must be reported to the Deputy Chief Executive (S151) or his representative. Any Officer that breaches the contract procedure regulations may be subject to the Council's disciplinary procedures.

Anyone wishing to act outside the provisions of these contract procedure regulations in a specific instance not covered by these contract procedure regulations must seek the prior written approval of the Deputy Chief Executive (S151) or Corporate Manager for Financial Services and use the designated waiver form.

All instances of working outside these rules, including those subject to an approved waiver or an exemption, will be reported to the next meeting of the Cabinet.

### **5.1.4 Compliance with the Contract Procedure Regulations**

Service managers are responsible for ensuring that all of their staff fully complies with the contract procedure regulations and other internal regulatory documents such as Procurement policies and procedures. The contract procedure regulations is available on a centrally accessible ICT location and hard copies can also be made available.

Staff required to use contract procedure regulations as part of their job will be required to confirm that they have read and understood the contract procedure regulations as part of their induction. If further clarification or training is required, this can be provided by the Procurement Team.

### **5.1.5 Procurement principles**

The Council will adopt the following principles relating to the procurement of goods, services and works:

- Base its procurement requirements on the principles of Best Value to ensure that it achieves efficiency, effectiveness and value for money.
- Take a long-term strategic view of how it procures its requirements including the potential for alternative methods of service delivery, innovative funding methods and partnership working.
- Expect that externally sourced requirements will be procured as a result of a competitive process unless there are compelling or practical reasons to the contrary.
- Ensure that sustainability is an important criterion in any procurement activity as far as possible.
- Where appropriate develop procurement on a partnering basis in which both the Council and the supplier seek to achieve continuous improvements and maximise mutual benefit through longer term clearly worded contracts. These contracts will be based on measurable outcomes and performance that define the obligations of both parties.

- Where appropriate seek to work with others and through legitimate consortia in the procurement of its requirements in order to widen the scope of its experience and focus expertise, maximise purchasing power and harness economies of scale.

The Council acknowledges that cheapest is not always best and shall award the contract based on the most economically advantageous tender (to the Council). This encompasses a number of considerations and can include Best Price Quality Ratio (BPQR) and such other criteria such as environmental and social value. It is important that the criteria for selection and award are made clear in the tender pack, including any sub-criteria.

The method of contract evaluation will be included in the quotation specification or the invitation to tender.

### **5.1.6 Application and Interpretation of Contract Procedure Regulations**

#### **Definitions**

Definitions with regard to these contract procedure regulations can be found in the Glossary.

#### **5.1.7 Aggregation of Orders**

No procurement or award of contract shall be made in a manner which seeks falsely to bring the value of the contract below the European Thresholds or those set out in these Regulations in order to avoid compliance with the applicable laws and these Regulations. This includes dividing the order(s) or contracts in order to give the appearance of being below the relevant threshold.

#### **5.1.8 Exemption**

Exemption from any contract procedure regulations may be authorised by the Corporate Manager and Deputy Chief Executive (S151) provided that:

- The decision maker or authorised officer is satisfied that the exemption is justified by special circumstances; and
- The exemption is reported in writing to the decision maker specifying the circumstances justifying the exemption.

#### **5.1.9 Exceptional cases where Contract Procedure Regulations shall not apply (urgency etc.)**

Contract procedure regulations shall not apply where in exceptional circumstances approval to proceed would be given by the official waiver procedure:

- The work, goods or materials are urgently required, and loss would be entailed by delay arising from advertising.
- The work, goods or materials required are of such special nature that no advantage would accrue by inviting competitive tenders.

- There is no effective competition for the goods or materials required by reason of the fixing of prices under statutory authority or that such goods or materials are patented or proprietary articles or materials.
- Transactions, which, because of special circumstances, may (either individually or as a class) be excepted from time to time by the Cabinet of the Council.

#### 5.1.10 Transactions effected through public sector purchasing organisations

Contract procedure regulations shall still apply to transactions effected through well-established public sector and other purchasing and distribution organisations. A full list of these is kept by the Procurement team. The procedure will depend on the nature of the framework agreement.

Further competition procedure should be used where the statement of requirements when developed, cannot be met by the standard catalogue of goods or services or if there is no such catalogue. The contract procedure rules will then apply to the further competition process.

Advice must be sought from the Procurement Team, prior to purchasing through any purchasing organisation or consortia.

#### 5.1.11 Contracts and official orders

The table below provides an overview of the approach to be applied to the different thresholds of spend along with a reference to where the process is explained within these regulations:

Value	Form of Agreement	Methodology	Decision Route
<£5,000	Official Purchase Order	Best endeavours	Budget holder
£5,000 - £25,000	Official Purchase Order	Minimum of 3 <a href="#">Written Quotations submitted by a specified date and time and based on a written specification and evaluation criteria</a>	Budget holder
£25,000 - £50,000	Official Purchase Order	<a href="#">Minimum of 3 Written Quotations submitted by a specified date and time and based on a written specification and evaluation criteria</a> and advertise award on Contracts Finder	Service Manager
£50,000 – EU Threshold	Formal Written Contract & Purchase Order	Formal Tender <a href="#">using to a detailed written tender specification by a defined deadline.</a> (advertise opportunity and award on Contracts Finder)	Assuming that there is agreed budget in place, Corporate Manager + S151 Officer may approve up to £250k.
Over EU Threshold	Formal Written Contract & Purchase Order	Formal Tender <a href="#">using to a detailed written tender specification by a defined deadline.</a> (advertised in OJEU)	Contracts in excess of £250k will require approval by Cabinet

Prior to commencing any procurement or raising any order, the Officer must be assured that there is sufficient budget in place for the proposed purchase and establish the expenditure code relating to where the budget is held.

Consideration to both the value of the contract and the risk of exposure to the Council should be made by the relevant Corporate Manager when deciding whether to execute a formal written contract.

#### **5.1.12 Estimated Contract value less than £5,000**

In the case of goods, where the Authority purchases a significant number of items and the aggregate total spend exceeds £5,000 per year, prices must be renegotiated with the supplier annually. If the total spend exceeds £50,000 per year, a contract should be executed in line with the **tender process** below.

In the case of works or services, where the Authority appoints a supplier for a significant number of low value jobs and the aggregate total spend exceeds £5,000 per year, quotations for rates should be obtained in line with the **quotation process** outlined below. If the total spend exceeds £50,000 per year, a contract should be executed in line with the **tender process** below.

In the case of a contract whose total does not exceed £5,000, the officer may place a single order without inviting quotations provided they are satisfied that they have used their best endeavours to ensure that the most favourable prices and terms are obtained, having regard to the principles of value for money and that the supplier is financially sound and technically competent.

If the contract is related to a service or works provision, appropriate pre-qualification of suppliers must be carried out to ensure that their status in relation to health and safety, financial standing, customer care, data protection, equalities, contract management and provision of insurance is suitable for the level of the contract.

Pre-qualification through an industry recognised method such as Construction Line or Exor will be deemed acceptable although the relevant Corporate Manager may require further checks to be carried out in this regard.

In the event that competitive tenders or quotations are sought, these shall be obtained from such number of contractors/suppliers as the relevant Corporate Manager deems appropriate having regard to the principles of Best Value.

The officer is required to obtain written evidence of the quotations and the evidence is required to be kept in accordance with the Council's document retention guidance. This is 12 months or the life of the contract, whichever is the greater.

#### **5.1.13 Estimated Contract value between £5,000 and £50,000**

Competitive quotations shall be invited unless a Corporate Manager considers that it is not in the best interests of the Council to seek competitive tenders.

Where possible quotations should be sought from three contractors [in writing](#). For further details on quotations refer to the section on the quotation process.

The officer is required to obtain written evidence of the quotations/tenders and the evidence is required to be kept in accordance with the Councils Document Retention guidance.

#### **5.1.14 Quotation Process**

Where possible at least three written quotations will be sought.

The Service Manager will ensure all appropriate documentation is provided. The [FIN301 Request for Quotation form](#) should be used; however this may be supported by additional supplementary information which will further assist the supplier in providing their quotation. The Service Manager should ensure that such contract documentation shall be approved by Legal Services if required before quotations are requested.

The information contained in the request for a quotation will state:

- The description or specification of the requirement avoiding the use of proprietary or brand names and using available recognised standards.
- The quantity required.
- The delivery time and place.
- The basis of the price to be quoted.
- Which conditions or contract or other approved condition will apply to any order.
- The date by which quotations are to be received by the Council this will normally be not less than 5 working days from the date of the request.
- [The evaluation criteria the quote will be assessed upon.](#)

Suppliers shall be required to address their quotations to the Service Manager.

Quotations may be requested and received using recommended electronic methods. The retention and administration is dealt with under the document retention policy.

Quotations received late will be disallowed. They will be retained unopened until after the quotations properly received have been opened and will be returned to the sender with an explanation.

The quotation from the supplier who has offered the lowest acceptable price taking into consideration the required quality, delivery, cost of use and cost of disposal will normally be accepted provided this is within the estimated total cost.

Written acceptance will be notified to the supplier by the officer from the service dealing with the procurement. They will also be responsible for notifying the Procurement Team in order for them to update their records with details of the contract and how they have selected the chosen supplier.

If the contract is for goods currently maintained or which are going to be maintained on the eProcurement catalogue, a full list of products should be forwarded to procurement on the [FIN302 Product Upload Template](#) to allow them to be added to the catalogue prior to ordering.

The relevant Service Manager may accept a quotation other than the lowest where it is in the best interest of the Council and best value is achieved. Such a decision and its reasons shall be recorded and this information submitted to the Procurement Team.

An order will be raised on the Council's eProcurement system at the point of awarding the contract.

If requested the unsuccessful suppliers can be notified and given reasons without breaching the commercial confidentiality of the other suppliers.

#### **5.1.15 Estimated Contract value over £50,000 but below European thresholds**

The contract opportunity shall be advertised on the Council's eTendering portal and on Contracts Finder in line with UK Procurement legislation.

Competitive tenders shall be invited. Where possible tenders shall be invited from four contractors, however in line with PCR 2015 no shortlisting will be allowed on contract values below the EU threshold. This means that all compliant bids will be evaluated.

Where it can be demonstrated that there are insufficient suitably qualified contractors to meet the competition requirement set out above all suitably qualified contractors should be invited so far as is practical.

### **5.1.16 Estimated Contract value exceeds European Thresholds**

Where the estimated Value of the Contract exceeds the thresholds laid down in the European Directive, Public Contract Regulations 2015 will apply.

The opportunity will be advertised in the Official Journal of the European Union (OJEU) and all legislative requirements must be met.

### **5.1.17 The Tender Process**

Before starting a tender process, and with suitable advance notice, the relevant Officer will inform the Procurement Team of the proposed contract details using a Tender Initiation Form. Unless the relevant Service Manager decides otherwise, all draft contract documents to be sent out with a request for tender shall be approved by Legal Services prior to being sent to any supplier.

Consultation will occur between the Procurement Team, Corporate Manager and where necessary Legal Services, and where relevant agree:

- The roles and responsibilities in respect of:
  - the selection process (above EU threshold only)
  - the tender process
  - the evaluation of the outcomes
  - post tender negotiations
  - the contract award
  - contract management

- A procurement plan that:
  - identifies scope for working with others
  - identifies the use of the best practice contracting and procurement methods including partnerships and partnering
  - reflects any additional requirements and choice of procedure for a contract that exceeds the EU procurement thresholds
  - identifies the use of European standards where these are available
  - details timescales and major events
  - identifies and allocates responsibilities
- The selection criteria (to be used above EU threshold only) for suppliers to be invited to tender are based on commercial consideration and include:
  - financial viability and capacity
  - operational capacity
  - technical competence and capacity
  - relevant environmental issues
  - the Council's policies
  - legislative compliance
  - health and safety
  - data protection
  - equalities
- The evaluation and award criteria for the contract to achieve Value for Money or MEAT taking into account such aspects as:
  - proposed methods and approach
  - total costs to the Council over the life of the contract including disposal costs
  - quality
  - delivery
  - sustainability
  - risk including the suppliers insurance details
  - health and safety
  - social value

In the case of contract values in excess of £250,000, and any contracts in respect of which the relevant Service Manager may so direct depending on the strategic relevance of the contract, the evaluation and award criteria to be used for award will be agreed in advance of the Invitation to Tender being issued, by the Corporate Manager and relevant Cabinet Member.

Tenders will be advertised and submitted electronically via Supplying the Southwest Procurement Portal using the Council's Standard Form of Tender. Any amendment to this form must be approved in advance by Legal Services.

#### **5.1.18 Tenders – manner of submission**

Every invitation to tender shall state that tenders will be only considered if it is received electronically via Supplying the Southwest Procurement Portal.



Every invitation to tender shall state that tenders will be only considered if it is received electronically via Supplying the Southwest Procurement Portal.

#### **5.1.19 Tenders – Procedures for opening**

All tenders for a Contract shall be opened via the verification process within the eTendering portal.

Only those Officers delegated with Verifier status will be able to access the tenders and remove the Tender seal.

The tenders may then be accepted and released for evaluation or declined and reasons given.

Documentation from the eTendering portals audit log should be produced to show the following:

- The name of the Tenderers who submitted their tender on-time.
- The name of the Tenderers who submitted their tender late.
- The name of the Tenderers who opted out of the Tender process and the opt out reason (if supplied).
- The date and time of the submission.
- The Tendered price for each on-time submission as it appears on the Form of Tender.

#### **5.1.20 Tenders – Procedures for acceptance**

Where tenders have been invited in accordance with these Contract Procedure Regulations, the winning tender based on MEAT as defined at 5.1.15 shall be awarded the contract.

The winning tender will be defined as the one who scores highest based on the pre-defined evaluation criteria which was agreed at 5.1.53 and published with the Invitation to Tender.

For contracts under £250k the Corporate Manager will authorise the contract award.

For contracts above £250k, or where there is 10% excess on the budgeted tender provision, the Corporate Manager, Director and Cabinet Member will authorise the contract award.

#### **5.1.21 Tenders - Record Retention**

A full record of the procurement process followed for quotation and tenders will be maintained, including but not limited to:

- Quotations:
  - invitation to quote
  - submitted quotation
  - waivers
  - reason for not accepting lowest price and post quotation clarification including establishing value for money
  - communication with successful supplier
  - feedback (if requested) supplied to unsuccessful suppliers

- Tenders:
  - business case
  - pre-tender market research
  - method of obtaining bids
  - contracting decisions/ reasons
  - waiver
  - award criteria
  - tender documents
  - tender submissions
  - post tender clarification and establishing value for money
  - legal advice
  - evaluation
  - post contract monitoring

#### **5.1.22 Standing Lists of Selected Suppliers**

Where quotations or tenders are regularly obtained for the same or similar types of goods, services or works that are below the EU tender process value a standing list of selected suppliers may be used in the interest of efficiency and value for money.

Each standing list shall be reviewed and updated by the relevant Service Manager at least once in any 24-month period and copy sent to procurement. A list of the established select lists is held by Procurement.

#### **5.1.23 Orders for Goods, Works and Services**

Once a contract has been awarded or a quotation accepted, the following rules in relation to transactional process of ordering through to payment should be followed.

##### **Rules:**

The for the ordering of works, goods and services shall be the eProcurement Corporate Finance System or any successor system as agreed by the Deputy Chief Executive (S151). Only orders in a format agreed by the Deputy Chief Executive (S151) shall be used.

This includes:

- Hire/ rent/ lease of goods (See 6.6 Asset Leasing arrangements)
- Delivery of recruitment/ consultancy
- Appointment of Counsel
- Obtaining Finance

Any amendments or changes in procedure to the agreed system must be approved by the Deputy Chief Executive (S151) in consultation with the Corporate Manager for ICT if appropriate, prior to being updated.

Every officer and Member of the Authority has the responsibility to declare to the Monitoring Officer any links or personal interest that they may have with purchasers, suppliers and/or contractors (including sub-contractors) if they are engaged in contractual or purchasing decisions on behalf of

the Authority in accordance with the appropriate Codes of Conduct.

#### **5.1.24 Ordering**

Official orders, either in whole or in part, must not be used to obtain goods or services for private use. Any officer found to be breaching this Rule, will be subject to disciplinary proceedings.

Official eProcurement orders shall be raised for all work, goods and services to be supplied to the Council. No work is to be placed to an outside contractor without an order being raised.

All ordering must be conducted through the Procurement Team. No verbal orders are to be placed.

In the case of an emergency situation, the order must be placed as soon as is reasonably possible and in all cases prior to the supplier submitting their invoice.

Guidance must be sought from the Procurement Team for any officers placing an emergency order or orders relating to exceptional circumstances.

Prior to engaging any new supplier, Officers should consult with the Procurement Team to ensure that there is not already a contract in place which could meet their requirement.

To use the new supplier, a Request for Supplier set up form should be completed with all relevant details for verification with HMRC including where applicable:

- UTR (unique tax reference)
- National Insurance number
- Company registration number
- VAT registration number

Consideration of employment status, see 5.2 below and if the work involves construction, 5.3 below, also needs to be made before a new supplier is created.

All orders must be raised, in advance of the works, goods or services being received by the Council. A designated authorised signatory will need to authorise orders prior to the order being raised and placed by the Procurement Team.

It is the responsibility of the designated service Authoriser to confirm with the relevant budget holder and / or Accountant as to whether there is budget available prior to requisitioning the works, goods or services.

Spending limits must be observed at all times and officers must not avoid overspending on the correct expenditure code by applying an incorrect underspend code to an order.

Spending limits will be reviewed and approved by the Corporate Manager on an annual basis.

Officers initiating an order must consult the appropriate Accountant and jointly decide if a virement is required from an underspent code to the correct code before the ordering process continues. Any doubt or difficulty in correctly coding an order shall be referred to the appropriate Accountant for advice.

Orders are not to be split into smaller orders solely to avoid the value limits and procedures laid down in the Council's Contract Procedure Rules.

Orders are not required for:

- Rents
- Rates
- Supply of Utility Services (Gas, Mains Water, Electric, Telephone)
- Petty Cash reimbursements
- S151 treasury transfers.

Variations to official orders can be made by submitting a properly completed [FIN305](#) variation order to the Procurement Team.

Full details of how to use the eProcurement system can be found in the eProcurement User Guide which is available on SharePoint.

## 5.2 Employment Status - Use of Consultants and Others

Employment status of non Mid Devon District Council employees should be a concern for all service managers. This guidance lays out the basic position and shows how to work out the status of an engagement.

It is vital to resolve the issue of status and inform the individual how they will be paid, **before** they undertake the work. This will prevent delays in payment and disagreements if someone is paid subject to deductions via payroll, when they were expecting to be paid gross, against invoices submitted via the Creditors system.

**IR35** is tax legislation that is designed to combat tax avoidance by workers supplying their services to clients via an intermediary, such as a limited company, but who would be an employee if the intermediary was not used. Such workers are called 'disguised employees' by Her Majesty's Revenue and Customs (HMRC).

The service manager engaging someone to perform a task has the responsibility of determining their employment status and whether they should be paid via payroll. It is not up to the individual being asked to perform the task to indicate what their status is. If the Council treats someone incorrectly, and HMRC imposes interest and penalties these will fall on the service that has commissioned the work. (HMRC will normally go back as far as six years plus the current for unpaid tax, NI, interest and penalties.)

Even if an individual can demonstrate that they are registered with HMRC as self-employed this does not mean that they should necessarily be treated as such when they undertake an engagement for Mid Devon District Council. It depends upon the contractual arrangement with the individual (see below).

If the working arrangement is such that the individual is deemed to be employed by the Council then the HR Manager needs to be informed so the appropriate contract of employment can be drawn up and issued **before** the individual commences any work for the Council.

Employment status can still be an issue for individuals who fall under the Construction Industry Scheme (CIS). To avoid this complication the Council should not provide tools and equipment, and ensure these individuals have other self-employment in addition to the works they do for the Council. This will ensure tax is only payable under CIS, and the Council does not have to consider whether they could be employees or not.

### 5.2.1 Points to consider

The following are extracts from: “Are your workers employed or self-employed for tax and National Insurance contributions” HM Revenue and Customs leaflet ES/FS2.

An individual worker is likely to be **employed** if the answer is ‘**yes**’ to most of the following questions:

- Does the worker have to do the work themselves?
- Can you tell the worker where to work, when to work, how to work or what to do?
- Can you move the worker from task to task?
- Does the worker have to work a set number of hours?
- Is the worker paid a regular wage or salary?
- Can the worker get overtime pay or bonus payments?
- Is the worker responsible for managing anyone else engaged by you?

Your worker is likely to be **self-employed** if the answer is ‘**yes**’ to one or more of these questions:

- Can the worker hire someone to do the work, or take on helpers at their own expense?
- Can the worker decide where to provide the services of the job, when to work, how to work and what to do?
- Can the worker make a loss as well as a profit?
- Does the worker agree to do a job for a fixed price regardless of how long the job may take?

If you can’t answer ‘yes’ to any of the above questions, your worker is still likely to be **self-employed** if you can answer ‘**yes**’ to most of the following questions:

- Does the worker risk his own money?
- Does the worker provide the main items of equipment (not the tools that many employees provide for themselves) needed to do the job?
- Does the worker have to correct unsatisfactory work in their own time and at their own expense?

An example: If an individual contracts to paint Phoenix House for £20k and to complete the work in eighteen months at times that suit him with as many workers as he sees fit to employ it would indicate self-employment. The costs incurred could generate either a profit or a loss and there is a financial risk to him.

However, if he is to report to a service manager on Monday and paints the building using our paint and equipment, cannot contract others to do the work, and effectively works the hours we decree, then there is no financial risk to him and this would be employment.

There is an online tool that can be used to help determine the status of individuals at: [www.hmrc.gov.uk/calcs/esi.htm](http://www.hmrc.gov.uk/calcs/esi.htm)

However, the online ESI tool should **not** be used for determining the status of:

- Individuals who provide their services through a limited company (known as IR35).
- Contracts with agencies to provide services to another person (client).

If you have any doubt as to the correct treatment, the matter should be referred to the Deputy Chief Executive (S151) or Corporate Manager for People, Governance and Waste without delay.

### 5.3 Construction Industry Scheme

Under current tax legislation the Council is a deemed Contractor and those working for the Council are sub-contractors. The Deputy Chief Executive (S151) will arrange for nominated staff to check the validation at the HMRC website when Procurement has advised of a new potential CIS subcontractor.

Payment in full can **only** be made to such a sub-contractor (company or individual) in the construction industry who has been validated by HMRC and is allowed to be paid Gross. Procurement will check the status of individuals with HMRC when creating new suppliers

Those classified to receive monies net by HMRC, will be paid with a tax deduction of 20% from the labour element of the invoice. These individuals or companies should submit invoices which clearly apportion the materials element of the charge from other elements before VAT is added. A failure to do so will mean that the invoice is not paid and returned to the supplier.

If the subcontractor is not validated the payment can only be made with 30% tax deduction.

Monthly electronic returns of CIS deductions will be made to HM Revenue and Customs by no later than 19<sup>th</sup> of each calendar month by officers nominated by the Deputy Chief Executive (S151).

#### 5.3.1 Retentions

Payments to contractors will only be made on a certificated invoice of the designated service manager, or where engaged by the Council, the Private Architect, Engineer or Consultant. Certificated invoices shall show the value of the work, retention money, amounts previously certified and amounts now certified.

All variations to contracts are to be in writing and in the form of a properly authorised [FIN305](#) Variation Order.

The final payment for any contract will not be issued until the Corporate Manager has had a copy of the final account and has carried out such examination as he/she considers necessary in order to satisfy themselves as to the accuracy of the account.

It is recommended that for contracts in excess of £100,000, best practice would be to include a standard retention of 5% until practical completion of a contract and then 2.5% to be held until 12 months after practical completion of the contract, which should be specified in the contract.

It is the responsibility of the Service Manager in conjunction with the Deputy Chief Executive (S151) to agree a suitable level of retention for the specific contract on a case by case basis.

#### **5.4 Receipt of Goods and Services**

Goods works and services received by the Council will be “delivered” by approved staff on the financial system upon **receipt** of the goods or services so as to ensure the liability is promptly recorded on the financial ledger.

Certification of work undertaken by external contractors engaged by the Council is to be authorised by suitably experienced and qualified staff prior to delivery being entered on the financial system.

Documentation relating to deliveries such as Delivery notes or Job completion sheets should be kept in accordance with the Council’s Document Retention guidance.

Where possible the delivery note should be scanned and attached to the eProcurement system at the point of entering the Good Received Note.

#### **5.5 Authorisation for Payment**

The Deputy Chief Executive (S151) will ensure that procedures are in place to ensure that orders made for goods and services on behalf of the Council can only be placed by suitably trained authorised individuals, up to authorised limits, covered by an appropriate budget provision.

The limits for approval of expenditure are set out in Appendix A. Where the approval will result in an increase in total contract price following the award of a contract, the Deputy Chief Executive (S151) or in his/her absence the Corporate Manager for Financial Services, must be consulted where:

- The original value of the contract was above the European Thresholds.
- The original value of the contract was £25,000 or more but below the European Thresholds and the expenditure will result in the original value of the contract being exceeded by more than 10%, taking into account any previously approved expenditure above the original contract value.

Service managers will be responsible for the authorisation of orders raised in the pursuit of their agreed service plans. All requests to add or amend authorisation amounts must be made to the relevant Corporate Manager in advance and approved prior to their use.

HR will supply a leaver’s memo to the Deputy Chief Executive (S151) to ensure prompt removal of former employees.

Contract retentions in accordance with contractual arrangements are always to be made and the Accounts Payable section is to be authorised only to pay net amounts due.

## 5.6 Payments

### Why is this important?

The Council spends significant amounts of public money on the purchase of goods and services in order to provide its services in accordance with statute and policy decisions.

### Risks:

- The Council pays for goods and services that have not been received.
- The Council pays for goods and service twice or more in error.
- The Council pays incorrect suppliers or amounts due to fraud.
- Financial and accounting records are not correctly updated.

### Regulations:

- The Council will pay invoices within 30 days from receipt of invoice or on other terms as maybe agreed. All staff involved with paying creditors shall ensure that invoices are dealt with promptly.
- In the cases of invoices relating to work which is covered by the Construction Act 2009, payment will be made in accordance with the protocol set out in the statutory scheme for Construction Contracts.
- No amendments, changes or avoidance of the system laid down for the processing of invoices for payment must be undertaken without the approval of the Deputy Chief Executive (S151).
- Invoices will only be accepted on which details are written in ink, typewritten, printed or generated by computer. Payment against faxed or photocopied invoices require the prior approval of the Deputy Chief Executive (S151), or his/her appointed representative.
- All Invoices must be received centrally in the Accounts Payable section of Financial Services.

It is the responsibility of the paying department to check the following:

- That an order has been raised, where appropriate and in accordance with 5.1 Procurement of Work, Goods and Services.
- The invoice is addressed to Mid Devon District Council.
- That the details listed on the invoice match the order, including the description, units, amount and VAT and that they are within the acceptable validity limit of +/- 5%.
- That the goods and services have been supplied/delivered to the Council and recorded via the 'enter goods receipt' section of the eProcurement system.

It is the responsibility of the Accounts Payable section to check the following:

- That any trade and cash discounts have been deducted.



- That the invoice is a genuine invoice and is not faxed or photocopied.
- That the invoice has not previously been paid.

The refunding of any payment made by a member of the public can only be considered if there are genuine reasons for doing so, e.g. cancellation of event, overpayment of Council Tax, etc. The refund request must be correctly authorised and accompanied by proof that a payment was made to the Council.

Payments on Council pre-printed forms, e.g. pro forma invoices such as Petty Cash reimbursement are to be signed by the appropriate authorising officer and checked for correct completion by the appropriate Officers and Accounts Payable staff before payment.

The Internal Audit Section will carry out checks on the Creditors system in accordance with the Audit Plan.

Payment for goods and services not yet received i.e. training courses should only occur in exceptional circumstances and with the prior approval of an authorising officer. A record of the payment should be made on the order and checks should be carried out to ensure that delivery subsequently takes place.

All Creditors cheques returned to the Council, whether by hand or by post shall be passed immediately to the Accounts Payable section of Financial Services and not to the instigating officer. The instigating officer is, however, to be informed of any cheque having been returned.

Creditors will be paid by BACS whenever possible with a remittance advice forwarded within 24 hours of payment. All Bank details to enable payment will be held on the Creditor's individual file records and amended by Procurement staff only on receipt of official notification in writing, from the Creditor.

## 5.7 Contracts Register

Upon award of any contract tendered via the Procurement Team, a [FIN306](#) Contract Award Notification will be sent by the Procurement Team to the relevant Corporate Manager, Service Manager, Cabinet Member and Accountant and to the Deputy Chief Executive (S151) to notify them of the award

Where the service has awarded their own contract, without the input of the Procurement Team, it is the responsibility of the awarding service to provide the Procurement Team with the information that they require to populate the contracts register (as set out below)

It will remain the responsibility of the Procurement Team to maintain a contract register of all contracts over £5,000 awarded on behalf of the Council.

The register will be available for review on a centrally held electronic file by Officers and Members.

For each contract, the following details must be published:

- reference number
- title of agreement

- local authority department responsible
- description of the goods and/or services being provided
- supplier name and details
- sum to be paid over the length of the contract or the estimated annual spending or budget for the contract
- Value Added Tax that cannot be recovered
- start, end and review dates
- whether or not the contract was the result of an invitation to quote or a published invitation to tender
- whether or not the supplier is a small or medium sized enterprise and/or a voluntary or community sector organisation and where it is, provide the relevant registration number.

## **6.0 Expenditure**

**6.1 Housing and council tax benefit payments**

**6.2 Housing renovation and associated grants**

**6.3 Purchase cards**

**6.4 Credit cards**

**6.5 Petty cash**

**6.6 Asset leasing arrangements**

**6.7 Urgent payments**

**6.8 Emergency action**

### **6.1 Housing and Council Tax Benefit Payments**

#### **Why are these important?**

The Council administers the payment of benefits, on behalf of the Department of Work and Pensions, to assist people in paying their rent and/or Council Tax bills. The Housing Benefit scheme is complex, requires people to declare both personal and financial details and is, as a result, open to error and abuse. This being the case the assessment, calculation and payment of claimants needs to be carefully controlled.

#### **Risks:**

- Benefit could be paid to fraudulent claimants.
- Personal domestic and financial details relating to a claimant could be disclosed without authority to do so.
- Benefit entitlement could be incorrectly calculated.

#### **Regulations:**

The Deputy Chief Executive (S151) shall be responsible for arranging the processing, assessment and payment of benefit.

The Deputy Chief Executive (S151) shall ensure that periodic checks on the calculations and the entitlement for benefit cases are carried out. Verification Framework checks are to be carried out on all benefit documentation received.

All records and files of personal information relating to claims and the calculation of entitlement to benefit are to be held under arrangements that will prevent access by unauthorised persons and enable compliance with the Data Protection Act.

Any information gained in the assessment and payment of benefit shall not be divulged by any member of staff to persons not authorised to receive that information. Any person seeking information on behalf of another must provide satisfactory evidence that they are authorised, by the claimant, to do so.

Any member of staff with a personal interest in a benefit claim will have no part in the assessment or payment of that claim. All staff involved in the administration of Housing and Council Tax benefit will complete an annual declaration of interests form, and notify the Benefits Manager as soon as they become aware of any personal interest.

All benefits cheques returned to the Council, whether by hand or by post, shall be passed immediately to the Accounts Payable section and cancelled. The Benefits Unit is, however, to be notified that any such cheques have been cancelled.

Lost cheques will not be reissued until the original has been cancelled or has been stopped. See 14.1.5 relating to crossed cheques.

## **6.2 Housing Renovation and Associated Grants and Loans**

### **Why is this important?**

Each year the Council receives applications from the public for grants and loans to assist them financially in renovating their property or associated work such as alterations for the installation of disabled facilities. Many grants and loans are for thousands of pounds and it is therefore essential that applications are correctly assessed, calculated and paid in accordance with both legislative and Council requirements.

### **Risks:**

- Applicants may be paid and yet not be entitled to receive grant or loan monies.
- Grant or loan entitlement may be incorrectly assessed leading to an incorrect payment being made.
- The grant and loan scheme may be manipulated with fraudulent intent.

### **Regulations:**

The Corporate Manager for Public Health, Regulation and Housing will be responsible for delegating the management and processing of applications for Housing Renovation and other related Grants or loans.

The processing of grant and loan applications shall be dealt with expeditiously in accordance with current legislation and Council policy. All applications must be approved by the Corporate Manager for Public Health, Regulation and Housing or his/her nominated representative before any payments are made.

Payments must be within the limits for such grants or loans set in the Housing Assistance Policy.

Payments of grant or loans are provided before work commences unless there are major adaptations whereby stage payments may be made when staged inspections are completed and signed off as satisfactory by the appointed officer in association with the applicant.

Employees of the Council with a personal interest in any grant application must notify the relevant Corporate Manager who shall record the interest.

Employees of the Council who have a personal interest in any grant or loan application must not participate in the processing of the application or payment of the grant or loan and comply with the Officers Code of Conduct.

### **6.3 Purchase cards**

The Council recognises that the cost of its spending is an area which can be reduced by using more efficient payment methods which include the use of Purchase Cards and Credit Cards.

The Council has an approved purchase card scheme under the Government Procurement Card (GPC) Policy. Purchase cards are issued to Officers where it has been identified that there is either a large volume of low value transactions or a frequent urgency for a smaller number being made when at remote locations.

#### **Regulations**

Authorised Users sign up to the terms and conditions as set out in Appendix C, which clearly set out how the card is to be utilised and that under no circumstances may it be used for personal purposes.

The scheme is to be used in line with the Guidance document issued to users with their cards shown at Appendix C.

The Deputy Chief Executive (S151) will appoint administrators who shall be able to request information and make amendments on the company account, including the creation of additional cardholders.

Where the cardholder purchases goods or services relating to the Building Services department, the cardholder will be required to provide the Job Number which the purchase relates to alongside the receipt to ensure the goods are charged to the correct job.

Cardholders shall retain all VAT receipts from the transactions and record them on the prescribed transaction log.

The Cardholder, or an authorised user, shall reconcile all the transactions on their transaction log and statement on a monthly basis using the reconciliation software provided by the card issuer. During the reconciliation process, the following items associated with the transaction must be populated:

- Receipt reference
- VAT amount
- Accounting codes
- Description

When the cardholder has checked the statement for accuracy the cardholder's approver must complete the summary before the full month's transactions are loaded into the financial management system.

The reconciliation, approval and loading of the file will be completed in line with the timetable set out each year.

The Deputy Chief Executive (S151) will review the effectiveness of the scheme from time to time and at least at the re-tendering of the contract, usually every 3 years.

#### **6.4 Credit Cards / Purchasing Cards**

A Corporate Credit Card is used for the purchase of products or services where the only practical method of payment accepted by the supplier is credit card. The credit card is to be held in a secured location by the Procurement Team.

The Deputy Chief Executive (S151) will appoint authorised signatories who are able to request information, make changes to the account or create new cardholders.

A purchase order must be raised in line with the Financial Regulations before any transaction is made using a card. All transactions made using a credit card are to be recorded on a central log which must be reconciled monthly to the Credit Card statement.

The relevant accounting codes and VAT information from each transaction are to be allocated on the financial ledger at the point of posting. VAT receipts are to be held centrally in line with the Council's retention policy.

#### **6.5 Petty Cash**

##### **Why is this important?**

Petty cash is required to meet minor items of expenditure that may arise from time to time.

##### **Risks:**

- Cash is stolen, lost or borrowed without due authority.
- Money is spent on non-work related goods or services.

- Petty cash is used as a means to circumvent the proper procurement process.

### **Regulations:**

The Deputy Chief Executive (S151), in consultation with Service managers, will decide on the fixed amount of the float to be used for meeting petty cash expenses at any satellite establishment.

Petty cash made available is for work related transactions only. Under no circumstances are petty cash floats to be used for personal reasons i.e., loans or advances of cash. Any officer found to be in breach of this Rule will be subject to disciplinary proceedings.

Payments from petty cash are to be limited to minor non-recurring items of expenditure, not exceeding the thresholds set out in Appendix A.

None of the following items of expenditure are to be paid out of petty cash:

- Travel and subsistence expenses of officers.
- Postage, except where a small supply of stamps is held for specific purposes.
- Sundries, such as milk, tea, coffee, biscuits, etc. for officers.
- Stationery.
- Any other payments relating to staff or persons working or providing a service to the Council.

Any officers found to be in breach of this Rule will be subject to disciplinary proceedings.

A [FIN321](#) form will be provided by the Deputy Chief Executive (S151) for each officer holding a petty cash float at the 31<sup>st</sup> March to certify in writing the amount held, either in cash and/or in signed vouchers awaiting reimbursement.

All payments from petty cash are to be recorded on the electronic [FIN320](#) Petty Cash Reconciliation form and are to be supported by vouchers in the approved form. The voucher is to be signed only by the employee entitled to receive the payment and is to be counter-signed by an authorised officer at the time of payment. Full details of the claim are to be recorded on the voucher and an official VAT receipt obtained and attached to the voucher.

On leaving the Council's employment or otherwise ceasing to be entitled to hold a petty cash float, an employee shall account to the Deputy Chief Executive (S151) for the float amount advanced to him/her.

Petty cash floats are to be reconciled and balanced (vouchers to cash balances) on a monthly basis. Replenishment of petty cash floats will be via the submission of the [FIN320](#) Petty Cash Reconciliation form using the guidance notes within the workbook. Floats will be replenished from a "top up" float held by the Customer First Supervisors.

The petty cash "top up" float will be replenished by replacing kiosk cash to be banked with a MDCC cheque of the same value.

The Petty cash top up float should be reconciled quarterly in line with the reconciliation of the petty cash eFinancials cost centre.

The workbook should be authorised and sent electronically to [accountancy@middevon.gov.uk](mailto:accountancy@middevon.gov.uk). A hard copy of the 'Vouchers' page and the 'Replenishment' page should be sent to Accounts Payable with all signed vouchers and receipts in support of the amount claimed.

Once Accounts Payable has verified the replenishment they will authorise the Customer First Team to contact the officer holding the float to collect the replenishment. Council identification must be presented when collecting the cash.

Cash balances and vouchers shall be available for inspection upon request, by Internal Audit.

Any till differences in excess of the amount shown at Appendix A shall be referred immediately to Internal Audit.

## **6.6 Asset Leasing Arrangements**

### **Why is this important?**

Capital finances are not always available to purchase an asset outright, especially larger vehicle and equipment purchases. Leasing an asset enables the cost to be spread over several financial years. Asset leasing contracts are legally binding documents which therefore need to be considered and entered into with caution.

International Financial Reporting Standards (IFRS) require Operating Leases and Finance leases to be treated differently within the year end accounts. Whether a lease is a finance lease or an operating lease depends upon the substance of the transaction, rather than the form of the contract. This is not always conclusive. The assessment requires judgement against the lease classification indicators set out in International Accounting Standards (IAS) 17.

Criteria pointing to a finance lease classification include:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value, so as to make it reasonably certain the option will be exercised.
- The lease term is for the major part of the economic life of the asset.
- The present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset (MDDC applies a rate of 75% and above).
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

In summary not only is it important to ensure that our lease arrangements are appropriate for our needs, it is also important that each lease is classified and recorded within the correct framework.

### **Risks:**

- The Council may fail to be able to meet future commitments.



- New annual lease payments may exceed budgetary provision.
- Assets are not appraised to ensure leasing is a more viable option than purchasing.
- Assets are not purchased following procurement guidelines or leased following a financing review.
- The asset is disposed of before the lease ends or is ready to be disposed of.
- Lease interest rates are high.
- Lease agreement contracts are not signed or stored correctly.
- Leases are classified incorrectly because IFRS regulations are not followed.

## **Regulations:**

A business case analysis should be carried out when considering purchasing a new asset and the Service Accountant should be included in this process. The business case should show that there is a definite business need for the asset, the asset to be acquired has been appraised to be the most operational and cost effective solution and that procurement rules have been followed to obtain quotes or to tender for the asset.

At this stage the Deputy Chief Executive (S151) should consider whether finances are available to purchase or whether leasing the asset is more appropriate. In any event if the Council is to purchase the asset and subsequently undertake a sale and leaseback arrangement the normal procurement rules outlined at 5.1 above must be followed. Service Managers must therefore be mindful of lead times before the acquisition of assets.

If the asset is to be leased a leasing advisory body will be contacted to carry out a financial review and find the best leasing option. This must only be done after the decision not to purchase has been made. Additional costs could be incurred in instructing a financial review if a decision is then made not to lease.

Arranging the financing of a lease will be administered by the Deputy Chief Executive (S151). All contractual documentation should be forwarded to the Deputy Chief Executive (S151). Once signed by an authorised signatory all Contracts will be entered into the Contracts Register.

Annual payments due on new finance leases will be funded by the service acquiring the asset through a budget virement to the finance lease detail code.

### **6.6.1 Property Leases**

If the Authority enters into any new property leases, either as Lessor or Lessee, The Deputy Chief Executive (S151) needs to be immediately advised of the transaction and the nature and terms of the agreement entered into. This is most important because the accounting treatment of the transaction and therefore our financial statements could be different, depending upon the circumstances.

### **6.7 Urgent Payments**

Payments to suppliers and others are normally arranged in a series of weekly or monthly runs. Service managers are asked to try wherever possible to adhere to these standard payment runs to maintain efficiency.

This will be by BACS as the faster more secure option and the Service Manager will need to obtain all of the relevant details of the payee for this to occur. However in the rare case that circumstances conspire to warrant an urgent payment service managers should endeavour to obtain the bank details and full name and address of the payee so that a BACS payment can be issued without delay by the Finance Team. The monies will always clear faster than a cheque, and the process is both more secure and cheaper for the Council.

Corporate Managers and Directors and service managers must ensure that Financial Regulations and Contract Procedure Rules relating to contracts and tenders have been complied with. However, in a situation which is outside the time framework for a Cabinet decision, the decision could be taken by the Cabinet Member for Finance together with either the Chief Executive or the Deputy Chief Executive (S151) for expenditure up to the EU threshold limits. Any such decision of the Cabinet Member would however need to be reported back to the next Cabinet meeting, so that there is accountability and an audit trail of the decision.

## **6.8 Emergency Action < £250,000**

In the event of an emergency, there is a need for ~~three~~<sup>two</sup> authorisations, that is, the relevant Corporate Manager on duty and either the Deputy Chief Executive (S151) or the Corporate Manager for Financial Services, Corporate Manager and a Cabinet Member to authorise all necessary actions and to incur expenditure outside amounts included within budgets without recourse to the requirements of these Financial Regulations.

The Corporate Manager on duty ~~Chief Executive and a Cabinet Member or a Corporate Manager~~ shall notify the ~~Deputy~~ Chief Executive ~~(S151) and appropriate Cabinet Members (for that service and Finance)~~ in writing of the circumstances and estimated financial impact.

### **6.8.1 Emergency Action > £250,000**

In the event of an emergency, there is a need for three authorisations, that is, the Chief Executive, Deputy Chief Executive (S151) Corporate Manager and either the Leader or a Cabinet Member for Finance to authorise all necessary actions and to incur expenditure outside amounts included within budgets without recourse to the requirements of these Financial Regulations.

In the event of such an emergency the provisions of the Constitution rules regarding key decisions apply. The Corporate Manager on duty prepare an update report to the next Cabinet meeting.

## **7.0 External Expenditure Arrangements**

### **7.1 Work for third parties**

### **7.2 Work by third parties**

### **7.3 Partnerships with external entities**

### **7.4 Projects**

#### **7.1 Work for Third Parties**

##### **Why is this important?**

Current legislation enables the Council 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.

##### **Risks:**

- The Council could make a significant loss by carrying out this work.
- Internal resources are tied up in providing external users a service with a resulting detrimental effect on internal service provision.
- The Council could be held liable for the actions of its staff.

##### **Regulations:**

The Deputy Chief Executive (S151) shall provide guidance on the financial aspects of providing third parties with services and the maintenance of a contracts register.

Each service manager shall ensure that:

- Appropriate insurance arrangements are in place to the satisfaction of the Deputy Chief Executive (S151).

- The Council is not put at risk from any bad debts.
- Valid sales invoices with the correct vat treatment are created for the service.
- Wherever possible, payment is received in advance of the provision of the service.
- The relevant service has the appropriate expertise to undertake the contract.
- All contracts are properly documented and that the documentation is kept up to date.
- The Deputy Chief Executive (S151) is provided with the appropriate information to enable a note to be entered into the financial statements.

Corporate Managers and Directors must ensure that work carried out by third parties (for instance by an Arm's Length Management Organisation) for the Council is approved and covered by a suitable contract or agreement so that the responsibilities of each party are clear. Financial, legal, HR and procurement advice should be sought at an early stage. This will ensure that the organisation only carries out work that is within the relevant legal powers, and that financial issues such as responsibility for managing budgets, insurance and taxation are properly considered.

## **7.2 Partnerships with External Partners/Agencies**

### **Why is this important?**

Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the wellbeing of the area. The Council is working in partnership with other councils, public agencies, private companies, community groups and voluntary organisations, to bring together the contributions of the various stakeholders to deliver a shared vision of services based on user wishes.

The Council will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. The Council will be measured by what it achieves in partnership with others and assist as much as possible depending upon resources.

### **Risks:**

- Important issues and problems are not addressed. Roles and responsibilities for the partnership are not clearly defined at the outset.
- The risks associated with the partnership are not identified or addressed.
- The financial viability of the partnership is not assessed at the outset.
- The partnership may not deliver the level of staffing or expertise anticipated at the outset.
- The objective of a proposed partnership may not be achieved.

- A partnership arrangement may cost the Council more than an existing or singularly administered equivalent, or the quality of service may decline, or both.

### **Regulations:**

It is the responsibility of all Service managers to identify any instances of partnership working within their service areas and to keep a written record.

Before entering into any partnership agreements the service manager will advise the Deputy Chief Executive (S151) of the key elements of the partnership. This will include an analysis of:

- A cost/benefit appraisal of the financial viability of the partnership, both in the current and future years (including estimated budgetary requirements)
- Risk assessment and management (including the production of a risk log)
- Resourcing, including taxation issues
- Audit, security and control requirements
- Dispute resolution.

The Deputy Chief Executive (S151) must be advised and will give advice on effective controls and ensure that accounting arrangements are satisfactory.

The Corporate Manager for Property, Leisure and Climate Change must be advised and a suitable partnership agreement drawn up and signed before commencement to safeguard all parties.

It will be the on-going responsibility of the service manager to:

- Adhere to approved Council policies relating to partnership working
- Ensure that such partnership agreements and arrangements do not impact adversely upon the services provided by the Authority
- Provide appropriate information to the Deputy Chief Executive (S151) to enable a note to be entered into the Council's statement of accounts concerning material items
- Ensure that all partnership agreements and arrangements are properly documented. Such documentation must be sufficiently detailed to allow the performance of the partnership to be effectively monitored and assessed.

Service managers are responsible for reviewing all existing partnerships on an annual basis to ensure that the partnership continues to deliver Value for Money, and that it operates in the best interests of the Council and is not in conflict with the Council's objectives.

Service managers must notify the Deputy Chief Executive (S151) and the Corporate Manager for Property, Leisure and Climate Change, if the Council intends to disengage from an existing partnership who will then advise on appropriate measures to protect the Council's interests when the partnership is dissolved.

It is the partners' responsibility to:

- If appropriate, and especially where this Council takes the lead, be aware of their responsibilities under these Financial Regulations

- Ensure that risk management processes are in place to identify, assess and monitor all known risks
- Ensure that project appraisal processes are in place to assess the viability of the project in terms of resources (including finance), staffing and expertise
- Agree and accept formally, the roles and responsibilities of each of the partners involved in the project before the project commences (including the production of terms of reference)
- Communicate regularly with other partners throughout the project or partnership so that problems can be identified and shared, to achieve their successful resolution
- Develop a framework for measuring the performance of the project or partnership and regularly share performance results with partners and stakeholders
- Ensure that any financial contributions made to the Council, for the purposes of the Partnership, are made on a timely basis.

### **7.3 Projects**

#### **Why is this important?**

The Council normally undertakes projects for “one-off” or unique events. Projects can be caused by many factors including changes in Central Government direction or legislative changes.

All projects that have an intrinsic value (including direct and indirect costs) of £50,000 or more shall be run using structured project management such as PRINCE2 or other appropriate project methodology.

#### **Risks:**

- The project may fail due to an inadequate or inexperienced project manager.
- The project may exceed its budget both in terms of cost and time.
- Important issues and problems are not addressed and roles and responsibilities for the project are not clearly defined at the outset.
- The risks associated with undertaking the project are not identified or addressed.
- The financial viability of the project is not assessed at the outset.
- The project may not deliver the desired objectives and outcomes that were anticipated at the outset.
- Failure of a project may impact on the Council’s reputation.

## **Regulations:**

Service managers (or Corporate Manager) own the business case, including the budget for the project, and are accountable to Leadership Team for the project. The service manager is responsible for producing and submitting the business case to Leadership Team for approval. This must include:

- Reasons for the project
- Business options
- Expected benefits and Issues/dis-benefits
- Timescales
- Costs
- Investment appraisal
- Major risks

Where the business case submissions form part of a programme or is in competition with other business cases in bids for funding (e.g. capital bids), then scoring criteria will be agreed by Leadership Team. Then each business case can be considered, prioritised or rejected.

If Leadership Team has approved the business case, then at an agreed date a Project Initiation Document (PID) will be submitted by the Service Manager for approval. The PID will contain:

- The objectives of the project
- The scope of the project
- The measurable outcomes/benefits of the project
- A list of deliverables for performance monitoring purposes
- An updated business case (including a cost/benefit analysis)
- A risk log containing risks that have previously been assessed
- An action plan of how and when the project is to be delivered
- The proposed project organisation.

Where the project involves the use of consultants, their appointment should be subject to the Council's normal rules (see Chapter 5). The estimated cost of using a consultant is to be set as the consultant budget on the project. The Project Manager will be responsible for monitoring the actual spend on the consultant on a monthly basis in conjunction with the Deputy Chief Executive (S151) or designated accountant and report to the Project Board.

It is the responsibility of the Deputy Chief Executive (S151) to set up the budget for the project on the financial ledger.

It is the responsibility of the Project Manager to monitor the project budget and project progress, in conjunction with the Deputy Chief Executive (S151) or designated accountant, and to provide the Project Board with regular updates, so that any issues or concerns can be fully discussed and action taken, where appropriate.

All project documentation must be retained in accordance with the document retention guidelines available on SharePoint.

Where the project expenditure is anticipated to be £50,000 or below, it will be the responsibility of Corporate Manager to monitor the total level of expenditure and hold the Service Manager as project owner to account should any variances arise during the course of the project. If the project requires additional financing for the project, then with the approval of the Project Board, the project owner will obtain the approval of Leadership Team prior to committing the expenditure.

Where the project expenditure is anticipated to be between £50,001 and £250,000 it will be the responsibility of Leadership Team to monitor the total level of expenditure and hold the Service Manager as project owner to account should any variances arise during the course of the project. If the Project requires additional financing for the project, then with the approval of the Project Board and Leadership Team, the project owner will obtain the approval of the Cabinet prior to committing the expenditure.

Where the project expenditure is anticipated to be in excess of £250,000, it will be the responsibility of the Cabinet to monitor the total level of expenditure and hold the Corporate Manager as project owner to account, should any variances arise during the course of the project. If the project requires additional financing for the project, then with the approval of the Project Board and Leadership Team, the project owner will obtain the approval of the Cabinet prior to committing the expenditure.



## **8.0 Staff and Member Related Expenditure**

### **8.1 Payroll**

### **8.2 Travel and subsistence**

### **8.3 Personal telephone calls**

### **8.4 ICT auctions**

### **8.1 Payroll**

#### **Why is this important?**

Staffing the Council's services is the most expensive cost to fall on the taxpayer.

#### **Risks:**

- Payments may be made to employees who have left
- Employees may be paid incorrectly
- The Council could be prosecuted for failing to abide by employment law
- The Council could be heavily criticised by the external auditors for failing to maintain adequate employment records
- Tax compliance and associated penalties

#### **Regulations:**

The regulations, set out below, cover all officers employed by the Council and all Elected Members.

All claims from Officers and Members must be submitted to the Payroll Manager by the 6<sup>th</sup> of the month.

The Corporate Manager for People, Governance and Waste may review these dates from time to time.

#### **8.1.1 New Employees**

The Corporate Manager for People, Governance and Waste is responsible for the payment of all salaries, wages, pensions, gratuities and other emoluments to employees, former employees, Members and former Members of the Council.

Appointments will be made in accordance with the establishment and rates of remuneration approved by the Council and provided that adequate budget provision is available. Payments will be made in accordance with nationally or locally agreed conditions.

In all instances where a new appointment is to be made (whether replacing an existing post or adding to the establishment), the recruiting manager will be required to complete a Vacancy Approval Form (VAF) and justify the business case for recruiting. The VAF must then be signed off by the Corporate Manager before being passed to Finance to check that there is adequate budget to recruit. The VAF must then be passed to HR and a Director for approval.

Once an appointment has been made, a starter form will be completed by HR and will be signed by the recruiting manager prior to being passed to the Payroll Manager.

The Corporate Manager for People, Governance and Waste will ensure that baseline security checks are undertaken to satisfy eligibility to work and that new employees produce the following:

- Satisfactory Identification Tax form P45 or HMRC Starter Declaration.

HR and payroll will start and maintain personnel files, within document storage, for all new employees and will complete pension documentation as required, in accordance with the Local Government Pension Scheme.

### **8.1.2 Leavers**

The relevant Service manager will notify the Corporate Manager for People, Governance and Waste immediately of all resignations, dismissals, redundancies, or retirements. The Payroll Manager will calculate and initiate the final payment and, where applicable, forward the necessary Pension documentation, to the administering Authority.

### **8.1.3 Calculation and Payment of Salaries and Wages**

Each Service manager will be responsible for notifying HR of all matters affecting the payment of emoluments, including changes in remuneration, other than normal increments, pay awards and agreements of general application.

Overtime must only be worked with the prior approval of the Service manager or his/her representative. Claims for overtime and other allowances must be certified by an authorised officer in accordance with the official Authorised Signatories List for overtime (or Local Conditions of Service where the officer is SCP 35 or above). These must be submitted promptly and at the latest within two months from the end of the month to which the claim relates. If the claim is submitted after two months then it will require the approval of the Director of the service before being processed and paid.

Payments will be calculated by the Payroll team in accordance with the information provided, the relevant Conditions of Service, and statutory payroll legislation. Non statutory deductions and changes to bank accounts are only to be made with the written approval of the employee concerned.

The salary in respect of each full calendar month for officers, and the allowances in respect of Members, will be paid no later than the 22<sup>nd</sup> of that month. The Corporate Manager for People, Governance and Waste may review these dates after consultation, from time to time.

Payment will be by monthly BACS for all employees. Pay advices can be viewed electronically on the self-service portal. Staff that don't have access to the self-service portal will have pay advices despatched to the relevant service units where a designated officer will be responsible for their distribution. Any undelivered pay advices must be returned to the Payroll Manager.

Payroll will be responsible for the correct accounting and supply of payment information to the relevant bodies for all deductions made from the payroll. The HR Manager will hold a list of signatories authorised to make amendments to payroll/authorise timesheets etc.

#### **8.1.4 Absence**

Service managers or their authorised officers are responsible for ensuring records of all absences including holidays, sickness, unpaid and other leave are maintained and monitored, using the appropriate time recording system and self-service portal. Service managers or their authorised officers must ensure staff comply with statutory and prescribed certification and notification procedures for periods of sickness and maternity leave. Failure to comply with these procedures may result in delayed or stopped payment. The submission of false information will be treated as gross misconduct.

Where an employee returns from sickness absence a return to work interview is to be completed by the line manager on the self-service portal, within one week of the employees return to work.

#### **8.1.5 Regradings from Job Evaluation, Promotions and Transfers**

The HR Business Partners will be provided with written notification from the Pay and Grading Group and relevant Service manager of any regradings, promotions or transfers. This notification will include the employee's personal and post details, both previous and revised, and the effective date of the change. On receipt of this information, HR Business Partners will instigate the change.

#### **8.1.6 Honorarium**

Honorarium payments are only to be made in accordance with the Human Resources policy.

Honorarium payments will only be made to employees who are acting up to cover a higher graded position. It is the responsibility of the Service Manager to notify the HR Business Partner of any members of their staff that are covering higher graded positions.

#### **8.1.7 General**

The names and grades of all employees listed on the payroll shall be annually checked and signed as correct by the appropriate service manager to verify the accuracy of the payroll records.

Retention of documents must comply with statutory requirements and be in accordance with section 2.5.

## **8.2 Travel and Subsistence**

### **Why is this important?**

In the course of their duties officers and Members may be required to work away from their normal place of work, attend seminars, training days etc. The officer should be reimbursed for their travel and associated costs at agreed rates and in accordance with agreed procedures. In so doing the officer receives what is due to them and the Council has an acceptable record of what is claimed and by whom.

### **Risks:**

- Fraudulent claims are made, e.g. fictitious journeys, embellished claims, incorrect rates, etc.
- Claims are paid twice
- Financial and accounting records are not correctly updated.

### **Regulations:**

Claims for travel and subsistence shall only be made where journeys were authorised and expenses were properly and necessarily incurred. The cheapest mode of transport should be used where practicable.

Claims for travelling and subsistence are to be made monthly on the self-service portal which must be fully completed and submitted to Payroll by the 6<sup>th</sup> day of the following month. Late submissions will result in delayed payments.

Officers claiming travelling and/or subsistence allowances are expected to be aware of the provisions of the Local Conditions of Service before a claim is submitted. If there is any doubt concerning the accuracy of an amount being claimed, the Service manager must be consulted and the advice of Payroll sought, if necessary, to ensure that all claims are in accordance with the relevant Conditions of Service.

Claims not submitted within 2 months from the end of the month, to which the claim relates, must be referred to the Director of the service together with a satisfactory explanation, in writing, before any payment will be made.

The submitted claim forms pass to the Authorising Officer first to verify the accuracy of the claim prior to submission to Payroll. Claimants are not permitted to approve their own claim. No benefits in kind or other ex-gratia payments to staff are to be made without consulting the Director of the service.

Subsistence allowances will be paid for the amount actually spent, subject to the limits approved in Local or National Conditions of Service (which is available on the Intranet).

Receipts for the subsistence allowances claimed are to be attached on document storage on the self-service portal. If a receipt is not attached an explanation of the circumstances must be given on the claim form and the allowance paid will be restricted.

Travelling and subsistence claims in connection with the taking of examinations or training should be made on the self-service portal and certified by the Service manager. Proof of attendance may

be required before payment. This will be paid at the prescribed training rate. All claims must be processed through Payroll.

Where an officer is undertaking professional qualification training, in accordance with the Local Conditions of Service, a copy of any invoice that is paid in relation to that professional training is required to be forwarded to the Corporate Manager for People, Governance and Waste.

Where an officer travels outside the prescribed boundaries of the Council for travel purposes, the journey and method of travel must be approved in advance by the Service manager. The cheapest mode of transport must be used where possible.

Where an officer travels direct from home, without first visiting the administrative centre, then the normal mileage from home to work should be deducted in calculating the car mileage allowance payable.

In exceptional circumstances, a Service manager can authorise an officer to claim car mileage allowance for travel from home to office. This must be clearly shown on the claim form. Payment will be made through the Payroll with deductions for Income Tax and National Insurance contributions.

Officers claiming car mileage allowance shall be insured for business use (i.e. not just social, domestic and pleasure) and have included and maintained in their policy of insurance a clause indemnifying the Council against all third party claims, including those concerning passengers, arising out of the use of the vehicle on official business.

It is the responsibility of the relevant Service manager to verify that the appropriate insurance discussed above is in place, along with a valid driver's licence, and evidence provided on document storage on the self-service portal.

It should be noted that these regulations apply equally to Members.

## **PAYROLL FORMS**

### **STAFF FORMS**

**Overtime Form**  
**Expenses Claim Form**  
**Mileage Rates**  
**Change of Bank Details**  
**Christmas Club form**  
**HMRC Starter Checklist**  
**Child Care Vouchers**  
**Cycle to work scheme**  
**Pension Joiner Form**  
**Pension Opt Out Form**

[On the HR Group Services page on SharePoint under Payroll](#)  
[On the HR Group Services page on SharePoint under Payroll](#)  
[On the HR Group Services page on SharePoint under Payroll](#)  
[On the HR Group Services page on SharePoint under Payroll](#)  
[On the HR Group Services page on SharePoint under Payroll](#)  
Copies held in HR/Payroll  
[www.busybeesbenefits.com](http://www.busybeesbenefits.com)  
[www.cyclescheme.co.uk](http://www.cyclescheme.co.uk)  
[www.peninsulapensions.org.uk](http://www.peninsulapensions.org.uk)  
[www.peninsulapensions.org.uk](http://www.peninsulapensions.org.uk)

### **MEMBERS FORMS**

**Expenses Claim Form (paper version)**  
**Travel and Subsistence**  
**ICT for Elected Members**

[On the HR Group Services page on SharePoint under payroll](#)  
[On the HR Group Services page on SharePoint under payroll](#)  
[On the HR Group Services page on SharePoint under payroll](#)

### 8.3 Personal Telephone Calls

#### Why is this important?

Telecommunications are a vital part of the Council's infrastructure. These communication channels can be abused, both in terms of the theft of telephone call time and in the theft of work time whilst making private calls.

#### Risks:

- Telephone calls time could be stolen, i.e. by not declaring
- Extensive use of telephones for private calls in office hours may represent a theft of time.

#### Regulations:

The making and receiving of personal; telephone calls is a privilege and should be kept to a **MINIMUM**. Personal calls should only be made for urgent reasons and ideally when the officer is clocked out, e.g. lunchtime. Line Managers are responsible for monitoring that employees do not make excessive or inappropriate use of this facility.

#### 8.3.1 Home Telephones

All officers who have their telephone line rental and business calls paid for by the Council are to pay the quarterly telephone bill in full and reclaim the line rental and business calls made. Evidence of bill payment must be provided before any claim is processed. Claims for reimbursement of line rental and business calls are to be made within two months of the date of the telephone bill.

Claims not submitted after the two month deadline must be authorised by the Corporate Manager for People, Governance and Waste upon receipt of a satisfactory explanation in writing before the claim will be processed.

### 8.4 ICT Auctions

All payments for assets purchased from ICT auctions should be made to the Cash Desk at Phoenix House or at other Council sites. ICT are to release assets only upon presentation of official receipts for the payment of the asset. The receipts and related records are to be retained by the Cashiers.

## **9.0 Income**

### **9.1 Setting fees and charges**

### **9.2 Rent reviews and annual increases**

### **9.3 Invoicing**

### **9.4 Income collection**

### **9.5 Postal remittances**

### **9.6 Debt collection procedures and the write off of bad debts**

### **9.7 Refunds**

### **9.8 Government subsidies, grants and claims**

### **9.9 External funding**

### **9.10 Housing advances and council house sales**

### **9.11 Asset sales**

### **9.1 Setting fees and charges**

Service Managers shall review all fees and charges levied at least annually. Where increases of charges are recommended they shall be reported to the relevant Policy Development Group, unless authority for delegated decision making has been given to an officer. The effective date must be stated.

In some instances statutory notice must be given before new charges can be introduced and Service Managers must consider this and the timing of both PDG and Cabinet meetings to ensure that any changes are lawful.

### **9.2 Rent reviews and annual increases**



To ensure invoiced amounts are correct Finance are to be advised immediately of any increases in rent, following rent reviews of a property.

Service Managers must notify Finance of any increases so that the system can be set for periodic invoices to recur. A failure to do so will result in the old rates of charge being levied, potentially losing income for the Council.

### 9.3 Invoices

Where goods or services are provided which are less than the de minimis shown in Appendix A, invoices are only to be raised if a VAT invoice is requested by a business customer. In all cases, every endeavour must be made to ensure that monies are received **before** providing the goods or services.

In terms of customer service, before raising an invoice, service managers must satisfy themselves that:

- Is the customer aware of the goods/service to be provided?
- Are they aware and have they agreed the scale of fees?

If not, **do not** proceed. Significant time is spent dealing with disputes, issuing credit notes and writing off amounts that should not have been issued in the first instance. There is also the need to declare output VAT, where applicable, to HM Revenue and Customs when raising sales invoices.

Service managers are responsible for the prompt raising of invoices associated with the activities of their services. Income for the Council is important as it affects cashflow and the ability of the Council to finance its services. The Council submits VAT returns each month and to ensure these returns are accurate sales invoices need to be within **no more than 14 calendar days** of the service having been provided. Service managers should ensure therefore that sales invoices are requested **no later than 7 calendar days** after the goods or service have been provided. Requests for the creation of sales invoices should be made via SharePoint using the proforma.

All charges made shall be in accordance with the Council's approved charging policy, tariffs, or as agreed by the Deputy Chief Executive (S151) and shall include VAT at the prevailing rate, if applicable and as required by statute.

To assist the Income Team all service managers will ensure that any invoice raised clearly states the nature of the goods or services provided to the customer and the period covered.

Where new services are to be introduced Service Managers must advise the Income team and Customer First **before** starting to bill individuals.

#### 9.3.1 Amendments

The Deputy Chief Executive (S151) must be advised promptly where there are changes in the customer's personal details, bank details, amounts or frequency of bills.

## **9.4 Income Collection**

Income is a vulnerable asset. Effective income collection systems are necessary to ensure that all of the 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 Council's cash-flow and also avoids the time and cost of administering credit.

Since income collection at the Council can vary in its nature between different services such as leisure centres and social housing, specific procedures will not be addressed here. Rather, it is recommended that each area have their own procedure documents, which have been agreed by the Deputy Chief Executive (S151).

### **Risks:**

- Income is incorrect, i.e. the incorrect rate or tariff is charged.
- Financial and accounting records are incorrect.
- Money owed to the Council is not pursued adequately.
- Income is not collected at all.
- Income collected is stolen.
- Financial and accounting records are not updated correctly.
- VAT returns may not be correct.

### **Regulations:**

Arrangements for the collection of all money due to the Council shall be subject to the approval and control of the Deputy Chief Executive (S151).

The Deputy Chief Executive (S151) will, at least annually, review charging tariffs so as to ensure that they reflect current Council policy reflect an appropriate charge for the goods or services offered and will make recommendations for any changes to the relevant, PDG or Cabinet Member.

All receipt forms or books, account forms, till rolls and tickets are to be ordered and controlled in a manner approved by the Deputy Chief Executive (S151). All issues of these documents to other services shall be properly recorded and acknowledged.

Services drawing receipts or tickets in bulk will maintain a control record indicating issues made, together with signatures acknowledging receipt.

The Deputy Chief Executive (S151) is to be notified promptly of any new, or alterations to existing contracts, leases or other agreements which involve the receipt of money by the Council.

An official receipt is to be issued for all cash payments made to the Council. A receipt for any other alternate method of payment will only be issued by request. New single payment receipting system.

Under no circumstances are personal or third party cheques to be cashed, nor money loaned, out of cash held on behalf of the Council. Any officer in breach will be subject to disciplinary proceedings.

At the close of business each day (and for each individual till point) any Council establishments that receive income on behalf of the Council will be required to:

- Take a daily total income reading, which shows the amounts of cash, cheques and card payments received during the working day.
- Complete a reconciliation of the cash in the till and the total cash figure on the till reading.
- Add up the total monetary value of all cheques taken and ensure that this matches the total cheque figure on the till reading.
- Once the cash and cheque amounts have been correctly agreed, a bank paying in slip must be completed and sealed in a cash collection bag (provided by the Council's nominated Security Collection firm), along with the cash and cheques.
- The sealed cash collection bag must then be placed in the Council's designated safe, immediately.

A card payment report is to be generated from the swipe machine and the monetary value of the card payment slips must match the end of day figure. All card payment slips are to be retained for an appropriate period.

Once the banking has been prepared, the float in each till must be checked to ensure that the balance held matches the designated float total. Income must be banked intact and under no circumstances is the float to be taken out of the till before the takings to be banked.

All collecting officers must maintain an "unders and overs" record for any discrepancies. Where it is found that there is a discrepancy between the level of float in the till and the designated float total, the "unders and overs" record must be completed immediately and any discrepancies over the amount specified in Appendix A must be reported to the Internal Audit Manager. The Service manager or his/her representative is required to check the "unders and overs" record on a regular basis and Internal Audit will undertake regular random spot checks.

Officers receiving money on behalf of the Council shall keep such records of collections and deposits as the Deputy Chief Executive (S151) directs.

Officers collecting income must not also be involved in the reconciliation of that income to the amounts due. An officer who is not involved in the collection process shall ensure that the money reported as collected, has indeed been banked.

Refunds will be issued under appropriate circumstances. If it is determined that money is owed to another party, a refund will be issued only where that party has no other relevant arrears with the Council. Where such arrears exist, the amount owed should be used to reduce the outstanding arrears.

Where a charge has been raised in error e.g. against an unoccupied (void) property, those charges should be cancelled rather than a credit note raised. The effect for the customer is the same. However, since credit notes and cancellations are used under different circumstances, this approach gives a clearer picture of what has occurred.

## 9.5 Postal Remittances

Post is to be opened by Customer First officers based in the Post room. There are exceptions to this, which will be agreed between the Chief Executive, Deputy Chief Executive (S151) and Leadership Team. Post for HR and CRB notifications are to be opened within HR.

The post is to be opened by at least two officers who will record and witness all remittances received. The remittances and accompanying record must then be sealed prior to removal from the post room.

Postal remittances will then be passed to Customer First cashiers who will be required to sign a receipt to state that they have received the sealed remittances.

Where Planning Officers open remittances in the Post room they also complete a daily listing detailing the number of remittances they receive which is given to Cashiers. Planning is then permitted to take the remittances to check against applications and to return these payments to the cash desk the same day, who will then check the numbers received.

Responsibility for the safe custody of the postal remittances remains with the officer who received such payments until such time as the remittance has been processed and the cash or cheque securely stored in the till.

Under no circumstances are cash and cheques to be held in service areas overnight. Any officer found to be in breach of this rule will be subject to disciplinary proceedings.

## 9.6 Debt Collection Procedures and the Write Off of Bad Debts

The control and recovery of debts is the responsibility of the, Deputy Chief Executive (S151), as is maintaining adequate bad debt provisions.

No refunds are to be issued for amounts **less than** the de minimis shown within Appendix A, unless specifically requested by a sundry debt account payer.

Invoices raised are to be pursued within the defined timescales with the Service concerned being regularly informed of recovery progress so as to ensure that further provision of goods or services is stopped until payment is forthcoming.

### 9.6.1 The prescribed process:

- 1<sup>st</sup> reminder letter - 28 calendar days after issuing the invoice
- 2<sup>nd</sup> reminder letter - 14 calendar days after issuing the first reminder
- Final letter - on a case by case basis

Where the debt collection agency is experiencing problems collecting the outstanding monies the relevant service manager is to be consulted. The nature of the debt has to be considered.

- How large is the debt?
- Is it a one off single invoice?
- Is it an invoice relating to a potentially recurring item?

- Does it involve an individual with special needs?

These factors together with the overall likely cost/benefit need to be considered before referral to Legal to take legal proceedings against the individual.

### **9.6.2 Legal Action**

Where the item is referred to Legal their professional advice is to be considered by the Recovery Team and the Service Manager who owns the debt, following the Debt Protocol.

### **9.6.3 Disputed Invoices**

Instructions to withhold recovery action on an outstanding account must be made in writing and signed by the relevant Service manager. The written instruction is to include the period of suppression, **normally not to exceed a maximum period of one month**, and the reason for withholding action. Once the period of suppression has ceased the Recovery Team will be able to commence action against the Debtor

### **9.6.4 Cancellation of Invoices**

Where a debt is to be removed, Service Managers must identify what is needed:

- Service billed incorrectly: Credit note issued and replacement invoice for the service/goods provided.
- Service billed correctly, but inability to recover: The debt written off as non-recoverable after all possible recovery exhausted.

The Deputy Chief Executive (S151) must be informed without delay to ensure customer service is maintained and recovery of VAT can take place.

Cancellation of invoices raised in error must be approved by the relevant Service manager.

Debts can only be written off by the Recovery Team and under no circumstances should the write off of bad debts be processed by the service area.

### **9.6.5 Write off of Bad debts**

Copies of the invoices rendered to debtors and all supporting documents in respect of any debt due are to be held in accordance with the Council's document retention guidelines for use by the Recovery Section and Legal Services if the debtor is in default.

The writing off of any due debt (or cumulative total debt from one person) shall be authorised in accordance with the limits set out in Appendix A.

The Deputy Chief Executive (S151) is to be informed of any outstanding income relating to the previous financial year as soon as possible after the 31<sup>st</sup> March. This includes outstanding income data recorded on independent billing and collection systems (both manual and computerised) held outside Finance Services.

## **9.7 Refunds**

Where a small cash amount has been received, equal to or below the de minimis level shown at Appendix A, then a refund can be made to the individual by cash on request.

In cases where customers have overpaid amounts in excess of the de minimis shown at Appendix A, refunds can only be made after approval by Service Managers subject to the following principles:

- Payments that were originally made by electronic cards should be refunded on the same card.
- If the original payment was received by a cheque or BACS then any refund due should be made by BACS refund in the interests of security and costs. All bank details received from customers must be in writing, to protect the Council, and the confidential data must be protected.

## **9.8 Government Subsidies, Grants and Claims**

### **Why is this important?**

Grants and subsidies are a significant source of finance to the Council. As such it is essential that the Council receives all that is due to it and on time.

### **Risks:**

- Potential income from grants may not be received or received late the Council thereby having to meet any shortfall in income or cashflow.
- Grant claim forms may be incorrectly completed.
- The Council could be criticised by external audit for failing to claim and/or record grant income correctly.

### **Regulations:**

The Deputy Chief Executive (S151) is to provide advice on the methods available for the funding of resources such as grants from Central Government and borrowing requirements and is to assist in the allocation of resources to service managers.

The Deputy Chief Executive (S151) shall be responsible for completion of all forms relating to subsidies, grants and claims submitted to Government Departments on behalf of the Council.

The Deputy Chief Executive (S151) shall ensure that subsidy, grant and claim forms are forwarded to the appropriate Government Department by the due date.

The Deputy Chief Executive (S151) shall nominate specific officers to complete various subsidy, grant and claim forms and it shall be their duty to deal with these forms expeditiously using the most accurate information available.

Copies of subsidy, grant and claim forms, together with adequate supporting working papers shall be prepared and retained and are to be made available for inspection by internal and external auditors, if requested.

Any payment by or income due to the Council arising from a submitted subsidy, grant or claim form shall be made known to the Deputy Chief Executive (S151) and the relevant amount recorded for accounting purposes.

If the grant is ring-fenced for a specific type of expenditure then it must only be used for that purpose and if capital in nature then only utilised for capital expenditure.

If grant conditions are not met within the defined period stipulated and the grant is repayable then repayment to the issuing body must be made without undue delay.

## **9.9 External Funding**

### **Why is this important?**

External funding is potentially an 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 Council. Local Councils are often encouraged to provide 'seamless' service delivery through working closely with other service providers from the charitable, not-for-profit and private sectors.

Funds from external agencies, such as the National Lottery, can provide additional resources to enable the Council to deliver services to the local community. However, in some instances although the scope for external funding has increased, such funding can be linked to tight specifications and may not be sufficiently flexible to link to the Council's overall plan. The cost of submitting a bid versus the likelihood of the bid being successful must also be considered when deciding whether to apply for funds for specific projects.

### **Risks**

- Statutory requirements are not complied with
- Funds are acquired in respect of policies that have not been approved by the Council
- The Council signs up to long term agreements without securing match funding
- The Council incurs significant costs in preparing a bid for external funds which is ultimately unsuccessful.

### **Regulations:**

The Deputy Chief Executive (S151) is to ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.

The Deputy Chief Executive (S151) is to be made aware of any prospective match funding arrangements and to ensure that the funding requirements are considered prior to entering into the agreements and future revenue budget reflect these requirements.

The Deputy Chief Executive (S151) shall ensure that the external funding requirements of the external auditors are met.

## **9.10 Housing Advances and Council House Sales**

### **Why is this important?**

The Council maintains a number of mortgages mainly with ex-Council tenants. It also continues to sell its housing stock to tenants under the Right to Buy legislation. Sales are often at heavily discounted rates and, the scheme is open to abuse.

### **Risks:**

- Property could be purchased by people who do not qualify for the discounts and then sell it on at significant profit within a relatively short period.
- Property could be sold at a price lower than the market rate when not appropriate.
- Property could change hands without the Council having received payment for it.
- Ex-tenants could avoid having to pay service charges for which they are responsible.

### **Regulations:**

The Deputy Chief Executive (S151) shall be responsible for the administration and collection of mortgage monies due to the Council. It is assumed that no further advances will be made.

### **9.9.1 Sale of Council Houses**

Applications for the buying of council houses shall be subject to the provisions of the Housing Act 1985 as amended by Leasehold Reform, Housing and Urban Development Act 1993 and any subsequent amending legislation.

The Corporate Manager for Public Health Regulation and Housing shall be responsible for co-ordinating the processing of applications made under the Right to Buy or the Rent to Mortgage schemes.

The Corporate Manager for Public Health Regulation and Housing shall be responsible for arranging the valuation of a property to be sold and notifying an applicant of the offer price, taking into account the applicable regulations discount.

When the applicant accepts the offer price, the Corporate Manager for Public Health Regulation and Housing shall pass the applicant's documents to the Legal Section who will be responsible for the conveyancing and the preparation of any restrictive covenants affecting the property.

After approval of the draft transfer or lease by the purchaser's solicitor, Legal Services will finalise the legal work to completion.

The Corporate Manager for Property, Leisure and Climate Change, in liaison with the Deputy Chief Executive (S151) and Corporate Manager for Public Health Regulation and Housing, shall ensure that any rent arrears have been fully paid before the date of completion. If there is a default of payment, completion is not to take place.



Upon completion, the sum due from the purchaser will be exchanged for the conveyance and the money received paid in immediately.

Legal Services shall notify the Corporate Manager for Public Health Regulation and Housing and the Deputy Chief Executive (S151) that completion has taken place and provide details of the relevant income. Housing and property maintenance records shall be amended accordingly and the Deputy Chief Executive (S151) will arrange for the relevant accounting entries to be made.

Service charges for leased properties are to be calculated in accordance with the relevant legislation.

If a leasehold property is sold, the Corporate Manager for Public Health Regulation and Housing shall commence ground rent and service charge records and request the Deputy Chief Executive (S151) to ensure that the periodical income is received on the due dates.

### **9.10 Asset Sales**

Where an asset is sold and the initial cost was less than the de minimus shown at Appendix A, the sale proceeds will be treated as **Revenue** and coded to the relevant income code.

See 12.5 for the provisions relating to the sale of capital assets.

## 10.0 Stock

### 10.1 Stock (Inventory)

### 10.2 Stocktakes

### 10.3 Write Off of Obsolete and Damaged Stocks

#### 10.1 Stock (Inventory)

##### Why is this important?

The Council holds stock and inventory whose value is considerable. As such these assets need to be safeguarded from loss. In addition, the costs of holding large quantities of stock are high and so it must be used efficiently in the delivery of services.

##### Risks:

- Loss of stock/inventory would result in a direct adverse financial effect on the Council. This could happen for any of the following reasons.
  - Goods could be lost
  - Goods could be stolen
  - Goods could be sold below the correct selling price
  - Goods could be damaged and decrease in value
- The stores could be holding more inventory than is necessary. This would increase the cost of holding and also increase the likelihood of obsolescence.

##### Regulations:

Each Service Manager shall designate officers responsible for the custody and physical control of the stock in their departments.

The Service manager shall ensure that stock/inventory is not carried in excess of reasonable requirements.

### **10.1.1 Issuing of stocks**

Materials are only to be issued to persons authorised to receive those materials. Requisition notes or other approved documents are to be used bearing the signature of the appropriate authorised officer.

All requests for stores materials must be made to the stores officer responsible for the control and issuing of those stores and materials.

The documents and method of issuing stores materials must be approved jointly by the Service manager and the Deputy Chief Executive (S151). Internal Audit may periodically test that the correct procedures are being followed.

Stores officers are to maintain accurate records of all issues and receipts in the prescribed form.

## **10.2 Stocktakes**

Any service manager that is responsible for a quantity of stock must arrange for a stocktake to be carried out at least annually. This should be carried out at or in close proximity to the accounting year-end (31<sup>st</sup> March), since the data will be used in the annual accounts. The only exception to this rule is where a continuous stocktake system is in operation. This might be where a service carries out a count of 25% of its stock lines each quarter, meaning that 100% are covered within each 12 month period. Any such arrangement must be agreed in advance with the Deputy Chief Executive (S151).

The stocktaking exercise should be undertaken by a group of officers. This group should include staff from outside of the store i.e. those that are not responsible for the inventory on a day-to-day basis.

Those conducting the stocktake must record the quantity counted for each line of stock and identify any obsolescent or damaged items of stock.

Internal auditors should be involved on the day of the stocktake. Their role is not to take part in the stocktake, but to check a sample of completed stock sheets and carry out a second count of them. This will mean that Internal Audit can give an opinion as to the level of assurance that can be taken from the stocktake results.

Stocktaking sheets must clearly show details of all surpluses and deficiencies identified during the stocktakes. All discrepancies are to be investigated and pursued to a satisfactory conclusion before adjusting entries are approved.

Random stock checks may also be carried out by Internal Audit. This can occur at any time of year and without advance warning.

Immediately following the end of the financial year each Service manager shall certify a list of all commodities held at 31<sup>st</sup> March, together with a valuation of those commodities at the lower of cost or net realisable value (the net amount of monies the Authority might raise in the event of selling the item). These lists must be submitted to Finance no later than the ninth working day of April each year.

The Deputy Chief Executive (S151) shall arrange for stock control systems to be reconciled to the Council's accounts regularly at an appropriate frequency, and annually at 31<sup>st</sup> March as a minimum.

Where a discrepancy is identified between the stocktake results and the value held in the accounting system, a stocktake form must be signed/approved in accordance with the thresholds shown in Appendix A.

At the point of Finance receiving the stock value listings, they should be forwarded to the officer responsible for insurance cover.

### **10.3 Write Off of Obsolete and Damaged Stocks**

Whilst held in stores, stock/inventory may become damaged or obsolete. In such circumstances, the value held in the accounts should be adjusted to reflect this. This is known as writing off or writing down and can only be done with the approval of the Deputy Chief Executive (S151).

Where obsolete or damaged stock is identified the stocktake form must be signed/approved in accordance with the thresholds shown in Appendix A.

Proposed write-offs shall not be separated to avoid the approval and reporting limits cited at Appendix A.

## **11.0 Taxation**

### **11.1 Value added tax (VAT) basic guidance**

### **11.2 Tax points - vat returns**

### **11.3 Construction industry scheme**

### **11.4 Responsibility**

#### **11.1 Value Added Tax (VAT)**

##### **Why is this important?**

Section 33 of the VAT Act 1994 enables Mid Devon District Council to recover Input Tax on most expenditure. MDDC also have a duty to pay to HMRC the VAT collected on Vatable sales income. For detailed guidance please see Appendix B.

##### **Risks:**

- Penalties will be levied by HMRC if we fail to account for VAT in accordance with legislation.

##### **Regulations:**

#### **11.1.1 Expenditure**

All invoices due for payment by the Council are to be addressed to Mid Devon District Council. All expenditure must be supported by valid documentation (If over £250 a VAT invoice) to support the Authority's claim of input VAT. Where VAT invoices addressed to Mid Devon District Council have not been received Officers must request these from suppliers.

VAT receipts must be obtained and forwarded to the Payroll Manager to support claims for VAT on mileage expenses.

#### **11.1.2 Sales Income**

Sales invoices should be raised wherever possible before the goods or services are provided – See Invoices 9.3 above.

Where goods or services are provided in advance Finance must be advised within **7 DAYS** to raise an invoice. The invoice must be raised within 14 days or the original supply date will become the tax point and has implications for our VAT returns.

Full details of the transaction must be provided to Finance ([debtors@middevon.gov.uk](mailto:debtors@middevon.gov.uk)) to ensure that the correct VAT treatment of the sales invoice is made.

## **11.2 Tax Points – VAT returns**

### **Why is this important?**

VAT returns are required to be submitted monthly, VAT returns are filed online and the submission date is the 7<sup>th</sup> of the second month following that of the return, i.e. the VAT return for period 1<sup>st</sup> – 30<sup>th</sup> June is to be completed by 7<sup>th</sup> August. If a VAT return is late HMRC could impose a penalty. As the majority of our VAT returns are repayment returns it is beneficial to complete the VAT return as promptly as possible to improve our cash flow. It is important that all debtor and creditor invoices are recorded in a timely manner to ensure that any VAT is claimed or paid in the correct period.

### **Risks:**

- HMRC can impose a penalty if we fail to submit a VAT return by the due date.
- HMRC can impose a penalty if we fail to account for tax points correctly and account for VAT in an incorrect period.
- Supporting documentation is not retained to support tax point claims.

### **Regulations:**

The Deputy Chief Executive (S151) is responsible for ensuring that the monthly VAT return is completed and submitted to HMRC by the submission deadline. Before submission the VAT return working papers will be reviewed and signed by the preparing Officer and a reviewing Officer.

Where HMRC makes a change in a VAT rate it is important that supplies made before and after the change are made at the correct rate

Both invoices paid and invoices raised are to be kept within Document Retention Guidelines, either in hard copy or stored electronically.

All VAT is accounted for through the Council's VAT nominal codes, including any adjustments to VAT. These nominal codes will be balanced monthly as part of the VAT Return to ensure on-going VAT liabilities are accurate.

## 11.3 Construction Industry Scheme

### What are construction operations?

CIS covers construction operations carried out in the UK. The rules of the scheme define the types of work that are classed construction operations. But, as a general rule, the scheme includes almost any work that is carried out on:

- A permanent building
- A temporary structure
- A civil engineering work or installation

Some examples of the types of construction work that are covered by the scheme include jobs like:

- site preparation
- general construction - bricklaying, roofing, plastering and so on
- alterations and extensions
- repairs and refurbishment
- decorating
- dismantling work
- demolition

You can find out more about the types of work that are covered by the scheme in HMRC's Construction Industry booklet CIS340. The scheme defines 'construction' as a term with a broad meaning that includes:

- building things
- making things
- putting things together
- assembling things

Some jobs are specifically excluded from the CIS. They include:

- professional work, like architects' services
- scaffolding hire - with no labour
- fire alarm installation
- carpet fitting
- manufacturing things like windows, blinds and shutters off-site
- making and putting up signs
- delivering materials

You will also need the following information about the subcontractor:

- their name, or the name of their business or company
- their Unique Taxpayer Reference (UTR)
- the partner's name if they're a partnership
- their National Insurance number (if you know it) if they're a sole trader
- the partner's UTR or National Insurance number if they're a partnership (or, if the partner's a company, that company's UTR or company registration number)

- their company registration number if they're a company
- HMRC's verification of the subcontractor will advise on the payment status, this will be one of three possibilities:
- gross - meaning you don't make any deductions
- net of deductions at the standard rate (20 per cent)
- net of deductions at the higher rate (30 per cent), because the subcontractor isn't registered or couldn't be verified for some other reason

### **11.3.1 Making deductions**

To make a deduction from a subcontractor's payment, start with the total - gross - amount of the subcontractor's invoice and then take away:

- any VAT they've charged
- the amount of any Construction Industry Training Board (CITB) levy they've paid

Then take away the amount the subcontractor actually paid for each of the following (including VAT if they're not VAT registered):

- materials
- consumable stores
- fuel used - except for travelling
- plant hire
- manufacturing or prefabricating materials
- Finally, apply either the standard or the higher rate percentage to the amount that's left to work out how much to deduct.

Each statement must include:

- the name of your business and your employer tax reference
- either the date when the tax month in which you made the payment ended, or the date when you made the payment
- the subcontractor's name and UTR
- the subcontractor's verification reference number if the deduction was at the higher rate
- the gross amount before you made the deduction but after you'd taken off any VAT, CITB levy, materials costs and so on
- the cost of any materials you took off before making the deduction
- the amount you deducted

### **Regulations:**

The Deputy Chief Executive (S151) is responsible for providing information to HMRC in relation to the Construction Industry Tax Deduction Scheme as required and advising Corporate Managers and Directors of their responsibilities under the scheme.

Officers must have consideration of the Construction Industry scheme and liaise with Procurement before suppliers are set up on our systems.



#### **11.4 Responsibility**

Corporate Managers and Directors are responsible for ensuring that the appropriate controls and procedures are operated within their service areas in relation to taxation issues.

(See also 5.2 above relating to the Use of Consultants and Employment Status).

## **12.0 Asset Management**

### **12.1 Land and buildings property register**

### **12.2 Fixed asset register**

### **12.3 Equipment register**

### **12.4 Additions of assets**

### **12.5 Disposals of assets**

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## **12.0 Asset Management**

### **Why is this important?**

The Council holds assets in the form of land, property, vehicles, equipment, furniture and other items. It is important that assets should be safeguarded and used efficiently in the delivery of services and that there should be arrangements for the security of those assets. Up to date registers are a prerequisite to maintain proper fixed asset accounting and sound asset management. These include:

- Land & Property Register of all Council owned land and buildings (See 12.1)
- Fixed Asset Register (FAR) to ensure a proper fixed asset accounting (See 12.2)
- Departmental equipment registers (See 12.3)

### **Risks:**

- Holders of equipment and furniture may be unaware that items have been lost or stolen without a record of all such items being maintained.
- The Council's insurers may reject claims to replace lost or stolen items if the Council cannot demonstrate that it maintains adequate inventory records.
- Assets could be used for non-council business.
- Assets are not available when required in the provision of a service.
- Assets are lost or stolen.

- Assets may be acquired without prior approval, for which there is no use and/or on financially unacceptable terms.
- Assets could be sold when there remains an operational need for them.
- Assets could be sold for less than the market or expected residual value.
- Assets could be disposed of to officers, Members or others at no, or very little cost, which could be construed as tantamount to theft.

## **12.1 Land and Buildings Property Register**

### **Regulations:**

The Land & Property Gazetteer Management System must hold all land and buildings owned by MDDC.

When any new land plots are identified this needs to be added to the database.

When any land plots or buildings are sold/purchased they need to be removed from/ added to the database.

All title deeds to such property shall be kept secure, under the control of the Corporate Manager for People, Governance and Waste and Development.

## **12.2 Fixed Asset Register (FAR)**

It is the responsibility of the Deputy Chief Executive (S151) to set policies to ensure that the Council's assets are managed in an efficient, effective and economic way.

The Council shall maintain an asset register to include all land, buildings, plant and equipment owned or subject to a finance lease subject to the thresholds shown in Appendix A. The register shall accurately record acquisitions, disposals (either by sale or transfer of ownership). The Fixed Asset Register will therefore only hold assets previously capitalised or new asset additions whose individual class is over the de minimis.

All assets owned by the Council are to be valued in accordance with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.

The FAR is the responsibility of Finance to maintain. However Service Managers are expected to advise Finance throughout the year of changes to these assets (within 2 weeks of any change), so that amendments can be reflected in the FAR using form [FIN601](#). Changes may include disposal, acquisition and impairment.

Asset sales including Council House Right-to Buy (RTB) and Land or Property sales will be advised promptly by Legal to the Deputy Chief Executive (S151) on an asset disposal form. The Corporate Manager for Public Health Regulation and Housing will also arrange for a memo of the RTB sales to be forwarded to the Deputy Chief Executive (S151).

Asset purchases subject to the de minimis referred to in 12.2.2 above, need to be promptly advised by responsible service managers at the earliest so that these changes can be picked up continuously throughout the year.

### 12.3 Equipment Registers

Registers of all vehicles and equipment belonging to or in care of the Council with a replacement value of greater than the thresholds shown at Table H 'Equipment Registers' in Appendix A will be prepared and maintained by the relevant Service Manager.

The registers shall be the responsibility of the responsible Service Manager in a form approved by the Deputy Chief Executive (S151). Please see proforma example [FIN603](#). A register of all ICT equipment will be held by the Corporate Manager for Digital Transformation and Customer Engagement.

Each Service manager will arrange for the inventory of the physical assets to be checked at least annually and certify the inventory to that effect.

The Deputy Chief Executive (S151) or his/her representative will, at all reasonable times, have access to the property of the Council and may make such checks and tests as he/she deems reasonable and necessary.

Council property including ICT equipment will not be used for private purposes without the express approval of the relevant Corporate Manager. Any officer found to be in breach of this Rule will be subject to disciplinary proceedings.

All property belonging to the Council, will so far as is practicable, be marked in a suitable manner as being the property of the Council.

In the event of items of equipment becoming obsolete or surplus to requirements, and if the value exceeds ~~£1,000,500~~, then the disposal should be by means of competitive tender. This requirement can be waived if the Corporate Manager receives evidence that a competitive tender would not be cost effective.

All Council land, buildings, vehicles, or items of plant or equipment are to be kept under secure arrangements at all times. Each Service Manager is responsible for ensuring the adequacy of the security arrangements.

No unauthorised private use is permitted of any land, buildings, vehicles or items of plant or equipment irrespective of whether it is owned by, or leased to, the Council. Any officer found to be in breach of this Rule will be subject to disciplinary proceedings.

All buildings, vehicles, plant or equipment shall be appropriately insured. Any instances of loss or damage to any buildings, vehicles or items of plant or equipment must be reported to the relevant Service manager and the Deputy Chief Executive (S151). The Service Manager is responsible for ensuring that any losses are recorded in the appropriate equipment register.

## **12.4 Additions of Assets**

Service Managers must secure best value for money for the Authority on all purchases of assets. Purchase or the leasing of land, buildings and equipment shall be within overall budget provision and the Deputy Chief Executive (S151) will decide on the appropriate method of financing.

All purchases or leasing of land and buildings shall be on the best financial terms that can be obtained for the Council. The purchasing or leasing of land and buildings is to be in accordance with the Council's Procurement policies (See Chapter 5).

Lessees and other prospective occupiers of Council land or buildings are not allowed to take possession of, or enter the property, until a lease or agreement has been signed.

No purchase or leasing of land and buildings shall be undertaken without consideration of:

- current and anticipated usage; and
- consideration of the other availability of owned existing land and buildings.

The appraisal should take into account the economic benefits of renting rather than purchasing or leasing.

It is the responsibility of the Service manager to notify the Deputy Chief Executive (S151) of any acquisitions of, or disposals of, assets immediately to ensure that the asset register is updated in a timely manner. Insurance requirements, must be amended immediately if necessary.

Records must demonstrate that the income received from the disposal of an asset has been properly accounted for. Appropriate accounting entries are to be made to remove the value of the land and/or buildings from the Councils records and to include the sale proceeds.

## **12.5 Disposal of Assets**

When assets are found to be surplus to requirements, and the Council takes the decision to dispose of them, they must be disposed of in a manner that ensures the Council receives the maximum sale value but also in accordance with regulations below.

Prior to disposal the relevant Service manager must check to confirm that the asset is owned by the Council and that the Council is free to dispose of it. Some Council assets, which were purchased initially, may subsequently have been included in a bulk lease financing arrangement and may not be the Council's to dispose of.

The market value of a property asset being disposed of must have been established and the disposal has been approved by the Leadership Team. Where the item(s) are valued up to and including the amount described at Appendix A it is the Service manager's responsibility to ensure that the best possible price is obtained, even if the asset is scrapped.

Competitive tenders are to be sought for any item of equipment valued at over the amount shown at Appendix A and it shall be the responsibility of the Service manager to obtain the best possible price, having regard to the likely disposal cost. Land or buildings should be valued by a qualified valuer to ensure that these assets are sold at their market value and at arm's length where transactions take place between the General Fund and the Housing Revenue Account.

The Service manager will be required to follow the tender process set out in Procurement (see section 5) and any evidence and/or documentation relating to the transaction must be kept in accordance with the document retention policy.

On acceptance of the highest offer, the purchaser must pay the Council and tender a Council official receipt before the item is released.

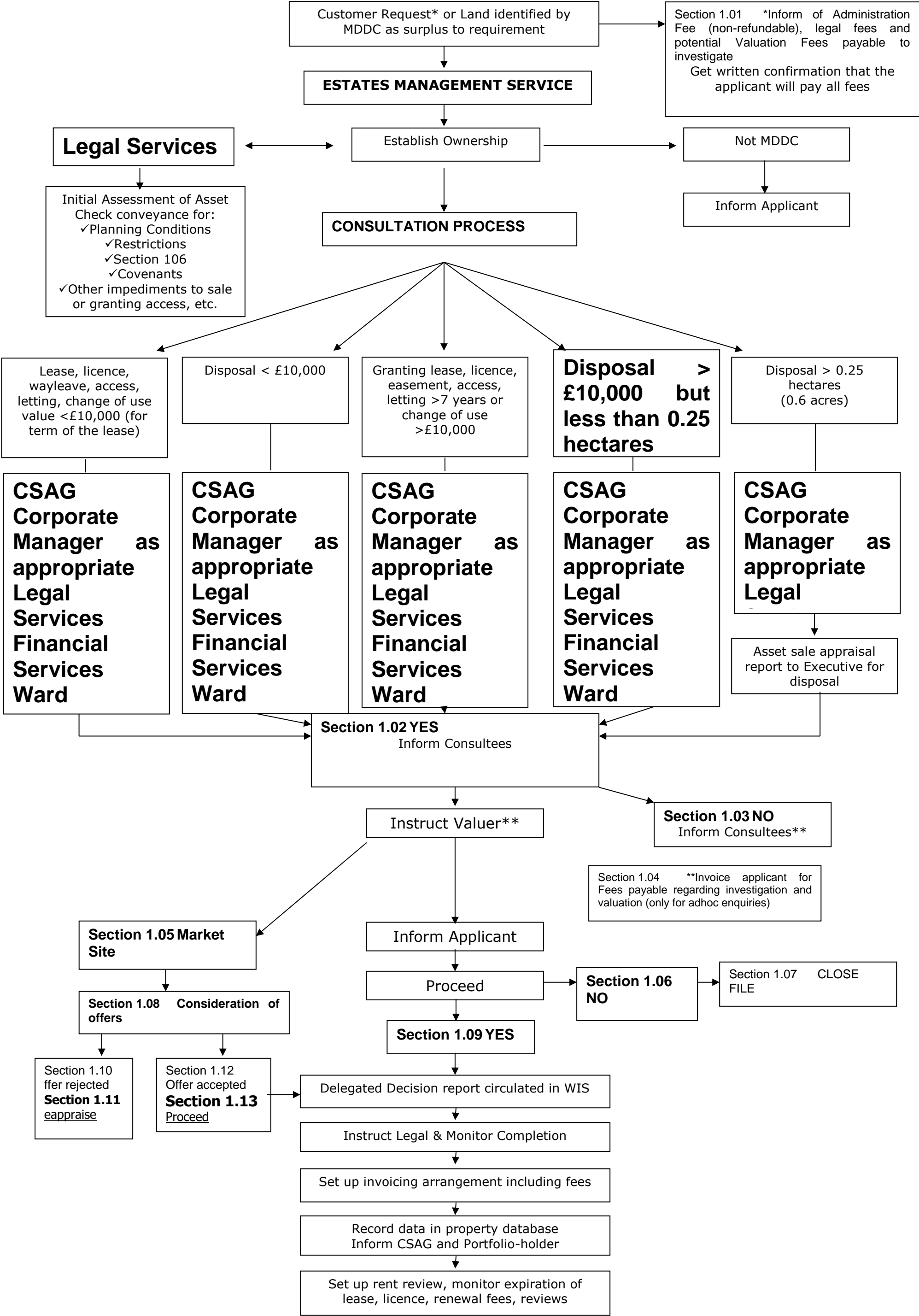
Records must demonstrate that the income received for disposal of an asset has been properly accounted for. Appropriate accounting entries are to be made to remove the value of the asset from the Council's records and to include the sale proceeds if applicable.

Any equipment register record relating to the vehicle or item of plant or equipment disposed is to be endorsed with the date of disposal and the receipt number for the income received.

It is the responsibility of the Service Manager to notify the Corporate Manager for Financial Services of any acquisition, or disposal of, assets within two weeks of the date of acquisition or disposal to ensure that the asset register is updated in a timely manner.

All property sales up to £50,000 must be approved) by the Capital Strategy and Asset Management Group (CSAG) (prior to the sale). This multi stage process, agreed by Members, is depicted below:

DISPOSAL, ACCESS RIGHTS, EASEMENTS ETC – LAND AND PROPERTY



## **13.0 The Capital Programme**

### **13.1 Selection and Compilation of the Capital Programme**

### **13.2 Capital Strategy Asset Group**

### **13.3 Budgetary Control of the Capital Programme**

### **13.4 The Prudential Code**

### **13.5 Utilisation of Capital Receipts**

## **13.0 The Capital Programme - Introduction**

Capital expenditure differs from revenue expenditure in several ways, and falls into the following general categories:

- the purchase or construction of an asset
- the enhancement of an asset
- grants for capital purposes.

Council assets include land, buildings, vehicles, plant and equipment. The Council makes grants for capital purposes such as Private Sector Housing Grants (e.g. Disabled Facilities Grants & Empty Homes Grants) which are classed as capital expenditure. Disabled Facilities grants are mandatory whereas Empty Homes grants are not.

Capital expenditure is often of high value and the benefit is expected to be spread over a number of years. Revenue expenditure refers to the annual running costs relating to the provision of a service which may include revenue costs associated with the capital acquisition.

### **13.1 Selection and Compilation of Capital Programme**

#### **Why is this important?**

Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Council, such as land, buildings, and major items of plant and equipment or vehicles. Capital assets shape the way services are delivered and create financial commitments for the future in the form of financing costs and ongoing revenue expenditure.



The Government places controls on the financing capacity of the Council through the Prudential Framework and Indicators. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit from scarce resources.

**Risks:**

- The Council could commit itself to capital projects for which no funding is available.
- The final cost of a capital scheme could be considerably higher than that estimated at the outset.
- The Council may spend more on capital schemes than it is legally allowed to.
- The Council may choose a project at the expense of a project which has a better return or is more in keeping with the Council's corporate aims.

**13.1.1 Capital Programme and New Schemes Fund Initiatives**

Each year, the Deputy Chief Executive (S151) will prepare the Medium Term Financial Plan (MTFP). This looks at the current year and the following four years in respect of the Capital and Revenue Budgets. These budgets will comply with the Prudential Code.

Service Managers will prepare provisional estimates for each of their services for each of the next four years of proposed expenditure on capital schemes, including any associated capital income. Consideration will be given to any additional revenue base increases (e.g. Support & maintenance increases for new ICT systems) or additional revenue income (e.g. additional leisure income for a spend to save project). The Deputy Chief Executive (S151) will specify the form these estimates should take and the timetable for their submission.

All capital proposals will be scrutinised by the Deputy Chief Executive (S151) and the Capital Accountant. A project appraisal and a capital bid form, constituting the business case, must be prepared for consideration by the Capital Strategy and Asset Management Group (CSAG).

The Leadership Team will consider the provisional capital programme as part of the MTFP. After making any necessary amendments, the Deputy Chief Executive (S151) will submit to Cabinet the fully funded Capital Programme in conjunction with the revenue budget (that will include any revenue implications of projects included within the Capital programme). Both Capital & Revenue Budgets will be ratified at Full Council where the final budgets will be agreed and the Council Tax set.

**13.2 Capital Strategy and Asset Group**

The Deputy Chief Executive (S151) and Property Services shall co-ordinate the work of the Capital Strategy Asset Management Group (CSAG) and shall report the Group's recommendations to Leadership Team and the Cabinet as appropriate.

The Capital Strategy and Asset Management Group shall comprise those officers who are responsible for delivering schemes within the Capital Programme.

The Capital Strategy and Asset Management Group are to meet at least quarterly to ensure that a corporate view of the Capital Programme is taken in accordance with corporate objectives.

The responsibilities of the Capital Strategy and Asset Management Group are:

- To monitor the progress of schemes within the Capital Programme.
- To amend stage and completion timings, if necessary.
- To ensure the estimated and final cost of schemes are within approved Capital Programme limits.
- To prepare reports for Leadership Team and the Cabinet as required.
- To evaluate scheme performance.
- To consider the sale of capital assets.
- To evaluate requests for purchase of capital assets.

### **13.3 Budgetary Control of the Capital Programme**

Service Managers are to ensure that all capital transactions are carried out in accordance with current legislation and Government guidelines. Capital works are only to be undertaken in accordance with the approved Capital Programme of the Council. The definition of 'capital' will be determined by the Deputy Chief Executive (S151) having regard to Government regulations accounting requirements and de minimis levels £k referred to in Appendix A.

Credit arrangements, such as leasing, if required for a capital asset, are to be arranged through the Deputy Chief Executive (S151).

Officers responsible for schemes where external grants are available are to ensure that those grants are claimed in the correct manner and at the proper time and that no loss occurs to the Council. Those officers will also be responsible for ensuring any conditions or restrictions associated with the grants are adhered to.

The Deputy Chief Executive (S151) must be consulted on the funding or on any financial implications arising from proposed capital transactions. The Cabinet must approve any additional bid for capital funding or borrowing approval not anticipated in the Capital Programme as extra borrowing may create further commitments to financing costs.

The officers responsible are to ensure that any overspending on a scheme is reported as part of the budget monitoring cycle and that appropriate management action is agreed.

The Deputy Chief Executive (S151) shall be responsible for reporting to the Council on financial matters associated with the Capital Programme. The Capital programme monitoring sits alongside the Revenue Monitoring and is included as an appendix to the report. The report shall state, among other things:

- The method of funding capital expenditure during the previous financial year.
- The actual capital expenditure during the previous financial year.
- Any contributions received from outside bodies.

### **13.4 The Prudential Code - Impact on financing of capital projects**

The Prudential Code, developed by CIPFA applies to all Local Authorities. Local authorities are required by legislation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003.

The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

The Prudential Code requires that the capital programme can only be financed by one or more of the following means:

- By using capital receipts generated by the sale of capital assets such as land and buildings.
- By making a revenue contribution to capital (RCCO) which is a real charge to the General Fund or Housing Revenue account.
- By using capital grants unapplied where any conditions associated with the grant have or will be met in full.

If monies are borrowed from an external financial institution the Council still has to meet its capital financing obligation as shown above at 13.4.3. If this cannot be met in full in the first year then this creates a Capital Financing Requirement (CFR). The Authority must make a Minimum Revenue Provision, which is a real revenue charge, similar to a revenue contribution to capital (RCCO), against any CFR that it has at 31 March each year.

### **13.5 Utilisation of Capital Receipts**

Capital receipts, above the de minimis shown at Appendix A, derived from the sale of land and buildings can only be used to finance capital expenditure, unless there is dispensation from Central Government under a bespoke directive

## 14.0 Banking and Treasury Management

### 14.1 Banking arrangements

### 14.2 Treasury management policy

### 14.3 Investments

### 14.4 Loans

### 14.5 Loans to external bodies (including soft loans)

#### 14.1 Banking Arrangements

##### Why is this important?

All the Council's income and expenditure is directed via its bank. Every day many transactions take place between the Council, its customers and the Council's bankers. Bank accounts, therefore, are a high risk in terms of their exposure to fraud or error. As a result tight control over setting them up, maintaining them and dealing with the transactions that flow through them is required.

##### Risks:

- Bank accounts could be opened in the name of the Council with the aim of perpetrating a fraud.
- Unauthorised persons could gain access to a Council bank account and carry out fraudulent transactions.
- Banking instruments, e.g. cheques, money orders etc. could be stolen and used to steal money from the Council's bank account.
- Fraud or error could go undetected or the investigation could be seriously delayed if bank reconciliations did not take place or were late.
- The Council would be heavily criticised by the external auditors if the bank reconciliations were not up to date and accurate.

## **Regulations:**

Only the Deputy Chief Executive (S151) together with a member of Finance may close, open or amend the conditions relating to the operation of the Council's bank accounts. All bank accounts are to be in the name of Mid Devon District Council.

All cheques shall be ordered only on the authority of the Deputy Chief Executive (S151), who shall ensure that secure arrangements are made for their safe custody.

Cheques and payment forms of authorisation, drawn on the Council's banking accounts, shall bear signatories in accordance with Appendix A.

Both the Chief Executive and the Deputy Chief Executive (S151), acting jointly or independently shall have the authority to cancel the signature authorisation of any officer if they or either of them considers such action necessary or desirable; in which event the officer effecting the cancellation shall notify the Council's Bankers without delay.

Crossed cheques shall only be opened with the express approval and countersignature of the Deputy Chief Executive (S151) or an authorised cheque signatory.

The Deputy Chief Executive (S151) shall ensure, as far as practical, the separation of staff duties so that the following tasks are the responsibility of separate officers:

- the checking and approval of creditors' invoices, benefits, salaries and wages
- the control of cheques
- the preparation of cheques
- the signature or alteration of cheques
- the despatch of cheques
- the entries in cash accounts
- the reconciliation of bank balance

The Deputy Chief Executive (S151) shall nominate officers responsible for reconciling all bank accounts in the name of the Council with the relevant accounting records.

A detailed reconciliation statement is to be prepared, as soon as practicable, following the end of each month and is to be presented to the Deputy Chief Executive (S151).

The statement is to be signed jointly by the Deputy Chief Executive (S151) and the officer responsible for its preparation.

Any discrepancy above the de minimus limits in Appendix A arising at the time of reconciling the accounts and records will be made known to the Deputy Chief Executive (S151) and Internal Audit and any such discrepancy clearly stated on the reconciliation statement.

### **14.1.1 Bank Transactions and Instructions to our Bankers**

Cheque and electronic bank transfer payments must only be made by authorised individuals registered with our bankers. The Deputy Chief Executive (S151) will register appropriate individuals to ensure business continuity.

Electronic bank transfers must involve a minimum of two staff with authorisation procedures and records approved by the Deputy Chief Executive (S151).

Only authorised staff may communicate with the Council's bankers.

## **14.2 Treasury Management Policy**

### **Why is this important?**

The Council often invests considerable sums of taxpayer's money so as to make an acceptable return on the investment, which in turn is used to help finance Council services and projects. Investment is not without risk. It is the Council's duty to ensure that such risk is minimised through prudent management of its investments in accordance with legislation and recognised standards.

### **Risks:**

- Money invested by the Council could be lost giving rise to the Council facing serious financial difficulty.
- The Council could face prosecution and a critical external audit report for failing to comply with legislation and accepted standards.
- Council funds could be misused by a member of staff for their own ends.
- Investment returns may fall short of expectation.

### **Regulations:**

The Deputy Chief Executive (S151) shall be responsible for the investment of Council funds in accordance with the Local Government Act 2003, the CIPFA Code of Practice on Treasury Management and the Treasury Management Strategy approved by the Cabinet, annually.

#### **14.2.1 Statutory Requirements:**

The Local Government Act 2003, and supporting regulations, requires the Council to "have regard to" the Prudential Code and the CIPFA Treasury Management Code of Practice (CIPFA TMCOP) to set Prudential and Treasury Indicators for a three year period to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

#### **14.2.2 CIPFA Requirements:**

The primary requirements of the Code are as follows:

- Creation and Maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

- The Full Council receive an annual Treasury Management Strategy Statement (including the Annual Investment Strategy and Minimum Revenue Provision Policy) for the year ahead, a Mid-year Review Report and an Annual Treasury Report (outturn report) covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. In our case this is the S151 Officer.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specified named body. For this Council the delegated body is the Cabinet.

The S151 Officer is responsible for the administration of the financial affairs of the Council. Implementing this strategy and the CIPFA Code of Practice on Treasury Management manages the risk associated with the Council's treasury management activity.

### **14.3 Investments**

The Council compiles its cashflow forecast for a one year period. This is done on the basis that most large items of expenditure and income are known in terms of value and date of payment/receipt. Finance should be notified immediately of any significant items of new expenditure, over £50,000, as this may impact on investment decisions for the future or, more seriously, cash flow constraints.

Investment decisions are made based upon the cash flow position on that day and the future requirements on the cash flow of the Council. This is done under the remit of the approved Treasury Strategy.

The Deputy Chief Executive (S151) shall arrange for the investment of excess funds based upon the counterparty criteria relevant at that time. This can be found on the most recent Treasury Strategy. From the pool of eligible banks or building societies the officer will call to obtain the best rate of interest on that particular day, and proceed on this basis.

All Council bank accounts have a mandate signed, typically by two senior officers of the Finance service which are filed with all relevant banking documentation.

When any investment is made, a journal is signed by the officer who authorised the payment to be made. This is then processed on E-financials to record the investment has been made.

Repayment of an investment is known in advance and is paid, typically by Clearing House Automated Payment Scheme (CHAPS), by the borrower on the due date. The cashflow spreadsheet is used as the source document to notify when funds are due back to the Council.

The investment policy is reviewed twice yearly: when both the Annual Strategy and the Half Year Investment Report are compiled.

In the event of a borrower default, the Accountant dealing with Treasury would notify the Section 151 Officer, Cabinet Member for Finance, Leader of the Council and Chief Executive. This would

then be communicated to the Leadership Team and the Cabinet. The Accountant would liaise daily with the S151 Officer on any developments and actions to recover the monies due.

All investment transactions shall be in the name of the Council. All securities, which are the property of the Council, are held in the custody of the Deputy Chief Executive (S151).

Monies invested will be paid to recipients by way of CHAPS (Clearing House Automated Payments System). Manual CHAPS payments must be checked and signed by two authorised signatories. CHAPS payments using the Payment Manager System are set up by one card holder and authorised by a second card holder.

Interest Allocation: Interest accrued on invested funds is allocated between the General Fund and the Housing Revenue Account based on average balances held each year.

## **14.4 Loans**

### **Why is this important?**

The Council may have a need to borrow considerable sums of money so as to help finance Council services and projects. Borrowing is not without risk. It is the Council's duty to ensure that such risk is minimised through prudent management of its borrowing in accordance with legislation and recognised standards.

### **Risks:**

- Money could be borrowed by the Council at less than advantageous interest rates and thereby incurring higher than necessary cost.
- The Council could fail to repay money borrowed on time thereby having penalties invoked against it.
- The Council could receive a critical external audit report for failing to comply with legislation and accepted standards.
- Loans could be taken out in the Council's name by a member of staff for their own ends.

### **Regulations:**

The Deputy Chief Executive (S151) shall be responsible for the administration and day to day operation of the Council's borrowing requirements and in so doing comply with the CIPFA Code of Practice on Treasury Management.

The Deputy Chief Executive (S151) shall ensure that money required by the Council is borrowed at the most advantageous rates and terms possible. All legal agreements are to be reviewed by the Legal Department before being signed and the Council becoming bound by their terms. All borrowings shall be in the name of the Council.

The Deputy Chief Executive (S151) shall be the Council's registrar of mortgages and shall maintain records of all monies borrowed by the Council.



Under the criteria of the Prudential Code the Deputy Chief Executive (S151) is to prepare a report prior to the commencement of each financial year for the Council to consider and then set the borrowing limits for the ensuing year.

The Council's Aggregate Credit Limit is to be monitored and at no time are the Council's borrowings to exceed the limit.

The Deputy Chief Executive (S151) shall report to the Cabinet at regular intervals on treasury management activities for the previous period.

Monies may be repaid by way of CHAPS (Clearing House Automated Payments System). Manual CHAPS payments must be checked and signed by two authorised signatories. CHAPS payments using the Payment Manager System are set up by one card holder and authorised by a second card holder.

Internal borrowing within the Authority, which will relate to the General Fund and Housing Revenue Account will be done via a service level agreement arranged by the respective Corporate Managers and Directors and Cabinet Members. The rate of borrowing agreed will be benchmarked against a publicly available rate such as the Public Works Loan Board (PWLb) or Bank of England Base Rate.

## **14.5 Loans to External Bodies (Including Soft loans)**

Mid Devon District Council has the power to provide businesses or social organisations with soft loans.

### **14.5.1 Definition:**

A soft loan is one with no interest or below-market rate of interest.

Lenient terms such as extended grace periods in which only interest or service charges are due, and interest holidays may be present. Typically they offer longer amortisation schedules and lower interest rates than conventional bank loans.

### **Risks:**

- Reduced returns on available cash reserves
- Borrower default

### **Regulations:**

Each request [must be subject to a robust Business Case and](#) will be reviewed on merit and any loan agreement requires Deputy Chief Executive (S151) and Cabinet/[Council](#) approval subject to the limits shown in Appendix A, paragraph A. [Once approved, the drawdown of such loans can be phased.](#)

In order to be eligible, the borrowing business or social organisation, shall be resident within the Mid Devon District Council boundary.

Any interest premium applied will be benchmarked against an available market rate.

The Council's security requirements will vary depending on the nature of the business, the loan value and the duration of the loan.

The Council must be mindful of the restrictions of State Aid when considering offering loans.

## 15.0 Insurance

### 15.1 Insurance

### 15.2 Notification of New Risks

### 15.3 Incident Reporting and Claims Handling

#### 15.1 Insurance

##### Why is this important?

The delivery of Council services is not without inherent risk of death, injury or financial loss to staff, Members, third parties or the Council itself. The Council must make a careful assessment of these risks and how they should be covered. Some will be insurable and a balanced view will need to be taken as to what risks will be insured and those other risks which will be carried by the Council, through maintenance of earmarked funding or otherwise.

##### Risks:

- The Council may not be adequately insured and be unable to meet some claims made against it.
- The Council may be over insured.
- The Council may be paying too much for its insurance cover.

The Council has an internal team to manage its insurance-related responsibilities, and to help avoid disruption to Council services and finances. The Council's Insurance team:

- provides a claims management service
- arranges and negotiates appropriate insurance cover for the Council
- investigates potential and actual claims against the Council
- collates necessary supporting evidence
- submits claims on behalf of the Council
- provides control of all claims against the Council's insurance policies
- manages insurable risks to minimise potential losses and reduce disturbance to Council services
- advises on the level of claims and insurable risks

## **Regulations:**

All insurance cover shall be reviewed at least annually by The Deputy Chief Executive (S151) and where new risks are identified due consideration in terms of cost and scope of cover will be made immediately.

### **15.1.1 Scope and Types of Risk**

The Deputy Chief Executive (S151) is responsible for arranging all insurance cover subject to the approval of the Legal Services Manager on the form of policy.

### **15.1.2 Types of Cover**

**Public Liability:** This insurance covers injury or death to any person on or around the Council's property and damage to Third Party material property.

**Land & Buildings:** This safeguards the Authority's properties.

**Equipment:** This covers specified equipment.

**Motor:** This provides cover for all of the Council's vehicles including plant.

**Engineering Insurance:** Insurance relating to the Council's plant, machinery and equipment.

**Employers Liability:** Protects the Council against legal liability to pay damages and legal costs arising from Employees suffering bodily injury, illness or disease and including death in the course of employment.

**Fidelity Guarantee Insurance:** All appropriate employees of the Council will be included in a suitable fidelity guarantee insurance policy to safeguard the Authority against losses caused by dishonesty of employees.

## **15.2 Notification of New Risks**

Service Managers shall promptly notify the Deputy Chief Executive (S151) of the extent and nature of all new risks to be insured and of any alteration affecting insurable risk within their department. Details must be e-mailed to [insurance@middevon.gov.uk](mailto:insurance@middevon.gov.uk).

Service Managers will consult with the Deputy Chief Executive (S151) in respect of the terms of any indemnity, which the Council is requested to give when entering into a contract with a Third Party. The Deputy Chief Executive (S151) will consult the Council's insurer if appropriate.

When any additions are made to the Corporate Risk Register consideration needs to be given to any insurance implications regarding the new risk. Details must be e-mailed to [insurance@middevon.gov.uk](mailto:insurance@middevon.gov.uk).

### 15.3 Incident Reporting & Claims Handling

Service Managers will notify the Deputy Chief Executive (S151) immediately of any loss, liability, damage or any event which seems likely to lead to a claim. The appropriate claim form shall be completed and submitted to the Insurance Section within seven days via e-mail [insurance@middevon.gov.uk](mailto:insurance@middevon.gov.uk) or Post. Any necessary supporting evidence must be submitted within two weeks of incident date.

<a href="#">Motor Claim Form</a>	<a href="#">FIN801</a>
<a href="#">Public Liability Claim Form</a>	<a href="#">FIN802</a>
<a href="#">Property/Theft Claim Form</a>	<a href="#">FIN803</a>
<a href="#">Employers Liability Claim Form</a>	<a href="#">FIN804</a>

Clear guidance is given on the forms; additional help is available via e-mail from: [insurance@middevon.gov.uk](mailto:insurance@middevon.gov.uk)

Service Managers, staff and Members must ensure that they **do not** accept liability or make any offer to pay compensation, which may prejudice the conduct and outcome of any insurance claim.

The Deputy Chief Executive (S151) must be informed and the appropriate claim form completed, where damage is caused to Council property, plant or vehicles, by fire or other insured risk, before work or repairs, other than emergency works, shall be undertaken and necessary authority has been given by the Council's insurers.

The Insurance Section will negotiate all claims in consultation with the Insurers and Service Managers.

Policy premiums and any excess required to be paid in the claims process will be charged to relevant service expenditure codes.

#### 15.3.1 Other

Contractors or agents acting for the Council must have insurance arrangements which adequately indemnify the Council against any third party claim. It is the Service Manager's responsibility to require this of contractors at quotation stage and to have details of the relevant insurance documents.

## 16.0 Postage

### 16.1 Postage

#### 16.1 Postage

##### **Why is this important?**

Postage stamps, prepaid envelopes and balances held within franking machines are vulnerable to theft or loss.

##### **Risks:**

- Stamps could be lost or stolen.
- Franking machine balances could be misused.
- Prepaid envelopes could be lost or stolen.

##### **Regulations:**

Officers responsible for postal franking machines will certify the balance of impressions held in the machine at the 31 March each year. The certificate is to be forwarded to Finance without delay.

Where more than one service use the same franking machine, a record of each services usage must be maintained.

Franking machines, stamps and pre-paid envelopes are only to be used for mail sent in connection with the Council's business. Use for any private mail is not permitted and will lead to disciplinary proceedings.

All services are allocated a number for their post by Customer Services, which is input into the franking machine when the post is franked. Readings from the franking machine allocate postage costs to each service area which will then be charged to the service as part of the year end recharge.

## **17.0 Financial Statements and Reports**

### **17.1 The Annual Statement of Accounts**

### **17.2 Accounting policies**

### **17.3 Reports containing financial information**

#### **17.1 The Annual Statement of Accounts**

The Deputy Chief Executive (S151) is responsible for ensuring that the annual financial statements are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and other legal and regulatory requirements for approval by the Audit Committee. This ensures that the statement of accounts present a true and fair position of the Council at the year end and also provides detail of the expenditure and income for that year.

Finance will issue a detailed timetable to Service Managers annually to ensure that all relevant information is collected in a timely manner and that the statutory deadline is achieved.

The accounts are subject to external audit, the objective of which is to provide assurance that the accounts have been prepared correctly, that proper accounting practices have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources.

The Audit Committee is responsible for approving the annual statement of accounts, which must be signed by the s151 Officer by 1 May following the end of the financial year. The Approval by the Audit Committee and publication of the Statement of Accounts with the audit opinion must be completed by 31 July.

#### **17.2 Accounting Policies**

##### **Why is this important?**

The Accounting policies underpin the preparation of the statement of accounts and must be consistent with the basic accounting concepts of materiality, going concern, matching, consistency, prudence and substance over form.

##### **17.2.1 Key controls**

The key controls for the satisfactory completion of the statement of accounts are that:

- Suitable accounting policies are determined, communicated and their consistent application monitored.
- A reasonable and prudent policy is created to ensure a consistent approach to all instances where estimates are made and that these are documented.
- Statutory and other professional requirements are observed.
- All reasonable steps are taken for the prevention and detection of fraud and other irregularities.
- The draft statement is available for examination and report by the external auditors in accordance with the previously agreed timetable.

## **Regulations:**

### **17.2.2 Responsibilities of Deputy Chief Executive (S151)**

The Deputy Chief Executive (S151) is responsible for selecting appropriate accounting policies, ensuring that they are applied consistently and that they are fully disclosed in the financial statements.

### **17.2.3 Responsibilities of Service Managers**

Service Managers are to adhere to the accounting policies and guidelines approved by the Deputy Chief Executive (S151) throughout the financial year and to submit to Finance any information considered necessary for accounting and costing purposes in accordance with the yearend timetable.

### **17.2.3 Internal and External Reports containing Financial Information**

#### **Why is this important?**

The Council's reputation could be damaged if erroneous or misleading information is published. Poor or ill-advised decisions could be made on incorrect data published within a report.

### **17.2.4 Key controls**

All reports should be reviewed by Finance and where appropriate, Internal Audit to safeguard the integrity of the presented data. Where amendments are required these must be made by officers before the report is published.



## **18.0 Risk Management and Governance**

### **18.1 Prevention of fraud and corruption**

### **18.2 Risk management and corporate governance**

### **18.3 Internal audit**

### **18.4 External audit**

### **18.5 Financial irregularities**

### **18.6 Money laundering**

### **18.1 Prevention of Fraud and Corruption**

#### **18.1.1 Corporate Fraud**

#### **Why is this important?**

The Council will not tolerate fraud and corruption whether externally or internally. It is determined that the culture and tone of the organisation is one of honesty and total opposition to fraud and corruption.

The Council has an established Code of Conduct for all Council Officers and Members. The Council has robust policies relating to Fraud, Corruption and Whistle-blowing.

The Council requires its contractors, suppliers, partners and other service providers to adhere to the Council's policies and procedures, which uphold the Council's high standards.

The National Fraud Initiative is actively supported and a range of measures is in place to identify and successfully prosecute anyone claiming Housing and/or Council Tax Benefit fraudulently.

#### **Risks:**

- The Council may suffer financially through fraudulent or corrupt practices and failure to maintain high standards of conduct.

- Genuine claimants may be refused.
- The confidence of the public in the Council may be undermined as a result or discovery of fraud or corruption involving Council staff, Members or its partners and contractors.
- The Council's reputation may suffer.
- Staff may be prevented from raising their concerns through 'whistleblowing' procedures under the Public Interest Disclosure Act 1998 and the Council may leave itself open to payment of compensation, (with no upper limit).

### **Regulations:**

The Operations Manager for Performance, Governance and Health and Safety is responsible for maintaining the Council's:

- Anti-fraud and Corruption Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy

#### **18.1.2 Benefit Fraud**

As part of the National Fraud Initiative, the Council undertakes biennial data matching for Housing and Council Tax Benefit.

18.1.2 Where evidence of fraud is found the information will be passed to the DWP for further investigation.

#### **18.1.3 Awareness**

All service managers will ensure that all officers (including any new employees) within their service areas have access to, and regularly refresh their knowledge of:

- The Officers' Code of Conduct
- The Council's Anti-Money Laundering Policy
- The Council's Anti-Fraud and Corruption Policy
- The Council's Whistleblowing Policy.

All Service Managers will ensure that any contractors, or any other parties, working on behalf of the Council, within their service areas have access to, and regularly refresh their knowledge of, the Council's Whistleblowing Policy.

The Monitoring Officer will ensure that all Members have access to, and regularly refresh their knowledge of, the Members Code of Conduct.

All Officers and Members must ensure that they provide the Monitoring Officer with returns relating to the declaration of any personal interests and offers of gifts or hospitality (whether accepted or not).

## **18.2 Risk Management, Internal Control and Corporate Governance**

### **Why is this Important?**

Risk is identified as something that might have a detrimental impact on the Council's objectives or affect service delivery. The Council, therefore, has a duty to ensure that risks are properly identified, managed and controlled.

The objectives and many of the Council's services and activities are not without inherent risks including those of risk of death, injury or financial loss to staff, members of the public or external organisations.

### **Risk can be mitigated by:**

- Transferring the risk to a third party, e.g. through insurance
- Implementing additional controls to those that exist to minimise the likelihood of the risk occurring or minimising its potential impact (e.g. through regular inspection and continuous monitoring of identified key risk areas).
- Establishing and regularly testing business continuity and disaster recovery procedures to deal with the consequences of events and minimise potential disruption.
- Training of officers and staff in key risk areas.

The key controls for risk management are:

- Leadership Team leading and directing risk management at highest level.
- Establishing clear roles, responsibilities and reporting lines within the Council for managing risk.
- Incorporating risk management considerations/ systematic benchmarking and a performance management system.
- Maintaining documented procedures for the control of risk, the provision of suitable information, training and supervision.
- Maintaining an appropriate incident reporting, recording and investigation procedure to prevent recurrence.
- Allocating resources to identified priority risk areas.
- Training to reinforce the importance of effective risk management as part of the everyday work of employees.
- Maintaining effective communication and the active involvement of every member and employee of the Council.
- Including risk management as an agenda item at meetings as appropriate.

- Providing opportunities for shared learning on risk management across the Council.
- Preparing contingency plans in areas where there is potential for an occurrence having a catastrophic effect on the Council and its business capability.

Internal controls are one of the tools used to manage the Council's risks, and ensure that it meets its strategic objectives and statutory obligations. The Accounts and Audit Regulations 2015 impose an explicit duty on the Council to ensure it has a sound system of internal control including the publication of an Annual Governance Statement.

The system of internal controls is established in order to provide measurable achievement of:

- Efficient and effective operations
- Reliable financial information and reporting
- Compliance with legislation and regulations
- Risk management
- Security of assets.

#### **Risks:**

- The opportunity for fraud, loss, extravagance, waste or reputational damage is increased.
- The Council could be in contravention of legislation.
- Incorrect political and managerial decisions could be made because of the absence of consideration of risk.

#### **Regulations:**

The Operations Manager for Performance, Governance and Health and Safety is responsible for producing, reviewing and updating the Council's Risk Management Strategy to be approved by the Audit Committee annually.

It is the responsibility of the service managers to ensure that the risks affecting their service areas are identified on a continuing basis, and documented in a risk register along with the controls for mitigating those risks.

Service Managers are responsible for ensuring that any actions that have been agreed to put controls in place to mitigate risks are completed in the agreed timescale.

The centralised risk register will be held electronically on the SPAR.net system, and will be reviewed regularly. Service managers, or their nominated representatives, will ensure that risks relating to their service area are reviewed and updated using the SPAR.net system.

Service Managers are to ensure that all staff in their service area have a clear understanding of the risks affecting the Council and their service area and the consequences of not controlling those risks.

The Leadership Team will act as the Council's Corporate Risk Management Group in order to review those risks likely to have an impact on the achievement of the Council's objectives.

### **18.2.1 Internal Control**

Internal Audit will be responsible for conducting an annual review of the effectiveness of the Council's internal control environment, the results of which will be included in the Annual Governance Statement.

The Operations Manager for Performance, Governance and Health and Safety will produce an Annual Governance Statement in accordance with current CIPFA guidance, which is to be reviewed and approved by the Audit Committee and signed off by the Leader of the Council and Chief Executive, and published with the statement of accounts.

An action plan will be produced as part of the Annual Governance Statement, covering areas of exception. Service managers are responsible for ensuring that any recommendations relating to their service area are implemented by the agreed timescale.

Service Managers are to manage service processes to ensure 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.

### **18.2.2 Corporate Governance**

The Council is responsible for approving the Council's Code of Corporate Governance following consideration by the Audit Committee.

The principle of the Code will be openness, integrity and accountability and will cover the areas required by the CIPFA delivering good governance local government framework which includes:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership
- and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Direct responsibility for the monitoring of compliance with the principles and elements of corporate governance and the requirements of the Code are placed with the Council's Operations Manager

for Performance, Governance and Health and Safety (with the exception of the application of these Regulations, which are the responsibility of the Deputy Chief Executive (S151)).

### **18.3 Internal Audit**

#### **Why is this important?**

The Accounting and Audit Regulations 2003 requires that the Council shall be responsible for ensuring that financial management arrangements are adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The Council shall conduct a review at least once a year of the effectiveness of its system of internal control and shall include a statement on internal control to be published with the statement of accounts.

Internal Audit is an assurance function which provides an opinion to the Council. It objectively examines, evaluates and reports on the adequacy of controls that affect the Council objectives. Its contribution is to the proper economic efficient and effective use of Council's resources on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the Council's objectives. Internal Audit objectively examines, evaluates and reports on the adequacy of the internal control environment as a contribution to the proper, economic, efficient and effective use of resources.

#### **Risks:**

- Changes in the delivery of services lead to internal financial control systems failing, thereby increasing the possibility of fraud, loss, extravagance, waste or reputational damage to the Council.
- The Council could face legal action for failing to maintain an adequate internal audit service.
- The absence of an internal review process increases the opportunity for fraud, corruption or lax service delivery.
- Increased external audit costs may be incurred if the external auditor is not satisfied that the Internal Audit service is adequate.

#### **Regulations:**

The Council shall make provision for Internal Audit in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Accounts and Audit Regulations 2015 state that a relevant body must 'maintain an adequate and effective system of internal audit of the Council's accounting records, and of its system of internal control in accordance with the proper internal audit practices'.

The Council has entered into a shared service arrangement with The Devon Audit partnership (DAP), constituted under section 20 of the Local Government Act 2000, for the provision of Internal Audit services.

The Internal Audit Manager, or representative from Internal Audit, shall, with full regard to the Data Protection and Human Rights requirements, have authority to:

- Enter at all reasonable times on to any Council premises or land.
- Have access to all records, documents and correspondence (both manual and electronic) relating to any transaction of the Council.
- Require and receive such information and explanations from any officer as are necessary concerning any matter under investigation.
- Require any employee or agent of the Council to account for cash, stores or any other Council property under their control.
- Access records belonging to third parties, such as contractors or partnerships, if required.

The Internal Audit Manager has direct access to the Chief Executive, Deputy Chief Executive (S151), Leader and Chairman/Vice Chairman of the Cabinet and the Audit Committee.

The Internal Audit Manager shall produce an operational internal audit plan and also a three year strategic audit plan, which will cover the full range of services provided by the Council. The core financial systems of the Council will be audited on an annual basis and the remaining systems will be audited on a rolling programme, according to the level of risk.

It shall be the responsibility of Internal Audit to review, appraise and report upon:

- The soundness, adequacy and application of internal financial controls.
- The extent to which the Council's assets and interests are accounted for and are safeguarded from losses of all kinds including:
  - Fraud and other offences
  - Waste, extravagance, inefficient administration, poor value for money or any other cause.
  - The suitability, reliability and use of financial and other management information available within the Council.

Service Managers (in consultation with their line manager) are to consider, and promptly respond to agreed recommendations set out in Internal Audit reports and to ensure that any agreed actions are carried out within the timescale agreed.

The Internal Audit Manager will report to the Audit Committee at each meeting. Reports will contain details of Internal Audit activities and actions agreed on any high priority recommendations.

Internal Audit shall be informed of, and can act in a consultancy capacity to officers and others acting on the Council's behalf in respect of the creation, amendment or removal of systems of a direct or indirect financial nature. This may incur an additional charge from the Internal Audit provider, DAP.

## **18.4 External Audit**

### **Why is this important?**

Each financial year the Council is subject to an external audit of statutory financial statements. The external auditor has rights of access to all documents and information necessary for audit purposes.

In carrying out their duties the external auditor is required to comply with statutory requirements governing them, and in particular the Local Audit and Accountability Act 2014, the Code of Audit Practice, the Local Government Act 2010 and the Accounts and Audit Regulations 2015. The Code of Audit Practice sets out the auditor's objectives to review and report upon:

- The audited body's financial statements and its Annual Governance Statement.
- Whether the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Council's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'present true and fairly' the financial position of the Council and its income and expenditure for the year in question and complies with the statutory requirements as set out in the current Code of Practice on Local Authority Accounting in the United Kingdom and the Service Reporting Code of Practice (SERCOP).

### **Risk:**

- The Council's accounts are not signed off by the external auditors or are signed off with a qualifying comment to the effect that they fail to present fairly the financial position of the Council.

### **Regulations:**

The Deputy Chief Executive (S151) will work with the external audit staff to ensure that there is effective liaison between external and internal audit to optimise use of audit resources and that all Members and Finance staff are advised of their roles and responsibilities in relation to external audit. Service managers shall ensure that external auditors are given access (at reasonable times) to premises, personnel, documents and assets which are considered necessary for the purposes of their work.

Service Managers shall ensure that all records and systems are up to date and available for inspection.

## **18.5 Financial Irregularities**

All suspected frauds or irregularities involving cash, property or financial transactions of the Council shall be notified immediately to the Internal Audit Manager, and the Deputy Chief Executive as Section 151 Officer.

Where fraud or irregularity is suspected:

- The relevant service manager will take immediate action and all possible steps to prevent further loss and to secure records against removal or alteration.



- The Operations Manager for Performance, Governance and Health and Safety and/or the Corporate Manager for People, Governance and Waste will initiate an immediate investigation and the Deputy Chief Executive (S151) as S151 officer will be informed.

Where sufficient evidence exists that a criminal offence may have been committed, the Operations Manager for Performance, Governance and Health and Safety, in consultation with the Chief Executive, and Deputy Chief Executive (S151) (as Section 151 Officer), will inform the police to further investigate and decide on possible future proceedings.

The relevant Service Manager with the Corporate Manager for People, Governance and Waste and Development will instigate the Council's disciplinary procedures where the outcome of an investigation indicates misconduct, fraudulent or otherwise.

## **18.6 Money Laundering**

### **18.6.1 What is money laundering?**

Money Laundering can be defined as “the crime of moving money that has been obtained illegally through banks and other businesses to make it appear that the money has been obtained legally”.

When the Council (or any of its employees or Members) is accepting or dealing with money or other assets there is a risk that such money or assets could come from a criminal source. In the vast majority of cases this is unlikely, but everyone should bear in mind that they could contravene the law if they become aware of or suspect criminal activity and continue to be involved in the matter without reporting their concerns.

### **18.6.2 Recognising money laundering**

Possible indicators of money laundering may include:

- Cash based businesses which are more likely to add criminal funds to legitimate business takings.
- Large cash receipts generally and always amounts over the equivalent of 15,000 Euros.
- A person who is reluctant to supply evidence of identity or address.
- Large overpayment of fees or money on account.
- Cancelled transactions without good reason, requiring a repayment.
- Requests to forward balances on to a third party.
- Information received about an individual which may reveal criminality or association with criminality.
- The use of over-complicated financial systems or funds received from third parties.

- A buyer's or seller's financial profile not "fitting" the transaction they are undertaking.
- Unexplained use of an out of area solicitor/agent in relation to a property transaction.

No payments over £5k shall be accepted without the formal consent of the Money Laundering Reporting Officer. The Council's nominated Money Reporting Officer is the Operations Manager for Performance, Governance and Health and Safety.

This list is not exhaustive but gives examples of when employees should consider whether their suspicions should be aroused and in such circumstances should suggest to the employee that they should be asking themselves questions such as *Would I expect this individual to have this amount of cash?; why do they wish to pay in cash?; Why is this person offering to pay more than the going rate for this item/service? etc.*

### 18.6.3 Legislation relating to money laundering

Legislation concerning money laundering has broadened the definition of money laundering and increased the range of activities caught by the statutory framework. The obligations impact on areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering.

There are several pieces of legislation relating to money laundering which include:

- The Terrorism Act 2006
- The Counter-Terrorism and Security Act 2015
- The Proceeds of Crime Act 2002
- Serious Organised Crime and Police Act 2005
- Money Laundering Regulations 2017
- Third European Union Money Laundering Directive 2005

### 18.6.4 Purpose and scope

The aim is to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering.

The legislative requirements concerning anti-money laundering procedures are extensive and complex. These regulations have been written so as to enable the Council to meet its' legal requirement in a way which is proportionate to the very low risk the Council faces.

These regulations apply to **all employees** (including agency staff and contractors) and **elected Members**. All employees must be aware of their responsibilities and the consequences of noncompliance. Service managers must ensure that all employees are aware of these regulations during new employee induction. The Council's Money Laundering Reporting Officer (MLRO) will arrange suitable training of all staff and elected Members

An employee could potentially be caught by the money laundering provisions (if they suspect money laundering and either become involved with it in some way and/or do nothing about it) – e.g. if they:

- Assist a money launderer

- “Tip off” a person suspected to be involved in money laundering that they are suspected or that they are the subject of police investigations
- Fail to report a suspicion of money laundering
- Acquire, use of or possess criminal property.

It is extremely important that all employees are familiar with their legal responsibilities. Employees found guilty at trial of contravening the legislation may be faced with imprisonment, a fine or both.

Failure by an employee to comply with the procedures set out may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council’s Disciplinary Procedure.

### 18.6.5 Reporting/disclosing information

If an employee/Member suspects money laundering or has any suspicions relating to any transaction then they must report their suspicions to the Council’s Money Laundering Reporting Officer (MLRO).

The employee/Member will need to supply as much information as possible to the MLRO about the individual or company concerned i.e. name, address and their reasons for suspicion. If any other employees/Members have been involved with the transaction the names of these persons should also be passed to the MLRO.

Any disclosures must be reported using the Form to the Anti-Money Laundering Policy found on SharePoint. Upon receiving the completed form the MLRO will consider all of the applicable information in order to determine whether the grounds to suspect money laundering are valid. If the MLRO determines that the information or matter should be disclosed it will be reported to the UK Financial Intelligence Unit (UKFIU), the branch of the Serious Organised Crime Agency (SOCA) that deals with money laundering.

Disclosures should be kept confidential and not discussed with colleagues. It is important to ensure that the person(s) suspected of money laundering is not “tipped off” regarding the disclosures. It is an offence to prejudice an investigation by informing anyone of the disclosure or by tampering with evidence. If found guilty there is a punishment of up to 5 years in prison available to courts on indictment.

### 18.6.6 After disclosure

No transactions can be completed where it is believed that money laundering is involved until clearance has been received from either the UKFIU or the SOCA, or seven days have elapsed since the disclosure was made to them and no instructions have been received. Employees must **always** check the position with the MLRO before taking any action.

## Glossary of Terms

<b>Accounting Policies</b>	Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented. Accounting policies do not include estimation techniques.
<b>Accounts Payable</b>	The ledger and process relating to the payment of trade creditors and other payments.
<b>Accounts Receivable</b>	The ledger and process relating to the raising of sales invoices and their collection.
<b>Accrual</b>	A sum included in the final accounts to cover income or expenditure attributable to that year but for which payment was not received/made during that year. Local authorities only accrue for revenue expenditure; capital expenditure is recorded on a receipts and payments basis.
<b>Appropriation</b>	The transfer of ownership of land or buildings from one service to another.
<b>Asset</b>	An asset is anything that is owed by the Council that has a value.
<b>Asset Management Plan and Capital Strategy</b>	A document that explains how the Council will maintain its assets over the next few years and where it is intending to spend money on new or improvements to its existing assets.
<b>Bad Debt</b>	Money owed to the Council that is unlikely to be paid.
<b>Balances</b>	The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.
<b>Best Practice</b>	The term used to describe the methods used by local government to share procedures and practices in order to learn and improve from each other.

<b>Best Value</b>	Arrangements to secure continuous improvement in the way its functions are exercised having regard to a combination of economy, efficiency and effectiveness.
<b>Budget</b>	A statement of the Authority's plans for revenue and capital expenditure and income over a specified period of time. The forecast of net revenue and capital expenditure over the accounting period.
<b>Budgetary Control</b>	The process of ensuring actual expenditure and income does not exceed the budget available and taking corrective action where variances are identified.
<b>Budget Monitoring</b>	The process of reviewing actual expenditure or income against the sum allocated for the year enabling action to be taken to reallocate budgets to or from other budget lines in a timely manner where variances are found.
<b>Budget Head</b>	A specific area of activity where expenditure may be incurred or income collected.
<b>Capital Adjustment Account</b>	This records the timing difference between the costs of fixed assets used and the capital financing set aside to pay for them.
<b>Capital Charges</b>	This is a general term used for the notional charges made to service revenue accounts for the use of fixed assets. The term covers: Depreciation of buildings and equipment, amortisation of intangible assets, impairment charges and amortisation of REFFCUS expenditure.
<b>Capital Discharged</b>	The amount of capital expenditure which has been paid for out of revenue or other sources.
<b>Capital Expenditure</b>	Money spent to either acquire or improve an asset owned by the Council which will be used over a period of years or money awarded to a third party towards an asset owned by them for example a grant to improve their property. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.
<b>Capital Outlay</b>	Expenditure on the acquisition of significant fixed assets which will be of use or benefit in providing services beyond the year of account.

<b>Capital Programme</b>	The Council's capital expenditure plans for the next few years. The capital programme will show the anticipated cost, usually on a scheme by scheme basis, and how it intends to finance this.
<b>Capital Receipts</b>	Proceeds from the sale of assets and other receipts of a capital nature.
<b>Capital Receipts Unapplied</b>	Capital receipts not yet used for repayment of debt, or to finance capital expenditure.
<b>Capital Strategy Asset Group (CSAG)</b>	A working group of senior officers set up to oversee the capital programme. The CSAG reviews new expenditure plans before they are recommended for inclusion onto the capital programme, and monitors both the capital expenditure and the financing resources on schemes in the capital programme ensuring timely action is taken for any variances identified.
<b>Central Establishment Charges</b>	Salaries and associated expenses of central departments together with the cost of maintaining administrative buildings and other central services.
<b>Commitments</b>	A commitment arises when an order is raised to purchase goods or services but the goods or services have not yet been received.
<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy. This body is responsible for interpreting accounting standards and recommending working practices to be followed by all local authorities.
<b>Collection Fund</b>	A separate fund that records the income and expenditure relating to council tax and non-domestic rates.
<b>Corporate Plan</b>	A document outlining what the Council wants to achieve and how it will get there. The Corporate Plan generally covers a period of 3 years, but is reviewed and updated on an annual basis.
<b>Corporate Democratic Core</b>	Those activities which the local authority is engaged in specifically because it is an elected multi-purpose authority. This includes the costs of corporate policy making, representing local interests, representatives and duties arising from public accountability.

<b>Cost Centre</b>	An individual reference used within the Council's financial system to enable the allocation and monitoring of expenditure and income in a meaningful way.
<b>Creditors</b>	Persons/businesses owed money by the Council.
<b>Debtors</b>	Persons owing monies to the Council.
<b>Decision Maker</b>	Refers to the Council, Policy Committee or any other group to whom a function has been delegated in accordance with the Council's Constitution and shall include a Corporate Manager exercising authorised powers or a delegation under the Council.
<b>Depreciation</b>	The allocation of the cost of the useful economic life of the Council's fixed assets for the accounting period through general wear and tear, consumption or obsolescence.
<b>Deferred Capital Receipts</b>	Deferred Capital Receipts are the amounts derived from sales of assets which will be received in instalments over agreed periods of time.
<b>Earmarked Reserve</b>	Money allocated for a specific purpose which will be spent in a future year.
<b>Emergency</b>	An occurrence involving or likely to 'involve danger to life or health' or 'serious damage to property' or 'destruction of property'.
<b>Fidelity Guarantee</b>	Insurance against fraudulent losses.
<b>Finance Lease</b>	A lease whereby all the risks and rewards of ownership of a fixed asset are with the lessee. In substance the asset belongs to the lessee.
<b>Financial Regulations</b>	A written code of procedures approved by the authority, intended to provide a framework for proper financial management. Financial regulations set out rules on accounting, audit, administrative procedures and budgeting systems.
<b>Financial Year</b>	A Local Authority financial year runs from 1 April to 31 March.
<b>Fixed Asset</b>	An asset intended to be held for a period of more than one year, such as a machine or building.

<b>Forecast</b>	A prediction of spend for future months/years.
<b>General Fund</b>	The main revenue fund of the Council. Income from the council tax precept and Government grants are paid into the fund, from which the cost of providing services are met.
<b>Government Grants</b>	Payments by Central Government towards local authority expenditure. They are specific for a particular service; and are receivable in respect of both revenue and capital expenditure.
<b>Grants</b>	Income received by the Council to support the undertaking of Council services or to support the capital programme. Grants may have terms and conditions as to use attached.
<b>Housing Revenue Account</b>	Statutory ring-fenced account required to represent the landlord/tenant obligations for the Council in relation to managing and maintaining its housing stock in return for rental income from tenants.
<b>Impairment</b>	A reduction in the value of a fixed asset to below its carrying amount on the balance sheet due to damage, obsolescence or a general decrease in market value.
<b>Income &amp; Expenditure Account</b>	The net cost for the year for services provided by the Council for which it is responsible and showing how the cost has been financed from precepts, grants and other income.
<b>Internal Control</b>	The system of control devised by management to help ensure the Council's objectives are achieved in a manner which promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
<b>Internal Recharge</b>	A charge made by one council department to another for provision of a service.
<b>Inventories (previously Stock)</b>	Items of raw materials, work in progress or finished goods held at the financial year end normally valued at the lower of cost or net realisable value.
<b>Lease</b>	An asset not owned by the Council but which the Council has an agreement to use in providing its day to day services in return for a regular cash payment.



<b>Liquid Resources</b>	Cash and current asset investments that can be easily converted to known amounts of cash without penalty, or can be traded on the active market.
<b>Long Term Borrowing</b>	Amounts borrowed in excess of one year.
<b>Long-Term Contract</b>	A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project falls into more than one accounting period.
<b>Long Term Debtors</b>	Sums of money due to the Authority originally repayable within a period in excess of twelve months but where payment is not due until future years.
<b>MEAT</b>	Most economically advantageous tender.
<b>Medium term Financial Plan</b>	A document outlining the Council's spending plans and forecast resources over the next three years.
<b>Money Laundering</b>	The term used where an individual uses legal payment routes to disguise income earned from illegal activities or to avoid the payment of Government taxes. In terms of the Council's activities this could include the payment of rents and council tax at the Council's payment counters with large cash payments.
<b>Monitoring Officer</b>	The Council is required to designate an officer as its monitoring officer. This officer is responsible for promoting and maintaining high standards of overall conduct, for reporting any actual or potential breaches of the law, or instances of maladministration either to the Council directly or via the Cabinet.
<b>Net Book Value</b>	The value of fixed assets included on the balance sheet, being the historical cost or a current revaluation less the cumulative amounts of depreciation.
<b>Nominal Ledger</b>	The nominal ledger is the main accounting record of the Council. It is basically a library of financial transactions.
<b>Non-distributed Costs</b>	In the main these relate to costs which are not specific to a service e.g. past service costs and settlements relating to post-employment benefits.

<b>Operating Lease</b>	A lease where the risks and rewards, and therefore the ownership of the asset, remains with the lessor.
<b>Outturn</b>	The actual income and expenditure for a financial year disclosed by the final accounts.
<b>Overspend</b>	This is where the actual net expenditure exceeds the budget for the same period.
<b>Performance Indicators</b>	A set of local authority service performance indicators.
<b>Petty Cash</b>	A small amount of cash held by departments and available to purchase minor items of expenditure such as postage stamps.
<b>Policy Framework</b>	The collective term used to describe all the Council's agreed policies and strategies which identify what the Council aims to do, how it plans to do this and what resources it has available over a period of years.
<b>Precept</b>	The amount levied by one authority which is collected by another. E.g. the County Council is the precepting authority and the District Council is the collecting authority.
<b>Prepayment</b>	An adjustment to a sum paid where the period covered by an item of expenditure partly relates to a future accounting period e.g. A single road fund tax payment partly covering two financial years.
<b>Provisions</b>	An amount set aside by the authority to meet a known item of expenditure but for which the actual timing and amount of the payment is not known. The main provisions relate to the Council's various insurance funds. Reserve Money set aside for future policy initiatives.
<b>Rateable Value</b>	The annual assumed rental value of a property, to which rate poundages are applied to arrive at rates payable.
<b>Revenue Expenditure Funded from Capital under Statute (REFFCUS)</b>	Expenditure which may properly be capitalised but which does not result in assets owned by the Council. These charges are amortised to revenue immediately in the year of acquisition.

<b>Reserves</b>	Funds set aside to meet future expenditure on specific items or as a contingency against future losses. Reserves. The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.
<b>Revaluation Reserve</b>	This records net gains from revaluations made after 1 April 2007 not yet realised through sales.
<b>Revenue Contributions to Capital</b>	This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.
<b>Revenue Expenditure</b>	Expenditure incurred by the Council on a day to day basis in the provision of services to the public.
<b>Revenue Support Grant</b>	The general grant paid by government to local authorities to enable all authorities to levy similar rate levels for similar levels of service.
<b>Risk Management</b>	The planned and systematic approach to the identification, evaluation and control of risk.
<b>Section 151 Officer</b>	Under section 151 of the Local Government Act 1972 each Council is required to have a nominated Officer with responsibility to ensure the proper administration of the Council's financial affairs. At Mid Devon this role is undertaken by the Deputy Chief Executive (S151). This Officer must be a member of a professional accountancy body.
<b><u>Service Unit</u></b>	<u><a href="#">A section of the Council responsible for the delivery of a single service. As a guide, the budgets for service areas are reported within the budget book.</a></u>
<b>Service Reporting Code of Practice (SERCOP)</b>	Produced by CIPFA and required to be followed by local authorities. Preparing accounts in line with the SERCOP ensures consistency and allows comparison between authorities.
<b>Statement of Accounts</b>	Councils are required to produce an annual Statement of Accounts which shows how the Council has spent its money and what resources and reserves it has available. The Statement of Accounts includes the Council's statutory income and expenditure account, its balance sheet and a cash flow statement.

<b>Support Service</b>	The term used to describe those Council departments or services that do not provide a service direct to the public, but provide a back office function to support the staff directly working with the public. Support services include finance, IT, HR, legal, as well as property services etc.
<b>Treasury Management</b>	The term used to describe the Council's management of its cash, investments and borrowing requirements.
<b>Underspend</b>	A favourable variance. Actual net expenditure including any commitments is less than the budget set for the same period.
<b>Value Added Tax (VAT)</b>	Tax levied on goods and services.
<b>Variation</b>	A variation is an increase or decrease in a budget after the budget has been approved at the start of the year.
<b>Virement</b>	A switch of budget resource between cost centres or service units.

#### Definitions in respect of the Contract Procedure Regulations

**“Approved List”** means a list of contractors maintained by the Council, which is regularly reviewed and admission to which is the outcome of a selection process which verifies the financial soundness and technical competence of a contractor.

**“Authorised Officer”** means the officer who has delegated authority to exercise the relevant function in accordance with the Council's Scheme of Delegation within the Constitution.

**“Best Endeavours”** means that the officer has reasonably done all he/she can to ensure that the best possible value for money has been obtained on behalf of the Council.

**“Best Interest”** means that the officer has reasonably done all he/she can to ensure that the Council's best interests are met.

**“Best Value”** means the Council's duty under section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised having regard to a combination of economy, efficiency and effectiveness.

**“Contract”** means a contract for supplies, services or for the execution of any works which the Council is procuring and also includes framework agreements.

**“Contractor”** means any person on, or applying to be on an Approved List, Select List or European List or whom is invited to tender, negotiate or submit a quotation, or to whom a Contract has been awarded.

**“Decision Maker”** means the Council, Policy Committee or any other group to whom a function has been delegated in accordance with the Council’s Constitution and shall include a Corporate Manager exercising authorised powers or a delegation under the Council’

**Economy** – Doing less with fewer resources, i.e. making savings.

**Efficiency** – Doing the same as before, but with fewer resources (money, staff, and space).

**Effectiveness** – Doing more than before with the same resources but to the same standard.

**“Estimated Total Cost”** means the aggregate total cost of the supplies or services to be provided or works to be performed under a contract (as distinct from the annual value) estimated prior to its procurement.

**“European Directives”** means the procurement directives of the European Union and any regulations that implement them within the United Kingdom.

**“European List”** means a list of contractors compiled by another contracting authority including the Office of Government Commerce, in accordance with European Directives admission to which is the outcome of a selection process which verifies the financial soundness and technical competence of a Contractor.

**“European Thresholds”** means the threshold limits which the European Union have set for the procurement of goods and services and works for public sector authorities.

**“Framework Agreements”** are where there are multiple suppliers or multiple purchasing organisations contracting under an umbrella set of terms and conditions and for a fixed price.

**“MEAT”** – Most Economic Advantageous Tender.

**“Procurement”** means the acquisition of goods, services and works in exchange for payment.

**“Select List”** means a list of Contractors prepared by the Council for a particular contract only and admission to which is the outcome of a selection process which verifies the financial soundness and technical competence of a contractor.

**“Supplier”** means an individual or business that provides goods, services or works in exchange for payment.

**“Value For Money”** is the term used to assess whether or not the organisation has obtained the maximum benefit from the goods and services it acquires within the resources available to it. It not only measures the cost of goods and services, but also takes account of the mix of quality, cost, resource use, fitness for purpose, timeliness and convenience to judge whether or not, when taken together, they constitute good value. Achieving Value for Money may be described in terms of the ‘three E’s’ – economy, efficiency and effectiveness:



## Appendix A

### SUMMARY OF FINANCIAL LIMITS APPEARING IN THE MDDC FINANCIAL REGULATIONS

The following tables summarise the financial limits quoted in these Regulations. When looking at a specific level where there are two or more “X” the requirement is that authority needs to be made by **ALL** parties highlighted.

#### Financial Thresholds

##### A General Authorisation Limits – To exceed agreed budget for the financial year

Ref No	Limit (£)	Council	Cabinet	S151 Officer	Corporate Manager	Manager
A1	Up to £10,000k					X
A2	£10,001k to £100,000k			X	X	
A3	£100,001k to £250,000k			X		
A4	Over £250,001 to £500,000		X			
A5	Over £500,000k	X				

##### A1 Authorisation to Pay Invoices within budget, including relevant earmarked reserves

Ref No	Limit (£)	S151 Officer	Corporate Manager	Manager
Level 1	Up to £50k			X
Level 2	£50k to £250k		X	
Level 3 *	Over £250k	X		

\*Once approved by Cabinet a Corporate Manager can approve an individual order up to £5m

## B Bank Payment Limits

Ref No	Limit (£)	Manager	Comments
B1	Up to £50k	X	One nominated signatory required
B2	Over £50k	XX	Two nominated signatories required

## C Budget Virements (Movement of Budget from one service area to another)\*

Ref No	Limit (£)	<u>Council</u>	Cabinet	S151 Officer	Corporate Manager	Manager
<b>C1a</b>	Up to <u>£10,000</u>					X
<b>C1b</b>	<u>£10,001 to £100,000</u>			X	X	X
<b>C1c</b>	<u>£100,001 to £250,000</u>			X		
<b>C1d</b>	<u>£250,001 to £500,000</u> <u>Over 50,000</u>		X	X	X	X
<b>C1e</b>	<u>Over £500,000</u>	X				

**\*Note:** A Corporate Manager has authority to move budget across services within their own areas of responsibility. Budget movements from one service area to another, across two or more Corporate Managers service areas, requires the approval of both parties at the appropriate level as outlined above.

## D Till Discrepancies (See 2.4) / Petty Cash claim limit / De Minimis refund limit

Replaced By:

Ref No	Limit (£)	Comments
DE1	£50	If discrepancy greater than £50 report to Internal Audit.



## E Write Off of Individual Bad and Doubtful Debts (Excluding bankruptcy administration or Debt Relief Orders)

Ref No	Limit (£)	Cabinet	S151 Officer	Corporate Manager	Manager	Comments
E1	£ <del>53</del> ,000				X	Operations Manager For Benefits and Recovery has a limit of £100 in respect of Council Tax and NNDR income.
E2	£ <del>53</del> ,000.01 to £ <del>5040</del> ,000			X		
<u>E3</u>	£ <del>5040</del> ,000.01 to £ <del>10050</del> ,000		<u>  </u> X			
<u>E4</u>	Over £ <del>10050</del> ,000	X				

## F Stock Deficiencies / Obsolete Stock Written Off

Ref No	Limit (£)	Cabinet	s151 Officer	Corporate Manager	Manager
F1	Up to £ <del>53</del> ,000 on any stock item				<u>  </u> X
F2	Over £ <del>53</del> ,000 on any stock item		<u>  </u> X	X	
F3	Up to £10,000 in total for one store location, per occasion		<u>  </u> X	<u>  </u> X	
F4	Over £10,000 up to £25,000 in total for one store location, per occasion	<u>  </u> X	<u>  </u> X		
<u>F5</u>	<u>Over £25,000 in total for one store location, per occasion</u>	<u>  </u> X			

## G Equipment Registers

Ref No	Limit (£)	S151 Officer	Corporate Manager	Comments
G1	Over £1,000 but less than £20k		X	Service manager to record in equipment register - <b>REVENUE</b>
G2	Over £20k	X		Asset recorded in fixed asset register maintained by Finance <b>CAPITAL</b>

## H Public Procurement Thresholds (OJEU etc.)

The thresholds which apply in this country derive from the current EC thresholds. These are announced every two years and apply from 1 January. The current thresholds (see below) apply from 1 January 2018 to 31 December 2019. Thereafter the thresholds which are then announced will apply, unless national legislation indicates otherwise. It is essential that you liaise with the Council's procurement team to check the applicable threshold for your procurement before going to market – sometimes a contract may comprise a mix of services and works and it is important to understand the implications before proceeding.

**From 1 January 2018 – 31 December 2019 and then by reference to latest EC thresholds and national legislation:**

Goods and services: ~~£213,477 (inc. VAT)~~**181,302**  
 Works and concessions: ~~£5,336,937 (inc. VAT)~~**4,551,413**  
 Light Touch (social & specified other): ~~£663,540 (inc. VAT)~~**615,278**

When calculating the estimated value of the contract to determine whether the regulations apply, the contract value estimation should be inclusive of the standard rate of VAT (currently 20%), where applicable, from 1 January 2022.

# I Stock Adjustments/Write Offs

Ref No	Limit (£)	Cabinet Member	S151 Officer	Corporate Manager	Manager
I1	<del>£5,000</del> Up to £10k				X
I2	<del>£5,000.01 to £50,000</del> <del>£10.01k to £50k</del>		X	X	
I3	<del>£50,000.01 to £100,000</del> <del>£50.01k to £100k</del>	X	X		
I4	<del>Over £100,000</del> Over £100k	X			

# J De Minimis Invoice Limit

Invoice amount	£250.00
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# K Disposal of Assets

K1	Best possible price	Value less than or equal to £1,000
K2	Sealed Bids/Auction	Value >£1,000 or equal to £5,000
K2	Competitive tender	Value more than £5,000
K3	Capital assets	Value > £20,000 To be approved By the Capital Strategy Asset Group

# L Money Laundering Cash Receipt Limits

Cash Receipt	£5,000
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# Mid Devon District Council Audit Progress Report and Sector Update

**Year ending 31 March 2021**

13 January 2022

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# Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk)..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at January 2022

## Financial Statements Audit 2020/21

We reported our findings from our work in the Audit Findings Report (AFR) to the Committee in November 2021. The accounts were approved, and we provided an unqualified opinion on the financial statements on 1<sup>st</sup> December 2021.

## Financial Statements Audit 2020/21

We will undertake our initial planning and interim audit work for the 2021/22 audit in February and March 2022 to inform the Audit Plan, which will be reported to the Audit Committee.

The date by which authorities are required to publish audited financial statements is 30 September.

## Value for Money

The new Code of Audit Practice (the “Code”) came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor’s Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office (NAO) has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements, this work is in progress for 2020/21.



# Progress at January 2022 (cont.)

## Other areas

### Certification of claims and returns

We also certify the Housing Benefit Claim and Pooling of Housing Capital Receipt Return in accordance with relevant guidance. The certification work for the 2020/21 is ongoing.

### Meetings

We continue to meet regularly with senior Finance Officers as part of our regular liaison meetings and continue to be in discussions with staff regarding emerging developments and to ensure the audit process is smooth and effective.

## Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers have been invited to attend our Financial Reporting Workshop in January and February 2022, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2020/21 is the third year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 and 2019/20 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the “few improvements needed” (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee. The final proposed fees for the 2020/21 audit are included within the Progress Report.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# Audit Deliverables

2020/21 Deliverables		Planned Date	Status
<b>Audit Plan</b> We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2020/21 financial statements and the Auditor's Annual Report on the Council's Value for Money arrangements.		May 2021	Complete
<b>Audit Findings Report</b> The Audit Findings Report was reported to the Audit Committee.		November 2021	Complete
<b>Auditors Report</b> This includes the opinion on your financial statements.		December 2021	Complete
<b>Auditor's Annual Report</b> This Report communicates the key issues arising from our Value for Money work.		March 2022	In Progress
2021/22 Deliverables		Planned Date	Status
<b>Audit Plan</b> We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2021/22 financial statements and the Auditor's Annual Report on the Council's Value for Money arrangements.		May 2022	Not yet due
<b>Audit Findings Report</b> The Audit Findings Report was reported to the Audit Committee.		September 2022	Not yet due
<b>Auditors Report</b> This includes the opinion on your financial statements.		September 2022	Not yet due
<b>Auditor's Annual Report</b> This Report communicates the key issues arising from our Value for Money work.		December 2022	Not yet due

# Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

# Financial Reporting Council annual report (cont.)

## Quality Assurance Department (QAD) Reviews

In addition to the reviews undertaken by the FRC on major local audits, the QAD team from the ICAEW undertake annual reviews of non-major local audits as well as reviews of Foundation Trusts on behalf of NHSE&I.

The QAD reviewed five of our audits this year and graded all of them (100%) as 'Satisfactory / generally acceptable' for both the financial statements and VFM elements of the audit, which is the highest grading.

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Satisfactory / generally acceptable	5	6	2
Improvement required	0	1	0
Significant improvement required	0	0	0
Total	5	7	2

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Local government, in particular, have been at the forefront of supporting local communities and businesses.

As auditors we have had to recognise the competing priorities and challenges facing the finance teams and the whole local government sector whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

# Final Audit Fees for 2020-21

We confirm below our proposed final fees for the 2020-21 financial audit to be considered by PSAA. Our final fee for VFM work will be confirmed following the issue of our Annual Auditors Report at end of February 2022.

Audit fees	2019-20 Final Fee	2020-21 Planned fee	* 2020-21 Final fee
Scale Fee published by PSAA	36,729	36,729	36,729
Raising the bar / regulatory factors	2,500	2,500	2,500
Enhanced audit procedures for Property, Plant and Equipment	1,750	1,750	1,750
Enhanced audit procedures for Pensions	1,750	1,750	1,750
Increased audit requirements of revised ISA's (540 / 240 / 700)	1,500	6,500	6,500
Additional work due to Covid-19 impact	6,634	-	-
Additional work in relation to Group audit transaction testing and quality of financial information provided by subsidiary	-	-	5,000
Additional work due to technical accounting issues associated with the Prepayment of Pensions contributions	-	-	4,500
Total financial audit fees (excluding VAT)	£50,863	£49,229	£58,729

Audit fees still to be confirmed	2019-20 Final Fee	2020-21 Planned fee	* 2020-21 Final fee
Additional work on Value for Money (VFM) under new NAO Code		9,000	TBC

\* The final fee variation is subject to approval by PSAA.

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response

The PAC inquiry examined the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20. The National Audit Office (NAO) report, on which this inquiry is based, found that “delays in the delivery of audit opinions beyond the deadlines for publishing local authority accounts, alongside concerns about audit quality and doubts over audit firms' willingness to continue to audit local public bodies, highlight that the situation needs urgent attention.”

The PAC report found “Without urgent action from government, the audit system for local authorities in England may soon reach breaking point. With approximately £100 billion of local government spending requiring audit each year, the Ministry of Housing, Communities & Local Government (the Department) has become increasingly complacent in its oversight of a local audit market now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits. This has not been helped by the growing complexity of local authority accounts, with audit firms now asked to carry out more work in each audit, comply with new regulatory demands and adapt to the new multifaceted landscape in which local authorities operate, while also struggling to hire and retain experienced auditors.”

Key conclusions were:

- The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.
- There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.
- The commercial attractiveness to audit firms of auditing local authorities has declined.

- The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.
- We are not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.
- Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

The report made recommendations in each of these areas. The government response was published on 28 October.

The PAC report and response can be found here:

[Timeliness of local auditor reporting on local government in England - Committees - UK Parliament](#)



House of Commons  
Committee of Public Accounts

**Local auditor reporting  
on local government in  
England**

Eleventh Report of Session 2021–22

# 2020/21 audited accounts – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has reported that only 9% of local government audits for 2020/21 were completed by the end of September. This is a sharp contraction on the 45% filed on time for 2019-20, and is the third successive year where the number of accounts produced on schedule has reduced.

PSAA state “The challenges posed by COVID-19 have contributed to the current position. However, a range of further pressures documented in the Redmond Report are also continuing to impact performance. In particular there is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 70 of the 2019/20 audits still incomplete.”

Grant Thornton commented “Audit quality remains a priority for our firm and we continue to work hard with local audit stakeholders to ensure the delivery of high quality audits in as timely a fashion as is practicable. Unfortunately, much of this work will be delivered past the 30 September target date, owing to ongoing constraints posed by the COVID-19 pandemic and the backlog this has caused. We remain committed to public sector audit and are now focused on delivering the majority of our local audits by December 2021.”



The news article can be found here:

<https://www.psaa.co.uk/2021/10/news-release-2020-21-audited-accounts-psaa/>



# 2023-24 audit appointments – Public Sector Audit Appointments

Following a consultation exercise Public Sector Audit Appointments (PSAA) has invited all principal local government including police and fire bodies to become opted-in authorities. At the same time it published its procurement strategy and prospectus for the national scheme from April 2023. Both documents have evolved in response to the feedback provided by the market engagement exercise and consultation on the draft prospectus undertaken during June 2021.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and

- establishing arrangements that are able to evolve in response to changes to the local audit framework.

PSAA set out the proposed timeline, which anticipates contracts being awarded in August 2022.



The news article can be found here:

<https://www.psaa.co.uk/2021/09/psaa-publishes-its-prospectus-and-procurement-strategy-and-invites-eligible-bodies-to-opt-in-from-april-2023/>

The procurement strategy can be found here:

<https://www.psaa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/procurement-strategy/>

# Guide to support Value for Money (VfM) analysis for public managers – CIPFA

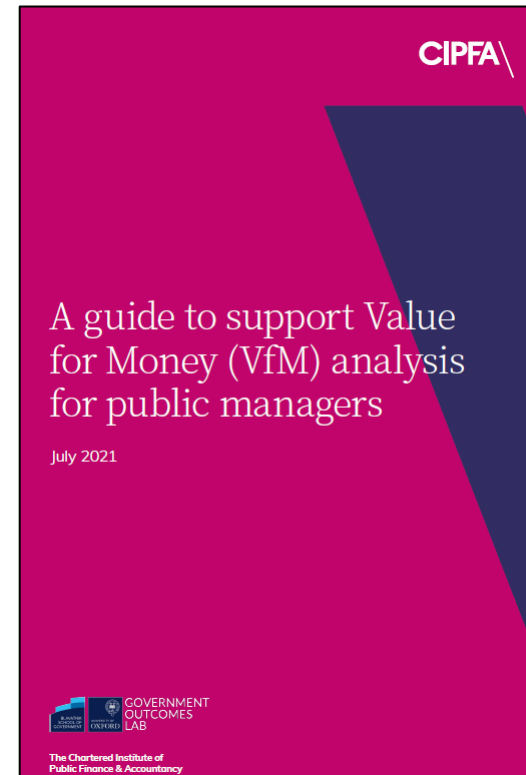
The Chartered Institute of Public Finance and Accountancy (CIPFA) has published this guide which complements a VfM toolkit which has been published separately. Both were developed under a collaborative project between Government Outcomes Lab (GO Lab) and CIPFA.

CIPFA state “The guide is aimed at public managers planning to assess Value for Money (VfM) of outcomes-based contract (OBC) programmes, or any other type of programme with an outcome-focus, using prospective information. This involves assessing economic validity of the programme with respect to ‘doing nothing’ as well as the closest comparator.”

CIPFA explain that the guide:

- Describes what VfM represents in public provision of social services with a special focus on outcome-based contracts (OBCs). In particular the guide emphasises the link between economy and effectiveness criteria.
- Promotes thinking about longer-term effects of interventions, such as outcomes and impact, at the design/ planning stage of programmes. This means that having a good appreciation for efficiency is helpful but not necessary, especially when outcomes are both identifiable and measurable.
- Explain how it could be used to appraise public programmes with respect to anticipated costs and value of them using prospective information.

The guide is available to CIPFA members through the website.



# Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)

# Local government and net zero in England – NAO

The National Audit Office (NAO) report responds to a request from the Environmental Audit Committee to examine local government and net zero. It considers how effectively central government and local authorities in England are collaborating on net zero, in particular to:

- clarify the role of local authorities in contributing to the UK's statutory net zero target; and
- ensure local authorities have the right resources and skills for net zero.

The NAO comment "While the exact scale and nature of local authorities' roles and responsibilities in reaching the UK's national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector's powers and responsibilities for waste, local transport and social housing, and through their influence in local communities.

Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government's approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities' overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities' ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

MHCLG, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the COVID-19 pandemic, but there is now great urgency to the development of a more coherent approach."

Key findings include:

- Central government has not yet developed with local authorities any overall expectations about their roles in achieving the national net zero target.
- There is little consistency in local authorities' reporting on net zero, which makes it difficult to get an overall picture of what local authorities have achieved.
- Neither MHCLG nor HM Treasury has assessed the totality of funding that central government provides to local government that is linked with net zero.

The report can be found here:

<https://www.nao.org.uk/report/local-government-and-net-zero-in-england/>



# Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The NAO state “Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

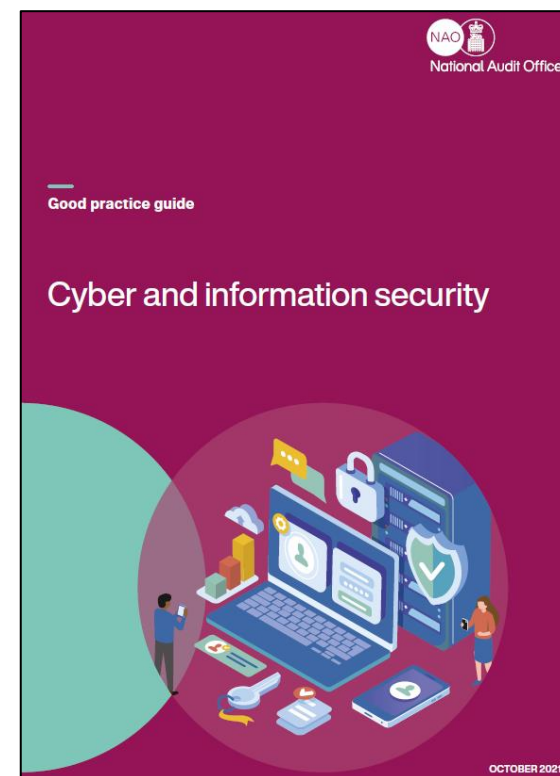
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>





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