

A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in the **CIVIC SUITE 0.1A, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **WEDNESDAY, 26 MARCH 2014** at **6:30 PM** and you are requested to attend for the transaction of the following business:-

APOLOGIES

**Contact
(01480)**

1. MINUTES (Pages 1 - 6)

To approve as a correct record the Minutes of the meeting of the Panel held on 29th January 2014.

**Mrs H J Taylor
388008**

2. MEMBERS' INTERESTS

To receive from Members declarations as to disclosable pecuniary, non-disclosable pecuniary or non-pecuniary interests in relation to any Agenda item. See Notes below.

3. CORPORATE GOVERNANCE - PROGRESS REPORT (Pages 7 - 8)

To receive a report by the Head of Legal and Democratic Services.

**Mrs H J Taylor
388008**

4. PROCUREMENT MEASURES TO SUPPORT COMPLIANCE (Pages 9 - 14)

To consider a report by the Procurement Manager on measures introduced or proposed to support procurement compliance.

**N Arkle
388104**

5. REVIEW OF THE COUNCIL'S CONSTITUTION (Pages 15 - 68)

To consider a report by the Head of Legal and Democratic Services seeking the Panel's views on proposed changes to the Council's Constitution.

**Ms C Deller
388007**

(Copies of the Scheme of Delegation have been provided to Panel Members only)

6. EXTERNAL AUDIT: AUDIT PLAN 2013/14 (Pages 69 - 106)

To receive a report from the Accountancy Manager on the external audit plan for 2013/14.

**C Mason
388157**

7. ACCOUNTING POLICIES FOR THE ANNUAL FINANCIAL REPORT 2013/14 (Pages 107 - 118)

To receive a report from the Accountancy Manager seeking approval of accounting policies for the 2013/14 accounts.

**C Mason
388157**

8. **EMPLOYEE HANDBOOK** (Pages 119 - 120)
- To consider a report by the Internal Audit Manager seeking endorsement for a proposed Employee's Code of Conduct. **D Harwood
388115**
9. **AUDIT COMMITTEE GUIDANCE** (Pages 121 - 126)
- To receive a report by the Internal Audit and Risk Manager on new guidance by CIPFA – Audit Committees Practical Guidance for Local Authorities and Police 2013. **D Harwood
388115**
10. **RISK REGISTER UPDATE** (Pages 127 - 140)
- To receive a report by the Internal Audit and Risk Manager providing an update on the Risk Register. **D Harwood
388115**
11. **WORK AND TRAINING PROGRAMME** (Pages 141 - 144)
- To consider a report by the Internal Audit Manager. **D Harwood
388115**

Dated this 18 day of March 2014



Head of Paid Service

Notes

1. Disclosable Pecuniary Interests

- (1) *Members are required to declare any disclosable pecuniary interests and unless you have obtained dispensation, cannot discuss or vote on the matter at the meeting and must also leave the room whilst the matter is being debated or voted on.*
- (2) *A Member has a disclosable pecuniary interest if it -*
- (a) *relates to you, or*
 (b) *is an interest of -*
- (i) *your spouse or civil partner; or*
 (ii) *a person with whom you are living as husband and wife; or*
 (iii) *a person with whom you are living as if you were civil partners*
- and you are aware that the other person has the interest.*
- (3) *Disclosable pecuniary interests includes -*
- (a) *any employment or profession carried out for profit or gain;*
 (b) *any financial benefit received by the Member in respect of expenses incurred carrying out his or her duties as a Member (except from the Council);*
 (c) *any current contracts with the Council;*
 (d) *any beneficial interest in land/property within the Council's area;*
 (e) *any licence for a month or longer to occupy land in the Council's area;*
 (f) *any tenancy where the Council is landlord and the Member (or person in (2)(b) above) has a beneficial interest; or*

(g) a beneficial interest (above the specified level) in the shares of any body which has a place of business or land in the Council's area.

Other Interests

(4) If a Member has a non-disclosable pecuniary interest or a non-pecuniary interest then you are required to declare that interest, but may remain to discuss and vote.

(5) A Member has a non-disclosable pecuniary interest or a non-pecuniary interest where -

(a) a decision in relation to the business being considered might reasonably be regarded as affecting the well-being or financial standing of you or a member of your family or a person with whom you have a close association to a greater extent than it would affect the majority of the council tax payers, rate payers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the authority's administrative area, or

(b) it relates to or is likely to affect any of the descriptions referred to above, but in respect of a member of your family (other than specified in (2)(b) above) or a person with whom you have a close association

and that interest is not a disclosable pecuniary interest.

2. Filming, Photography and Recording at Council Meetings

The District Council supports the principles of openness and transparency in its decision making and permits filming, recording and the taking of photographs at its meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening at meetings. Arrangements for these activities should operate in accordance with guidelines agreed by the Council and available via the following link - [filming, photography and recording at council meetings.pdf](#) or on request from the Democratic Services Team. The Council understands that some members of the public attending its meetings may not wish to be filmed. The Chairman of the meeting will facilitate this preference by ensuring that any such request not to be recorded is respected.

Please contact Mrs H Taylor, Senior Democratic Services Officer, Tel No: 01480 388008 / e-mail: Helen.Taylor@huntingdonshire.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Cabinet.

Specific enquiries with regard to items on the Agenda should be directed towards the Contact Officer.

Members of the public are welcome to attend this meeting as observers except during consideration of confidential or exempt items of business.

Agenda and enclosures can be viewed on the District Council's website – www.huntingdonshire.gov.uk (under Councils and Democracy).

If you would like a translation of Agenda/Minutes/Reports or would like a large text version or an audio version please contact the Democratic Services Manager and we will try to accommodate your needs.

Emergency Procedure

In the event of the fire alarm being sounded and on the instruction of the Meeting Administrator, all attendees are requested to vacate the building via the closest emergency exit.

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in Civic Suite, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN on Wednesday, 29 January 2014.

PRESENT: Councillor E R Butler – Chairman.
Councillors M G Baker, K J Churchill,
G J Harlock, P Kadewere, P G Mitchell and
R J West.

APOLOGY: An apology for absence from the meeting was submitted on behalf of Councillor R Harrison.

45. MINUTES

The Minutes of the meeting of the Panel held on 27th November 2013 were approved as a correct record and signed by the Chairman.

46. MEMBERS' INTERESTS

No declarations were received.

47. CORPORATE GOVERNANCE PANEL - PROGRESS REPORT

The Panel received a report by the Head of Legal and Democratic Services (a copy of which is appended in the Minute Book) which contained details of actions taken in response to recent discussions and decisions. Members noted that the Deputy Leader would be meeting with the Managing Director to discuss the role of Council and Scrutiny, following which a meeting would be arranged between himself and Councillor M Baker to discuss a possible review of the Council's Procedure Rules.

48. REVIEW OF FRAUD INVESTIGATION ACTIVITY

The Panel received a report by the Corporate Fraud Manager was submitted (a copy of which is appended in the Minute Book) summarising the work undertaken by the Corporate Fraud Team during 2012/13, including the type and number of investigations undertaken, the value of fraud identified and the cost of undertaking the work.

Members were reminded of the Department for Work and Pensions' (DWP) intention to launch a Single Fraud Investigation Service (SFIS) by 2015, which would take over all welfare fraud investigations. A member questioned whether the Council would benefit financially from the recovery of any money by the SFIS. The Corporate Fraud Manager explained that the exact model to be adopted by the SFIS

was unknown. However, the Team had received subsidy and grants from the DWP for the work undertaken during 2012/13 around benefit fraud and received further income from awards of costs and financial penalties. As a result of its success, the Team had been approached by a number of neighbouring authorities to create a shared service for fraud prevention and, the viability of such a service was being reviewed.

Having indicated their wish to receive details of the work of the team in the future on prevention and deterrent and in congratulating the Team for its work in uncovering fraudulent activity, the Panel

RESOLVED

that the work undertaken by the Fraud Team against its targets for performance in 2012/13 be noted.

49. REVIEW OF FRAUD PROSECUTION POLICY

Consideration was given to a report of the Corporate Fraud Manager (a copy of which is appended in the Minute Book) seeking approval of changes made to the Fraud Prosecution Policy and procedure which had been prompted by changes in legislation.

Particular attention was drawn to a new provision allowing local authorities to apply civil penalties where benefit claimants fail to report changes in circumstances, which result in overpayments of benefit, but no fraud has occurred. Having been advised that the District Council had decided not to apply such penalties, as they would be both expensive to recover and impact excessively on people who may already be in financial difficulties, Members questioned how officers would distinguish between such cases and those involving fraud.

Whereupon, it was

RESOLVED

- (a) that the content of the new Fraud Prosecution Policy appended to the report now submitted be approved; and
- (b) that the Head of Customer Services, after consultation with the relevant Executive Councillor and the Head of Legal and Democratic Services, be authorised to make any minor changes to the Policy that may be considered necessary in the future.

50. WHISTLEBLOWING CONCERNS RECEIVED

Consideration was given to a report by the Internal Audit Manager (a copy of which is appended in the Minute Book) summarising the allegations received under the Council's whistleblowing policy during the period 1st November 2012 and 31st December 2013.

Having been advised that the number of allegations received had fallen by 50% on the previous year Members questioned the reasons for the reduction. The Panel was advised that the loss of the District-

Wide publication to residents may have impacted on the numbers.

Whereupon, it was

RESOLVED

that the content of the report now submitted be noted.

51. NATIONAL FRAUD INITIATIVE

With the aid of a report by the Internal Audit Manager (a copy of which is appended in the Minute Book) the Panel were apprised of the 2012 National Fraud Initiative, together with the work undertaken by the Council on the potentially fraudulent matches in data which had been provided by the Audit Commission. Members were informed that the exercise was conducted by the Council every two years.

Having requested clarification on the numbers investigated, the Panel

RESOLVED

that the work undertaken by the Council in respect of the 2012 National Fraud Initiative exercise be noted.

52. INTERNAL AUDIT OPINIONS

The Panel received a report by the Internal Audit Manager (a copy of which is appended in the Minute Book) explaining the terminology associated with the annual internal audit opinion and internal audit reports.

Having been advised that opinion levels and supporting definitions are regularly reviewed and managers are required to achieve at least an "adequate" level of assurance across their systems and processes, the Panel

RESOLVED

that the contents of the report and the process followed for preparing both the annual and individual internal audit report assurance opinions be noted.

53. INTERNAL AUDIT INTERIM PROGRESS REPORT

The Panel received and noted a report by the Internal Audit & Risk Manager (a copy of which is appended in the Minute Book) on the work of the Internal Audit Service during the period 1st April to 31st December 2013, together with associated performance issues.

Members were informed that the continuous audit approach to key financial systems had proved successful and would continue. The Internal Audit & Risk Manager explained that a substantial amount of unplanned time had been spent and would continue on issues relating to the One Leisure St Ives redevelopment. He also reported that the current computer audit contract with Deloitte's had been extended until 31st January 2015 to allow for the future governance and internal

audit arrangements arising from the potential out-sourcing of IMD to be clarified and agreed. With regard to the latter, a request was made by Councillor P Mitchell for the Panel to have sight of the draft business case for sharing the district council's information technology through a partnership delegation agreement.

Having had their attention drawn to the implementation of agreed audit actions, Members expressed their disappointment that only 72% of actions had been introduced on time. In the discussions that ensued, the view was expressed that the target of 100% was unachievable. Having queried the reasons why the service delivery targets were not being met, the Internal Audit and Risk Manager explained that responsibility for these actions was outside of his direct control and lay with service managers. Owing to the Panel's concerns, the Audit Manager reported that he would be reviewing the targets in September. At the same time, a request was made by Councillor K Churchill for future reports to include comparisons from previous years.

In response to Members concerns that 16% of managers had failed to respond to the six monthly establishment reports, the Accountancy Manager suggested that this be addressed by incorporating this report into the monthly budget monitoring process.

RESOLVED

that the content of the report be noted.

54. EXTERNAL AUDITORS: ISA 260 REPORT - 2012/13 IMPLEMENTATION OF RECOMMENDATIONS

Further to Minute No 13/36 and by way of a report by the Assistant Director (Finance and Resources) the Panel were updated on the Implementation of the External Auditors recommendations to strengthen the budgetary control and financial planning process.

RESOLVED

that the content of the report be noted.

55. WORK AND TRAINING PROGRAMME

By way of a report by the Internal Audit Manager (a copy of which is appended in the Minute Book), Members received and noted a work programme for the Panel for the period March 2014 to January 2015.

Having regard to a knowledge and skills framework produced by the Chartered Institute of Public Finance and Accountancy on the function and operation of audit committees in local authorities, the Panel

RESOLVED

that the CIPFA Audit Committee Guidance appended to the report now submitted be approved as the basis for a formal training programme.

Chairman

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CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel Date	Decision	Response	Date for Action	Officer Responsible
24/7/13	<u>Internal Audit Service Annual Report</u> Requested regular updates from Chief Officers Management Team on procurement practices.	The Governance Board will provide information and assurance to the Panel on a regular basis starting with the Panel's March meeting.	26 th March 2014	Assistant Director Finance and Resources
26/9/13	<u>Annual Governance Statement</u> Approved the AGS. Required updates on the progress with introducing the six improvement areas identified.	Implementation dates for five of the areas was agreed as April 2014 or later. Progress will be reported to the May Panel meeting. The remaining area – project management – has been referred to the Project Management Working Group.	14 th May 2014	Managing Director
27/11/13	<u>Work and Training Programme</u> Head of Legal and Democratic Services to discuss a possible review of the Council's Procedure Rules with the Deputy Leader and Councillor M Baker.	Discussion on rules of debate took place at Council Programme Group meeting in November 2013.		Head of Legal & Democratic Services
29/1/14	Approved the CIPFA Audit Committee Guidance as the basis for a formal training programme.			Internal Audit Manager
29/1/14	<u>Review of Fraud Investigation Activity</u> Corporate Fraud Manager to provide details of the work of the team on prevention and deterrent.	Report to next meeting.	14 th May 2014	Corporate Fraud Manager

CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel Date	Decision	Response	Date for Action	Officer Responsible
29/1/14	<u>National Fraud Initiative</u> Requested clarification on the numbers investigated.	Information emailed to Members 30/1/2014		Internal Audit Manager
29/1/14	<u>Internal Audit Interim Progress Report</u> Internal Audit Manager to review the service delivery targets. Request that future reports include comparisons from previous years. Six monthly establishment reports to be incorporated into the monthly budget monitoring process.	Issues to be picked up in the report to the September meeting.	25 th September 2014	Internal Audit Manager Internal Audit Manager Internal Audit Manager

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: PROCUREMENT MEASURES TO SUPPORT COMPLIANCE

Meeting/Date: Corporate Governance Panel – 26 March 2014

Executive Portfolio: Resources: Councillor J A Gray

Report by: Procurement Manager

Ward(s) affected: All Wards

Executive Summary:

A report presented to the Panel on the 26th September 2013 considered procurement compliance and the Panel sought a report on measures taken and those planned to support compliance.

Changes made to the Code of Procurement were approved at Council on the 13th November 2013. Further measures proposed for inclusion in the Code includes instruction for managing suppliers during market sounding and open days.

A Procurement Strategy has been drafted and circulated for consultation.

The training programme continues with 12 courses run through the year based on a 2 year cycle with specific sessions delivered on-site to the 'hard to reach' groups, eg: One Leisure Managers.

The Contracts Register is an important control providing visibility of the procurement process and monthly checks have instigated to support users and identify incomplete process/entries.

Managers are required to notify the Procurement Manager by 1 April of planned procurements over £100,000 in the next year. The notifications together with information gleaned from the Procurement Manager's 6 monthly visits to Service/Divisional team meetings will be used to form a Forward Plan.

Financial implications

There are no financial implications as all the measures undertaken or proposed can be managed within existing resources.

Risk

These measures are intended to ameliorate the risk of breaches of the Code of Procurement and EU Directives.

Recommendation(s):

The Panel is asked to note the measures implemented and proposed to support compliance with the Code of Procurement.

1. BACKGROUND AND PURPOSE

- 1.1 A report presented to the Panel on the 26th September 2013 considered procurement compliance. This brief report summarises measures introduced or proposed to support compliance.

2. CODE OF PROCUREMENT

- 2.1 The Code was updated and subsequently approved at Council on the 13th November 2013. The changes have been incorporated into training and managers were informed separately. The key changes were:

- All staff undertaking a procurement with spend greater than £5,000 are required to have attended training.
- No organisation involved in preparing a specification or other contract document can be invited to quote or tender unless approved by the Head of Legal and Democratic Services.
- A restriction on post tender negotiation to revise specifications except in very specific circumstances and only if approved by the Head of Legal and Democratic Services.

- 2.2 There are a further 2 proposed changes to improve compliance:

- Instruction for managing suppliers during market sounding and open days.
- Raise the formal quote threshold to £10,000 to simplify low value procurement. (Formal quotes are unduly complex for staff and suppliers alike for the modest £5,000 threshold).

These changes and the others proposed to the Code of Procurement are the subject of a separate report.

3. PROCUREMENT STRATEGY

- 3.1 The Strategy sets out how we will deliver 'Best Value':

- Identify savings opportunities through lower acquisition costs and 'good enough' service standards.
- Make procurement easier for suppliers and the Council alike.
- Increase the professionalism and commercial skill of procurements carried out by the Council.
- Give more opportunity to local and SME suppliers to participate by increasing visibility of our procurement plans and opportunities.
- Maximise innovation, sustainability and collaboration in our procurement activities.

A Procurement Strategy has been written and has been circulated for consultation.

4. TRAINING PROGRAMME

4.1 The training programme continues with 12 courses run through the year based on a 2 year cycle. Courses run on topics dealing with suppliers, contract management, contracts register as well as quotes and tendering. A separate course is run for users of the e-marketplace. Specific sessions and tailored briefings have been provided to Leisure Centre Managers/Deputy Managers and Team Managers.

Over 130 staff trained and over 100 in using the e-marketplace.

4.2 Training Schedule:

- 26 Mar 14 e-Marketplace (new staff & re-fresher).
- 24 Apr 14 Quotations.
- 29 Apr 14 Quotations.
- 14 May 14 One Leisure Managers (Quotations & Tenders).
- May Date to be arranged: EFH Staffs.
- 11 Jun 14 EU training.
- 3 July 14 Tenders.
- 11 Sep 14 Contract Management.
- 25 Sep 14 Tenders.
- 22 Oct 14 Dealing with Suppliers/Negotiation.
- 4 Nov 14 e-Marketplace (new staff & re-fresher).
- 4 Dec 14 Specification Writing

5. CONTRACTS REGISTER

5.1 Besides eliminating paper, the Contracts Register is used to record the key steps in a procurement and provides visibility of the process and evidence of compliance. A monthly check of the contracts register has been instigated to identify incomplete process/entries and support users.

6. FORWARD PLAN

6.1 One of the amendments to the Code of Procurement made on the 13th November 2013 was the requirement for Managers by the 1st April each year advise of all “contracts to be advertised in the following year” and “spend likely to exceed £100,000”. This will form the basis of the forward plan for the Procurement Manager. A reminder has been issued to Managers.

6.2 The Procurement Manager is taking a pro-active approach by attending Service/Team Management meetings every 6 months to obtain early notice of forthcoming procurements and using the opportunity to update managers with what’s new in procurement; eg: changes to the Code.

7. RECOMMENDATION

7.1 The Panel is asked to note the measures implemented to support compliance with the Code of Procurement.


Background Papers

Current Code of Procurement

Contact Officer:

Nigel Arkle

Procurement Manager

 01480 388104

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HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Review of the Constitution
Meeting/Date:	Corporate Governance Panel – 26th March 2014 Council – 30th April 2014
Executive Portfolio:	Councillor T D Sanderson – Executive Councillor for Strategic Economic Development and Legal
Report by:	Head of Legal and Democratic Services
Wards affected:	All

Executive Summary:

Under the Local Government Act 2000, local authorities were required to adopt a written Constitution setting out its governance arrangements. Since then the Council has continued to review its Constitution regularly and more recently on an annual basis. The purpose of the review is to identify changes required to the Constitution to reflect new legislation and working practices which have emerged since March 2013, to overcome any inconsistencies which may have arisen and to make positive adjustments to improve or modify the way that the Constitution currently operates.

The terms of reference for the Corporate Governance Panel includes responsibility “to review the Council’s Constitutional arrangements and make appropriate recommendations to the Council”. This report is therefore submitted to enable the Panel to undertake a review in the current year.

Members and Senior Managers Group have been invited to highlight any issues or areas which could be improved, clarified or revised based on experience of the Constitution over the previous year and any submitted will be discussed in this report.

To identify the changes proposed, Members will need to refer to the Constitution available electronically on both the Council’s website and intranet. A copy is available to peruse in the Members’ Room.

Recommendation:

The Panel is requested to consider the recommendations contained in the following report and to recommend to Council accordingly.

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1. WHAT IS THIS REPORT ABOUT/PURPOSE?

- 1.1 The Council may amend its Constitution at any time. Any change will require reference to the Secretary of State only if the Council proposes to change significantly the present form of executive and scrutiny arrangements.
- 1.2 It is good practice to review the Constitution on a regular basis if just to take account of updates in legislation and practice and for these reasons the text will require amendment, in any event, to reflect –
- ◆ new legislation; and
 - ◆ alterations to –
 - the text generally to update job titles etc;
 - Table 2 – appointments to outside organisations to reflect the addition/variation of appointments; and
 - Table 4 – Scheme of Delegation to incorporate amendments to the Scheme which may have occurred during the preceding year.
- 1.3 In terms of the Scheme of Delegation (Part 3, Table 4, Pages 81 – 187) [a copy has been circulated to the Members of the Panel only] potential changes to the senior management structure will require many of the delegations to be reassigned. Members can be assured, however, that the local authority may not delegate any decision-making functions without express or implied statutory authority and whilst an authority has wide powers under Section 101 of the Local Government Act 1972 to arrange for the discharge of any of its functions by Committee, Sub-Committee or by an Officer, that power has to be lawfully delegated based on proper interpretation of a resolution.
- 1.4 In November 2011 and Spring 2013, the Council was similarly affected by changes to the senior management structure. In 2011, the Corporate Governance Panel and subsequently the Council agreed, given the resulting changes required to the Scheme of Delegation and the likelihood that these would be generally administrative within principles established by Statute, that the Head of Legal and Democratic Services be authorised, after consultation with the Chairman of the Panel to make any necessary amendments to the Scheme relating solely to the structure of the organisation and post titles and not to substantive change and to make any further adjustments when these are considered to be necessary in the future. In practice, this authority has been used sparingly in the past year but it is considered essential that this remains in place given the changes ahead.

2. OPTIONS TO BE CONSIDERED/ANALYSIS PART 3 – RESPONSIBILITY FOR FUNCTIONS

2.1 Corporate Governance Panel

(Table 2, page 71 and Table 4, Scheme of Delegations page 125)

Under a review of its effectiveness last September, the Corporate Governance Panel recommended the adoption of new terms of reference. These included under the heading ‘**Fraud and Corruption**’ –

“12. Monitoring the Anti-Fraud and Corruption Strategy and receive annual updates on countering fraud.”

Subsequently, Chief Officers’ Management Team (COMT) has suggested that the monitoring element of this function should be better directed towards the

appropriate Overview and Scrutiny Panel as part of their continuing work on performance monitoring. It is within the remit of the Overview and Scrutiny Panels to “review the performance of the Council and the achievement of performance indicators and targets” (Article 6, page 23). **Accordingly, it is recommended that the function ‘Monitoring the Anti Fraud & Corruption Strategy’ be deleted from paragraph 12 of the terms of reference of the Panel and that, in future, performance information produced by the Corporate Fraud Team be submitted to the relevant Overview and Scrutiny Panel.**

The Panel would continue to receive annual updates on countering fraud.

Currently, the Scheme of Delegation of the Corporate Governance Panel enables the Head of Legal and Democratic Services to approve payments of up to £1,000 in compensation to complainants under the District Council’s complaints system after consultation with the Chairman of the Panel and subject to details of any payments being reported to the ensuing meeting of the Panel.

Mindful of the extent of business regularly tabled for the Panel to consider, Members might wish to consider varying that part of the delegation which requires a report to the next convenient Panel meeting. Currently, the Head of Legal and Democratic Services is required to report to COMT at six monthly interviews on complaints received and lessons learned. The Panel also receives an annual report on complaint outcomes and trends both for internal complaints and those referred to the Local Government Ombudsman. Given the framework that exists for reviewing received/outcomes of complaints, and given that the Chairman of the Panel still would be consulted before payments of over £1,000 are made, **the Panel is requested to consider deleting the requirement for a report to be submitted to an ensuing meeting following payment in settlement of a complaint.** (See paragraph 2.2 should this function be transferred to the Standards Committee, it is suggested that the same would apply.)

2.2 **Corporate Governance Panel/Standards Committee** (Table 2, pages 67-69, 71-75)

In March 2013, the Corporate Governance Panel was requested to consider both its own Constitution and that of the Standards Committee. There was a view, at that time, that the terms of reference and title of the Corporate Governance Panel should be varied perhaps to an Audit and Accounts Committee so that its functions related solely to risk management, audit, accounts and resources for example with the governance, constitutional and possibly complaints responsibilities transferred to the Standards Committee or to a re-named Governance and Standards Panel for instance.

This suggestion also arose because of the contrast in the workload of each. The Corporate Governance Panel has become increasingly busy in recent years as greater emphasis has been placed on governance issues. At the same time, the demise of “Standards for England” and the impact of the Localism Act 2011 has resulted in a lower profile standards regime and a subsequent reduction in the level of business considered by the Standards Committee.

At a meeting of the Chairmen, Councillors E R Butler and A Hansard considered several options for change and the current arrangements made by other Cambridgeshire Authorities dealing with corporate governance and

standards issues and recommended their preferred approach to the Standards Committee

At their meeting on 6th March, the Standards Committee indicated that they would wish the Committee and the Corporate Governance Panel to continue to operate as separate principal bodies and that were the Panel/Committee to be renamed to reflect any new functions it should retain the word “Standards” within its title in order to promote and maintain the profile of the Code of Conduct and the continuing importance of high standards of conduct by Councillors and other related protocols within the Constitution. Members also supported a limited transfer of functions from the Corporate Governance Panel and the Elections Working Group to the Committee.

Having regard to the current terms of reference of the Panel and Committee, Members were of the view that the following functions could be transferred and be undertaken, in future, by the Standards Committee rather than the Corporate Governance Panel –

- ◆ considering proposals to change the Council's Constitutional arrangements and making appropriate recommendations to the Council (a function formerly undertaken by Standards);
- ◆ determining the Council's Customer Feedback Procedure, monitoring compliance with the procedure, compensatory payments to complainants and formulation of recommendations to the Cabinet or Council on any action to be taken as a consequence; and
- ◆ considering reports by the Local Government Ombudsman, approval of compensatory payments to complainants and formulation of recommendations to the Cabinet or Council on any remedial action to be taken as a consequence.

Although ultimately, certain issues still would be reserved to Council as part of the policy and statutory framework, Members also supported the suggestion that the following matters relating to electoral arrangements also could fall to be dealt with by the Standards Committee rather than the Elections Working Group as at present. Electoral arrangements in its widest sense might involve –

- ◆ the review of District and Parish electoral arrangements including boundaries;
- ◆ matters relating to the powers of a Parish Council, numbers of Parish Councillors and new Parish Councils and Parish Wards;
- ◆ District and District Ward boundaries arising from any review; and
- ◆ the periodic electoral review.

The Working Group currently meets as and when required (one meeting in 2013) so would not add too great a burden to the Committee.

Given that the potential transfer of functions impacts on the workload of the Corporate Governance Panel, the Panel is requested to consider the matter and to recommend accordingly.

2.3 **Employment Panel**

(Table 2, page 70, Table 4, page 85)

New arrangements for streamlining consideration of employment matters were approved during the 2013 review. These arrangements provided for the following employment matters to be delegated to the Head of Paid Service –

'To deal with the following employment matters –

- (i) to make all staff appointments below Head of Service;
- (ii) to determine salary and terms and conditions of all posts in accordance with adopted human resources policies;
- (iii) to negotiate and implement local pay awards in compliance with any limitations contained in the Code of Financial Management following consultation with the Chairman of the Employment Panel and the Executive Leader;
- (iv) to negotiate and implement changes to terms of conditions of employment and human resource policies;
- (v) to be responsible for consultation and information sharing arrangements with staff;
- (vi) to administer the provisions of the Local Government and Housing Act 1989 relating to politically restricted posts; and
- (vii) to be responsible for exercising employer discretions in relation to the Local Government Pension Scheme for staff below Chief Officer'.

The Employment Panel has recently undertaken its annual review of its terms of reference and was of the opinion that there were no specific changes required. However, in a year when there have been several changes to employment policies, interpretation of the role of the Panel under the new terms and the extent of delegation to the Head of Paid Service has proved problematic.

Paragraphs (iii) and (iv) of the delegation has authorised the Head of Paid Service to negotiate and implement but not determine local pay awards and changes to terms and conditions. Similarly, the Panel's terms of reference provide for it to make recommendations to Council and/or Cabinet in relation to employment and workforce practices within the Council but not to approve.

Either the terms of reference of the Panel or delegation to the Head of Paid Service require clarification as to where determination of pay awards and new policies should lie. In the absence of such clarity over the year, the Panel has indicated their support for proposals allowing the Head of Paid Service to implement changes as authorised. The Head of Legal & Democratic Services recalls that it was the Panel's intention that the Head of Paid Service be authorised to actually determine local pay awards after negotiation **To overcome this uncertainty, it is proposed that the third bullet point of the Panel's terms of reference on page 70 of the Constitution be amended such that the words 'report' be deleted so the function would read –**

- ◆ **to make recommendations in relation to employment and workforce practices within the Council;**

It also is suggested that paragraph (iii) of the authority delegated to the Head of Paid Service be amended to enable the postholder to 'negotiate, determine and implement local pay awards etc.....'

During the same exercise, functions relating to the Employees' Code of Conduct were deleted from the Panel's terms of reference. Whilst responsibility for the Employees' Code of Conduct (Employee Handbook) could arguably be considered as a role for either the Standards Committee or Corporate Governance Panel it is the view that this should remain a function of the Employment Panel given their overall responsibility for "People Management".

It is recommended that the following function be re-inserted into the terms of reference of the Employment Panel –

“to monitor and advise the Council on the adoption, revision, content and operation of its Code of Conduct for Officers (Employee Handbook) in the light of best practice, changes in law and guidance.”

2.4 **Member Champions**

The District Council has, in the past, appointed a number of Member Champions often because they were specialists in particular areas or held expertise which enabled them to advise on specific areas of interest. Arguably they existed to ensure that the issue they were championing was taken into account or given a profile when Council policy was being reviewed or decisions made but which might not be the responsibility of any Committee or Panel. For convenience, Member Champions were, at one stage, listed in the Constitution although they had no particular status in law. Arising from the review of the effectiveness of the Overview and Scrutiny Panels, it was recommended that the appointment of Member Champions be formalised and a list of appointments maintained. It was also recommended that Chairmen should promote the appointment of the Member Champion role. Currently two Member Champions act on behalf of the Document Centre and Conservation and Heritage issues.

Part 3 of the Constitution specifies where certain functions and responsibilities lie. Should it be the Panel's view that a list of appointments be maintained, it would be reasonable to include such information in this section of the Constitution. For consistency, the Panel may also consider that Member Champions should be appointed by the Executive Leader.

It is recommended that the practice of using Member Champions be re-established formally, that they be appointed by the Executive Leader as appropriate and listed for clarity and convenience in Part 3 of the Constitution.

3. **PART 4 – RULES OF PROCEDURE**

3.1 **Role of the Council**

(Article 4, pages 15 – 17 and Council Procedure Rules (Standing Orders) pages 191 – 211)

Article 4 lists the powers that have been reserved to Council. These relate to the approval of the budget and various policies and strategies that together make up the Council's policy and budgetary framework. Therefore, the Council remains the arena in which the important policy and budget decisions are made. Attempts have been made over recent years to enliven Council meetings and encourage public attendance. Initiatives introduced following the last review of the democratic structure in 2009 have had limited success.

As it is now five years since the last review of the Council meeting itself, Members may feel that it is opportune to look at the way the Council currently operates. It is suggested that the following features are retained without need for further discussion or variation -

- ◆ the opportunity for the public to ask questions;
- ◆ 7 pm start time (6 pm for the Annual Meeting); and

- ◆ the opportunity for the public to present petitions containing more than 50 signatures.

Some of the initiatives are enshrined within the Council Procedure Rules (where written guidelines are required to ensure that they operate consistently) and others are practised informally. For convenience both aspects are discussed in this Section -

(a) **Headline Debate**

It was the original intention that major policy decisions reserved to Council should be the subject of debate at Council meetings before public consultation as well as arrangements made for single issue debates (with the Principal Opposition invited to choose the subject for debate at one meeting per annum). Whilst there have been some notable debates, the choice of robust debate topics has often been handicapped when policies and strategies have already been the subject of public consultation, agreement with partners and discussion at Scrutiny and Cabinet en route to Council. Often there is little left to discuss.

There has been a greater tendency for single issue debates and these have proved more successful - those led by the Chief Constable, Andrew Stunell, MP and the DCLG on the National Planning Policy Framework for instance. Given the other significant issues facing the authority and local government generally and the importance of meeting time for the Council to consider these matters in the detail required, it is proposed that single issue debates on matters of topical issues be retained with external speakers/organisations invited to brief Members on issues of relevance and significance but that these debates occur only as and when such topics arise or can be identified by the Council Programme Group. It is no longer considered necessary to make specific arrangements for debates on major policy decisions as these should take place, in any event, during the normal course of the Council's business.

As the Leaders of the Opposition Groups are represented on the Council Programme Group and, in practice, contribute fully to suggestions for debate items it is also considered to be no longer necessary to reserve one meeting per annum for that purpose.

Members' views are invited.

(b) **Green Paper**

The Green Paper feature was designed to enable Executive Councillors to give early notice to the Council of the launch of new policy initiatives and proposals and to raise these at Council meetings on a more informal basis prior to wider consultation. Whilst arguably this has not been successful, it is an area which could be further developed and it is proposed that the Senior Managers' Group could become more actively engaged in identifying emerging policies on a regular basis. It may also be considered more appropriate 'Green Paper' items were presented to Overview and Scrutiny Panels rather than Council.

Alternatively, the Deputy Executive Leader has suggested that provision be made for one (or two) Members per meeting to be able to

address the Council for up to 10 minutes on matters relevant to the Council's business which may be of concern/interest to them. Guidelines for such provision would need to be drafted but it is anticipated that these would require advance notification of issues to be raised and a way to register Members' requests to speak.

Members' views are invited.

(c) **Frequency and timing of meetings**

During the last review and given the number of initiatives involved at that time, it was considered that there may be a need for additional meetings of Council. Consequently meetings of Council were increased to six from five (plus the Annual Meeting) each year. It was also agreed that meetings should commence at 7 pm (rather than 2.30 pm) to encourage public attendance and enable guest speakers from partner and other organisations to attend for debate items. It is the view that Council meetings should continue to take place at 7pm but suggested that the number of meetings per annum be reduced by one to five (plus the Annual Meeting). Experience has shown that the meeting of the Council in November has, since 2009, been light in the terms of business it has had to consider given it has no clear role in the cycle for example in financial or service planning terms, unlike the September meeting, which considers the Financial Strategy with which the Annual Budget and MTP is to be prepared.

It is recommended therefore that the November Council meeting be deleted from the calendar.

(d) **Presentations by Executive Councillors/Annual State of the District Address** (page 205, paragraph 12)
Oral Questions by Councillors
(page 194 paragraph 8.3) and Guidelines (page 213 Annex [i])

Paragraph 12 of the Council Procedure Rules refer to the Annual State of the District Address. In recent years this has been resurrected by the Executive Leader who has taken the opportunity at the September meeting to address Members on the activities of the Council in the previous year and his plans for the year ahead. Members might consider that this address should be better delivered at the first meeting in each municipal year either in June or July. Should this suggestion be supported **it is recommended that the word "autumn" in paragraph 12.1 be deleted and replaced by the word "summer".**

Subsequent meetings, therefore, would present the opportunity for Members of the Cabinet to update the Council on relevant issues within their portfolios by way of a written report which would be included within the Council Book. This could include updates on new policy/initiatives or progress on significant issues and on conclusion of presentations a period could be set aside for the Council to ask questions of portfolio holders specifically and the Cabinet in general. This would allow the Council to hold the Executive (the Cabinet) to account. Developing this theme further, it is suggested that the current separate 30 minute period for questions by Councillors be discontinued but that the opportunity to ask questions be programmed after presentations by Executive Councillors.

The guidelines for oral questions (*page 213*) would also remain unchanged other than paragraph 4 as clearly there would no longer be a requirement to complete a pro forma slip in advance of the Council meeting to indicate that a Member wishes to ask a question. Questions may be asked in response to the contents of the address by the Executive Councillor and on any other matter in accordance with Annex (i), paragraphs 1 and 2. The prescribed period for questions of 30 minutes would be no longer necessary. Currently questions may also be asked of the Chairmen of a Committee or Panel. It is proposed that this opportunity should remain and that a separate item be placed on the agenda for this purpose. For clarity, the current Constitution already provides for written questions to be raised as a 'matter of urgency'.

To seek to make the period for questions more meaningful it is proposed that where Councillors have questions requiring a detailed and lengthy reply that they be encouraged to submit them to the Head of Legal and Democratic Services by noon at least eight clear working days in advance of the meeting to enable a draft response to be prepared in advance. This practice would seek to overcome the need for written answers to be drafted for the questioner after the meeting. If this proposal is supported paragraph 8.3 would be amended accordingly.

The Panel is requested to support the proposed changes to the scheduling of the Annual State of the District Address and the adjustments to the arrangements for oral questions to the Executive Leader, Deputy Leader and Executive Councillors and Chairmen of Panels etc

(e) **Council Programme Meeting**
(*Article 5 - Chairing the Council*)

Article 5 discusses the role and function of the Chairman of the Council. In terms of the procedural duties of the Chairman, he/she also has responsibility to "liaise with the Deputy Executive Leader and the Leaders of Opposition Groups and Independent Councillors on the business to be conducted in Council meetings." In practice, the Chairman of Council chairs the Council Programme Group which meets mid-way between Council meetings to discuss future business. It also has been suggested that, in future, Chairmanship of this Group should lie with the Deputy Executive Leader. Whilst this Group has clearly improved the future programming of business for the Council meeting there might be a case, if it is to be retained, that its business planning role should be further enhanced by having regular sight of the agenda plan documents for Cabinet and Overview & Scrutiny.

The views of the Panel are invited to comment on whether to retain the Council Programme Group in its current format, to transfer its chairmanship to the Deputy Executive Leader and to broaden its business planning role such that it also has sight of Cabinet and Overview & Scrutiny Panel agenda plans when discussing the programme for future meetings.

(f) **Non Constitution Matters relating to Council meetings**

(i) Layout of Civic Suite

For sometime, there has been some disquiet on the part of Members as to the current layout of the Civic Suite for Council meetings. To seek to avoid a situation whereby the Cabinet have their backs to Members when speaking, an alternative layout will be trialled at a future meeting with the Cabinet facing the body of the meeting.

(ii) Reports of the Cabinet, Panels and Committee

To streamline the presentation of reports to the Council and to generate meeting time to enable Council to focus on significant rather than routine matters it is suggested that, with the exception of the reports of the Overview & Scrutiny Panels, reports of Panels where items are submitted for information only should be discontinued. Reports would continue to be submitted where Panels are recommending a course of action to the Council meeting. Members are reminded that monthly editions of the "Decision Digest" will continue to summarise the business considered and decisions taken by Panels and that this is circulated in various formats, via the Member Alert and published on the Members' Homepage and with the Overview & Scrutiny Panel agenda. The Digest could also be despatched separately with the Council agenda should Members consider that it could be useful to do so. It is also proposed that Chairmen should remain in their positions when presenting reports (with recommendations) rather than coming forward to the lectern.

Members are requested to note commencement of these new arrangements.

3.2 Other matters relating to the Council Procedure Rules

(a) **Motions Without Notice**
(paragraph 10, page 196)

Currently there is no provision in the Constitution to regulate the submission of an "alternative budget" to the Council which has in the past led to confusion at the budget-making meeting in February and no opportunity for Officers to give advice to the proposer and the Council on the affordability or practicality of any "alternative" proposal. To better manage this process and facilitate the presentation of any potential "alternative budget" by opposition groups, it is **recommended that the following paragraph be inserted after (h) –**

‘(i) in the case of proposed amendments to recommendations on draft or final budgets, Leaders of the Opposition Groups shall seek the advice of the Responsible Financial Officer at least 2 working days prior to the meeting to enable the implications of the proposed amendment to be reviewed and calculated for presentation to the Council.’

The consequential alphabetical list would be amended accordingly.

(b) **Voting**
(paragraph 14, page 205)

Section 14 of the Rules relate to voting. Unless a recorded vote is requested, matters are decided by a simple majority of those Members voting and present in the room when a question is put.

The Local Authorities Standing Orders (England) (Amendment) Regulations 2014 came into force on 25th February 2014. Put simply, these Regulations provide that votes at key budget decision meetings by local authorities are recorded. It is the view of the Government that this new requirement will increase Council transparency and accountability over Council Tax. The Regulations make it mandatory for Councils, as soon as practicable, after the Regulations are in force to amend their Standing Orders so as to include provisions requiring recorded votes at budget meetings. Accordingly, the Panel is **recommended to approve the addition of the following paragraph in Section 14 of the Rules.**

‘14.7 - when the vote is taken at a budget decision meeting of the Council, there must be recorded in the Minutes of the meeting, the names of the Members who cast a vote for or against the Motion or who had abstained from voting.

(In this context, “budget decision meeting” means the meeting of the Council where the final budget and Council Tax precept is decided.)

It was the expectation of the Department for Communities and Local Government that all Councils would adopt the practice of recorded votes at this year’s budget and Council tax meeting in line with the Regulations even if the Council had no opportunity to formally amend their Standing Orders in time. In accordance with this advice, the Council resolved at their meeting on 26th February to hold a recorded vote in line with the Regulations.

4. OVERVIEW AND SCRUTINY PROCEDURE RULES

(pages 255 – 262 also Article 6, pages 21-26)

4.1 The Overview & Scrutiny Panel Chairmen and Vice Chairmen have met with the Deputy Executive Leader to discuss his suggestions for the future operation of overview and scrutiny. There is general agreement that the Panels should operate in a manner similar to that of a Select Committee. This can be introduced without any change to the Constitution.

4.2 As the new Corporate Plan had not been completed at this stage and given that this could have implications for the Cabinet portfolios, the Chairmen and Vice-Chairmen indicated that they wished to look in more detail at what the options might be. This work will commence imminently. Therefore, no changes are proposed to Article 6 and the Overview & Scrutiny Procedure Rules at present.

The Panel are asked to note this position.

5. CODES OF FINANCIAL MANAGEMENT AND PROCUREMENT

(pages 263 – 299)

5.1 As part of the review exercise, the opportunity is always taken to propose changes to the Codes of Financial Management and Procurement should these be necessary.

- 5.2 The Codes are important elements of the Council's Constitution that detail sound governance principles for the activities. It is important that they are "live" documents that adapt to the changing needs of the Council and that they are reviewed regularly.
- 5.3 The draft Codes are attached at Appendices A and B and changes are highlighted. Changes to the **Code of Procurement** impact on the following sections –

EU Thresholds
(Sections 2.1 and 2.2)

The revised (increased) EU thresholds effective from 1st January 2014 have been incorporated into the tables and have been circulated to all Managers.

Sourcing Policy
(Section 5.6)

The formal "threshold" (£5k) has been unchanged since at least 1999 and does not reflect the increased cost of goods and services over that time. Formal quotes are "simplified tenders" but nevertheless are disproportionate effort for such a low level of spend. There is anecdotal evidence that the formal quote process is inhibiting suppliers from providing quotes for the lower value requirements. Revision of the threshold upwards to £10k would realign the threshold nearer its original "purchasing power" and reduce the frequency of formal procurement action. A simple requirement to get three written quotes for purchases between £1k and £10k would maintain the essential element of competition whilst easing the administrative burden. The following table shows a summary of the proposed changes to procurement thresholds –

Estimated total value of procurement

Existing threshold	Summary of the Process	Proposed threshold
Up to £5,000	Single quote	£1,000
	At least 3 quotations offers invited in writing (email on suppliers headed paperwork)	£1,000 up to £10,000
£5,000 up to £50,000	At least 3 formal quotations invited	£10,000 up to £50,000

Supplier Meetings/Briefings
(Section 5.9)

Supplier engagement or "soft market testing" is a pre-competition process to encourage the market to bring innovative and cost-effective solutions. Whilst the process can bring benefits in refining the requirement and understanding the markets capabilities, there are significant compliance risks. The principal ground for challenge is that some suppliers receive an unfair advantage through the provision of relevant information not made available in any subsequent competition. Likewise supplier open days need to run to avoid any differences in the information provided. This change outlines steps to ameliorate that risk:

- preference for an open day format;

- all questions and answers recorded with a minimum of two officers present;
- and the appropriate number of suppliers invited.

Evaluations

(Section 6.4)

The proposed change is a requirement to consider two specific evaluation criteria:-

- ◆ the Social Value Act 2012 requires consideration of possible social benefits deliverable in a procurement exercise; and
- ◆ Government Policy encourages structuring competitions for greater participation of Small and Medium Enterprises (SMEs). This may also encourage more local participation as the majority of local firms are SMEs.

Tender/Quotation Opening

(Section 9.9)

The existing Rule does not allow any discretion in the acceptance of late tenders. This does not fit the current case law which does give Authorities latitude to accept late tenders under some circumstances. The risk is that we would reject tenders in circumstances where the Courts have decided that this should be admitted.

Consultants

(Section 17)

There are circumstances where the Inland Revenue can deem a consultant engaged by the Council is a “de-facto employee” making the Council liable for national insurance and other charges as well as the potential for a fine. The proposed changes require that any terms and conditions of the engagement of consultants have a clause requiring the contractor to indemnify the Council against that risk.

Code of Financial Management

Several changes are proposed to the Code of Financial Management. These reflect both adjustments to financial management procedure to financial management and the new management structure.

Where previously the Code referred to:

- i. Assistant Director (Finance and Resources); this is now the Chief Financial Officer; as the designated Section 151 Officer (Local Government Act 1972) and Chief Financial Officer (Accounts and Audit Regulations 2011), and
- ii. Accountancy Manager, this is now the Deputy Chief Financial Officer; as the designated Deputy Section 151 Officer.
- iii. Head of Legal and Democratic Services; this is now the Monitoring Officer

The main changes to the Code of Financial Management are summarised below. However, the list does not include the post title changes noted above as this would distract from the aim of showing only the “main changes”.

Paragraph No.	Section	Change
3.1	Financial Monitoring	Clarification of financial monitoring by budget managers; including reporting to the Chief Financial Officer and Corporate Management Teams, the publication of the Financial Performance Monitoring Suite and the Financial Dashboard.
3.6	Budget Transfers	Note in respect of Technical Budgets and that they are the responsibility of the Deputy Chief Financial Officer.
4.2	Income	<ul style="list-style-type: none"> Inclusion of the responsibility of the Head of Customer Services to manage the Council Tax and Non-Domestic Rates collection service. Clarification that the Deputy Chief Financial Officer manages a “sundry” debts debt collection service.
4.3	Treasury Management	The inclusion of the Treasury Management Advisory Group.
5.2 (and 5.9)	Annual Financial Report	Change of title, from the Statement of Accounts to Annual Financial Report.
5.3	Records	Inclusion of a payments control that was approved by Council in November 2013; in respect of cross-referencing of contracts with general ledger invoice/payment records.
6.3	Assets (Capital): Acquisition	Clarification in the approach to the acquisition and disposal of capital assets, including achieving “Best Value” and approval from the Capital and Treasury Strategy Group.
6.4	Assets (Capital): Disposal	
6.7	Valuations	Clarification on when assets are to be valued outside of the three year “phased” revaluation programme.
Annex B	Budgets for Pay	The contingency pay budget is removed. Where in-year pay savings are identified in excess of approved MTP savings, appropriate budget adjustments will be made and savings achieved transferred to the “centre” to meet the MTP approved unallocated savings.

The Panel is requested to recommend the Council to adopt the Codes of Financial Management and Procurement (as amended).

6. PART 7 – MANAGEMENT STRUCTURE
(Page 393 – 396)

6.1 The Management Structure describes the responsibility of the designated statutory posts – the Head of Paid Service, Chief Financial Officer and Monitoring Officer and the way in which the functions and services are discharged by the organisation. This is a standard feature of the model Constitution. As the Council is currently undertaking a review of its senior management structure, potentially this section could need significant change.

As this exercise may not be completed until late Spring, it is **recommended that the Head of Legal and Democratic Services be authorised to make such amendments as necessary to Part 7 of the Constitution to reflect the new management and organisational structure of the Council.**

7. TIMETABLE FOR IMPLEMENTATION

- 7.1 The recommendations of the Panel on the outcome of the review will be submitted to the Council on 30th April for implementation with effect from the date of the Annual Meeting – 4th June 2014.

BACKGROUND PAPERS

Huntingdonshire District Council Constitution.

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CODE OF PROCUREMENT

1. INTRODUCTION

- 1.1 The Code of Procurement defines the regulatory and legal framework for procurement. It has been adopted in accordance with the requirements of Section 135 (2) of the Local Government Act 1972.
- 1.2 Throughout the Code, reference to Manager shall mean Managing Director, **Corporate** Director, Head of Service, Manager, Service Manger or Team Manager as appropriate. A Manager shall be responsible for procuring all goods and services that require the quotation or tender procedures as set out in this Code to be followed.
- 1.3 No Manager shall procure any goods or services valued at ~~£5,000~~ **10,000** or more unless they have attended training provided by the Procurement Manager and consider themselves to have such detailed knowledge and understanding of this Code and how it shall be applied in respect of the total value of the procurement being considered.
- 1.4 This Code applies to the procurement, commissioning, hire, rental or lease of -
- ◆ land and buildings, roads or other infrastructure;
 - ◆ vehicles or plant;
 - ◆ equipment, furniture and fittings;
 - ◆ construction and engineering works;
 - ◆ information and communication technology - hardware and software;
 - ◆ goods, materials and services;
 - ◆ repairs and maintenance;
 - ◆ consultants, agents and professional services.
- 1.5 This Code does not apply to purchases made from internal management units.
- 1.6 The Code applies also to the sale of assets and goods by the Council where the appropriate Manager estimates that the assets, goods or services to be sold exceed £1000. Where the value is estimated to be less than £1000 then the 'Sale of Equipment' procedures contained within the Inventory procedures shall be followed.
- 1.7 The Council includes the Cabinet, Panels, Committees or other body or person(s) acting in accordance with delegated authority on behalf of the Council.
- 1.8 All procurements or sales made by or on behalf of the Council shall comply with this Code, subject to any overriding requirements of the Council's Rules of Procedure and Code of Financial Management and British or European Union law or regulation.
- 1.9 Throughout the Code, reference to contractor(s) or sub-contractor(s) shall mean any person, company or supplier who has -
- ◆ requested to be on an approved or ad-hoc approved list of tenderers;
 - ◆ been approached to provide a quotation or tender;

- ◆ provided a quotation or tender; or
- ◆ been awarded a contract in accordance with the provisions of this Code.

1.10 The **Corporate Director (Services)** shall annually review all the financial values contained in the Code to take account of the impact of inflation. The **Corporate Director (Services)** shall inform all Managers of any amendments to the values prior to the 1st April from which they shall be operative.

2. REPORTING PROCEDURES AND EU COMPLIANCE

2.1 EU Procurement Directives require the Council, to report procurements likely to exceed EU thresholds, both at the start of the year and on an ad-hoc basis as new or changed requirements arise. The EU thresholds (as at 1 January 2014) are:

Threshold	Supplies and Services	Works
£ Sterling	£ 172,514	£4,322,012
€ Euro	€ 207,000	€ 5,186,000

2.2 Financial Year Start Reporting

No later than the 1 April each year, Managers shall:

- ◆ provide the following information to the Procurement Manager -
 - Details of each contract expected to be advertised in the following year;
 - An estimate of the total value for each discrete procurement area where the spend is likely to exceed £100,000;
- ◆ advertise very brief details of each contract expected to be advertised in the following year. The advertisement shall take the form of a Prior Indicative Notice (PIN). The publishing of a PIN does not commit the Council, but can reduce timescales if the requirement is subsequently advertised through Official Journal of the European Union (OJEU).

A PIN is also required if the estimate of the aggregated value of the contracts for a given coding class exceeds the published PIN thresholds:

Threshold	Supplies and Services	Works
£ Sterling	£ 625,050	£4,322,012
€ Euro	€ 750,000	€ 5,186,000

2.3 Through Year Reporting

Managers shall report, using a PIN where time permits, new or additional requirements likely to meet or exceed EU thresholds as they arise.

2.4 End of Year Reporting

Where a Manager has placed a notice in the Official Journal of the European Union, they shall provide the Procurement Manager by the 30 April each year with the following details for contracts placed through OJEU procedures -

- ◆ Common Procurement Vocabulary (CPV) code. (The CPV is a standardised single classification system for public procurement to identify the subject of a contract and is detailed on the OJEU notice);
- ◆ Provider (contractor) Nationality;
- ◆ Award Procedure (from the OJEU notice);
- ◆ Justifications if Negotiated procedure; and
- ◆ Value.

3. CONTRACTS REGISTER

3.1 Managers shall keep a record using the Contracts Register, of all tenders and quotes greater than £5 10,000; of:

- ◆ the reasons (if appropriate) for not advertising on the Council's 'Latest Opportunities' internet site;
- ◆ all those contractors that were requested to quote or tender;
- ◆ the reasons why those particular contractors were selected to quote or tender;
- ◆ if applicable, the reasons why less than three contractors were selected to quote or tender;
- ◆ contract renewal date (if appropriate);
- ◆ summary details of a single tender/quote (if appropriate), and
- ◆ file or other reference to the contract and location of the documents and contract.

4. METHODS OF ORDERING

4.1 All orders shall be placed through one of the following recognised methods:

- ◆ An order raised on the e-marketplace.
- ◆ A procurement card order.
- ◆ A manual purchase order.
- ◆ A purchase order raised on the financial management system.

4.2 Where there is an exception requirement and the relevant [Corporate Director](#) or Manager considers that the work is of an emergency nature necessary to enable the service to continue and none of the ordering methods are suitable, the relevant [Corporate Director](#) or Manager shall record the details of the exceptional requirement and the action taken for future audit.

5. 'BEST VALUE' AND SOURCING POLICY

5.1 The Council seeks 'Best Value' in all procurement activity. 'Best Value' being:

- ◆ The opportunity to obtain leverage (better prices and) for volume.
- ◆ Regulatory compliance.
- ◆ Transparent and efficient procurement processes.
- ◆ Appropriate social, environmental and equality outcomes.
- ◆ Minimum procurement over.

5.2 Sourcing policy is determined by the needs of 'Best Value' and in order of preference is:

- (a) Adopted catalogues or framework contracts. An adopted catalogue or framework is the preferred contract for the Council's business within a defined category (a type or group of goods or service). The Procurement Manager shall make available adopted catalogues or framework contracts on the e-marketplace or publish details of the contract or framework in Procurement Protocols & Guidelines. Managers shall ensure that orders for such categories are placed through the e-marketplace using appropriate 'adopted' catalogue or framework contract. The Procurement Manager shall keep under review the continued suitability of any such catalogues, contracts or framework agreements.
 - (b) Collaborative procurements with other public bodies or authorities.
 - (c) Council let corporate contracts.
- 5.3 Some categories are managed corporately by specialist areas. The Procurement Manager shall provide a list of specialist categories and Managers shall ensure all requirements for such categories are referred to the relevant specialist.
- 5.4 **Tenders.** Nothing in this Code shall require tenders to be sought: -
- (a) for purchases made from a Purchasing Agent (ESPO, [Crown Commercial Service](#)) where:
 - ◆ there is a single supplier 'call-off contract' or catalogue created with fixed prices, or
 - ◆ the contract is created to our requirements;
 - ◆ for purchases through local authority, government body or agency, police, health or other similar public authority, where the procurement rules of that organisation have been approved by the Procurement Manager and the contract is created in co-operation, agreed joint requirements or partnership;
 - ◆ for purchases made at public auction;
 - ◆ where the relevant [Corporate Director](#) or Manager -
 - ◆ considers that the work is of an emergency nature or is necessary to enable the service to continue; or
 - ◆ with the [Corporate Director \(Services\)](#) agreement, considers that it is in the Council's best interest in negotiating a further contract for works, supplies or services of a similar nature with a contractor who is currently undertaking such work. The relevant [Corporate Director](#) or Manager shall report details of all work awarded under 5.4 d above to:
 - i. the Head of Legal & Democratic Services who shall make a record in a register kept for that purpose; and
 - ii. the next meeting of Cabinet.
- 5.5 Any procurement estimated to exceed £50,000, which is not covered by the exceptions in paragraph 5.4 above, must be referred to the Procurement Manager before the procurement process is commenced. If a Manager does not wish to accept the Procurement Manager's advice on any significant aspect the matter will be determined by the relevant [Corporate Director](#). The discussion will cover:

- ◆ Scope and objectives of the procurement;
- ◆ Budget and costing;
- ◆ Tender methods;
- ◆ Product and market information;
- ◆ Timescales; and
- ◆ Deliverables.

5.6 Where there is no adopted contract or framework, Managers shall, wherever practicable, seek to maximise contract values with other Managers to secure lower costs. The Council nevertheless wishes to balance the effort of going to the market with the effort and efficiency of the procurement process. Managers after determining the proposed contract's total value shall then follow one of the procurement procedures detailed below. These procedures shall be used in all procurements or sales bar those exceptions at paragraph 5.4.

Estimated Total Value of Procurement	Requirement
Up to £1,000	At least 1 written estimate or offer (e-marketplace, email, web or paper) shall be sought and recorded.
£1,000 up to £10,000	At least 3 written estimates or offer (e-marketplace, email or headed paperwork) shall be sought and recorded.
£10,000 to £50,000	At least 3 formal quotations or offers shall be invited, unless the Manager has complied in full with paragraph 6.1e of this Code. The Manager will consider whether the nature of the procurement is such that a full competitive tendering would be likely to be beneficial to the Council by reducing cost (by more than the cost of tendering) or risk.
£50,000 to EU Procurement Threshold	Competitive tenders shall be obtained using one of the tendering options in this Code, and a formal written contract prepared in accordance with paragraph 11.2.
The EU Threshold and above	The appropriate EU procurement directive shall be complied with.

5.7 Total value is the cost of all elements of the procurement (e.g. installation, testing, training, maintenance, etc). The Manager shall ensure that a procurement is not split or otherwise disaggregated and may choose to competitively tender requirements less than £50,000.

5.8 Achieving 'Best Value' needs valid competition and valid competition is dependant on the existence of an 'open' market with the selected contractors having the interest, capability and capacity for the work or business being offered. Wherever possible a minimum of three competitive tenders or quotations shall be sought. In selecting contractors to provide a tender or quotation Managers shall ensure that wherever possible -

- ◆ the selection process they are using is fair and equitable, and that no favouritism is shown to any one contractor (e.g. the requirement is not an extract of a contractor's product specification).
- ◆ checks are made to ensure that contractors are interested in this type of business;
- ◆ repeat or 'automatic' invitations to the 'same' contractor or group of contractors are avoided, particularly where previously invited to bid and had failed to do so;
- ◆ 'new' contractors are sought and invited to tender or quote;
- ◆ the geographic area of the search for potential contractors is widened; and;
- ◆ 'no-bids' are checked for the reasons for a contractor's failure to bid.

5.9 Supplier Meetings/Briefings. To avoid the risk of unfair competitive advantage, any such meeting should be structured as an open event; all questions and answers recorded and with a minimum of 2 officers present. If pre-competition a minimum of 3 suppliers shall be invited and during a competition, all participating contractors shall be invited.

5.10 A Manager shall not invite quotations or tenders from any contractor or sub-contractor who has participated in the preparation of documentation or were involved in other preparatory work for the contract, unless they have, in writing, explained to the Head of Legal and Democratic Services why this does not constitute an unfair competitive advantage or a conflict of interest and obtained agreement, in writing, that the contractor/sub-contractor may compete in the quote/tender process.

6. TENDER AND FORMAL QUOTATION PROCEDURES

Tendering and Formal Quotation Options

6.1 Managers shall select one of the following procedures. If any alternative procedure is proposed then approval of the Cabinet is required before the proposed procedure is followed.

Option	Requirement
(a) Framework	All contractors on the framework (or lot if split into lots) shall be invited to submit a tender or quotation. No public notice is required and general Terms & Conditions are set in the original framework contract but additional Terms & Conditions specific to the requirement may be permitted. Vetting (paragraph 6.3) is not normally required as the contractor was vetted as part of the original framework competition.
(b) List of Approved Tenderers	Tenders shall be invited from at least three contractors selected from an approved list established in accordance with paragraph 7 of this Code. Vetting (paragraph 6.3) is not normally required as the contractor was vetted to join the list.

<p>(c) Open Tenders</p>	<p>Public notice shall be given in one or more newspapers and/or in an appropriate trade journal. The notice shall state the nature and purpose of the contract, where further information and documentation can be obtained, and state the closing date for the process. Where the Manager is satisfied that Expressions of Interest received from a Contracts Register Notice represent contractors with genuine interest and capacity, then no further public notice is required.</p> <p>An Invitation to Tender (ITT) or Request to Quote (RFQ) is sent to all contractors expressing an interest. All ITTs and RFQs shall include an appropriate questionnaire to permit vetting of contractors in accordance with paragraph 6.3 of this Code.</p>
<p>(d) Restricted Tenders & Quotations</p>	<p>The requirement to advertise is the same as paragraph 6.1 (c) above. ITTs or RFQs are <i>restricted</i> to a shortlist of contractors selected after vetting in accordance with paragraph 6.3 of this Code.</p>
<p>(e) Single Tenders or Quotations</p>	<p>A Manager after consulting the Head of Legal & Democratic Services may obtain a single tender or quotation when:</p> <ol style="list-style-type: none"> a. Prices are wholly controlled by trade organisations or government order and no reasonably satisfactory alternative is available. b. Work to be executed or goods, services or materials to be supplied consist of repairs to or the supply of parts of existing proprietary machinery, equipment, hardware or plant and the repairs or the supply of parts cannot be carried out practicably by alternative contractors. c. Specialist consultants, agents or professional advisers are required and <ul style="list-style-type: none"> ◆ there is no satisfactory alternative; or ◆ evidence indicates that there is likely to be no genuine competition; or ◆ it is in the Council's best interest to engage a particular consultant, agent or adviser. ◆ Products are sold at a fixed price, and market conditions make genuine competition impossible d. The proposed contract shall form part of a serial programme. The contract terms shall be negotiated with a contractor, using as a basis for negotiation the rates and prices contained in an initial contract that was awarded following a competitive tendering process that complied with this Code. No more than two serial contracts shall be negotiated from an initial contract. e. No satisfactory alternative is available. If the single quote/tender option is used, the Manager

	<p>shall:</p> <ul style="list-style-type: none"> ◆ seek approval of the Head of Legal & Democratic Services who shall make a record in a register kept for that purpose; ◆ retain records that demonstrate that the best price or value for money has been obtained from the negotiations with the contractor. <p>f. A Manager can approve a single tender for ongoing maintenance of propriety systems provided:</p> <ul style="list-style-type: none"> ◆ there is evidence that it is a propriety system; ◆ the initial contract award was compliant with this Code; ◆ the renewal is for a period not greater than 4 years (this is the time interval the EU uses to calculate contract value for ongoing contracts); ◆ the total ongoing value does not exceed the EU threshold; and ◆ the direct award is recorded in the single tender register.
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6.2 Invitations To Tenders and Requests for Quotations

Managers shall ensure that all ITTs and RFQs include;

- (a) approved contract terms in accordance with paragraph 11.2 of this Code;
- (b) the following statement regarding Freedom of Information Act 2000 compliance:

“All information supplied to the Authority will be subject to the provisions of the Freedom of Information Act 2000 and as such may be disclosed by the Authority when required to do so under the Act. When such disclosure is necessary the Authority shall use reasonable endeavours to consult with the provider of the information prior to disclosure.”
- (c) a clear statement that explains if the bid is to be evaluated on the basis of lowest price or the most economically advantageous basis (best value).

6.3 Selection Criteria

- (a) The Manager shall undertake sufficient vetting to ensure that all contractors:
 - ◆ comply with minimum standards of Insurance;
 - ◆ have the necessary Health & Safety policy and performance and (where applicable) membership of the Contractor's Health and Safety Scheme or equivalent health and safety standard;
 - ◆ are financial viable based on a risk based assessment;
 - ◆ have an appropriate environmental policy;
 - ◆ comply with equalities legislation and policy; and

- ◆ possess the experience and capacity required.
- (b) The Procurement Manager shall provide an appropriate questionnaire for the purpose of vetting contractors.
- (c) Managers wishing to have a Pre-Qualification Questionnaire returned in electronic format (Excel) must tell bidding suppliers to use the designated email address “procsupport@huntingdonshire.gov.uk” and inform the Procurement Manager of the closing date. The Procurement Manager shall forward the Pre-Qualification Questionnaires to the Manager after the closing date.

6.4 Evaluation Criteria

Except ~~where to the extent that the Cabinet in a particular case or specified categories of contract~~ decides otherwise, all formal quotations or tenders that are being sought shall:

- (a) be based on a definite written specification, which shall include consideration (where relevant to the requirement) of:
 - ◆ environmental performance including low energy and water consumption and the elimination of substances hazardous to health and the environment.
 - ◆ **delivery of social benefit (for services only)**
 - ◆ **inclusion of Small & Medium sized Enterprises**
- (b) include award criteria,
- (c) include specific weightings applied to individual award criteria, and
- (d) if appropriate, include a requirement for a performance bond and liquidated damages

6.5 Non-Traditional Procurement

If a Manager believes that by following one of the procurement procedures detailed in paragraph 5.6 above, that the procurement process will not provide him with the most appropriate method of delivery, the most competitive prices, allow for continuous improvements in delivery, or stifle procurement innovation, then he may suggest alternative procurement strategies.

The Manager shall produce in accordance with guidance issued by the Head of Legal & Democratic Services and prior to proceeding with the procurement, a written procurement strategy that shall be approved by the **Corporate Director (Services)** and the Cabinet.

7. LISTS OF APPROVED TENDERERS

7.1 The Council uses 2 types of list of approved contractors:

- (a) Third party vetted lists of contractors that are compiled and maintained by an external organisation. Only external organisations approved by the Head of Legal & Democratic Services, after consultation with the **Corporate Director (Services)** and the other relevant Manager(s) shall be adopted. The Procurement Manager shall ensure that the external

organisation and approved list of contractors is detailed in Procurement Protocols & Guidelines.

- (b) Ad-hoc list of approved tenderers. If a Manager believes that the approved list of tenders does not allow him to obtain sufficient competition for 'Best Value', the Manager shall write to the Head of Legal & Democratic Services and the Procurement Manager seeking approval to source additional contractors or create an ad-hoc list of approved tenderers.

7.2 Subject to approval as required in paragraph 7.1(b) the Manager shall:

- ◆ issue a public notice inviting applications for inclusion on a specific approved list for the supply of goods, services or materials.
- ◆ vet (as detailed at paragraph 6.3) all contractors replying to the public notice or who have requested within the previous 12 months to be considered for work of a similar nature;
- ◆ only include contractors satisfactorily completing the checks;
- ◆ tell all potential suppliers how the approved list operates
- ◆ ensure the ad-hoc list shall only be used for seeking tenders for the supply of goods, services or materials specifically detailed within the original public notice;

7.3 The Head of Legal & Democratic Services in conjunction with the **Corporate Director (Services)** and relevant Managers shall review the continued suitability of any List of Approved Tenderers periodically and at least prior to the third anniversary of its initial or further adoption.

8. SUB-CONTRACTS AND NOMINATED SUPPLIERS

8.1 Quotations or tenders for sub-contracts to be performed or for goods, services or materials to be supplied by nominated sub-contractors shall be invited in accordance with this Code.

8.2 The relevant Manager is authorised to nominate to a main contractor a sub-contractor whose quotation or tender has been obtained in full accordance with this Code.

9. RECEIPT AND OPENING OF TENDERS AND QUOTATIONS

9.1 Contractors shall be notified that tenders or formal quotations are invited in accordance with this Code no tender or quotation will be considered unless -

- (a) the tender or quotation has been received via the e-marketplace 'sealed quote' facility; or
- (b) contained in a plain envelope which shall be securely sealed and shall bear the word "Tender" or "Quotation", the Unique Reference Number (URN) from the Contracts Register; and the envelope shall not bear any distinguishing matter or mark intended to indicate the identity of the sender. Such envelope shall be addressed
- ◆ impersonally to the Head of Legal and Democratic Services if it contains a "Tender", or
 - ◆ the appropriate Manager if it contains a "Quotation"; or

- (c) it has been sent electronically to a specific e-mail address, which the appropriate Manager shall obtain from the IMD Service Manager. The IMD Service Manager shall ensure that the e-mail address is secure.
- 9.2 All envelopes or e-mails received shall be kept securely and shall not be opened or accessed until the time appointed for their opening except at the request of the Head of Legal & Democratic Services or officers specifically appointed by him.
- 9.3 All tenders or quotations invited in accordance with this Code shall be opened at one time only and by at least two officers -
- ◆ Tenders shall be opened by officers nominated by the Head of Legal & Democratic Services and by the appropriate Head of Service/Service Manager. The Procurement Manager shall be notified of the time and place appointed for the opening.
 - ◆ Quotations shall be opened by the appropriate Manager and/or his nominee(s) and one other Officer. The Internal Audit Manager shall be notified of the time and place appointed for the opening.
- 9.4 All tenders or quotations upon opening shall be recorded in writing on either a tender or quotation opening record unless the Contracts Register is being completed contemporaneously. The format of the opening record shall have been previously agreed with the Head of Legal & Democratic Services and **Corporate Director (Services)**. The Form of Tender or Quotation and any accompanying documentation shall be marked with the date of opening, and signed by all officers present at the opening. The tender or quotation opening record shall be signed by at least two officers present at the opening and record the method that has been selected to evaluate the bids received. If the Contracts Register has been completed, then all of the required fields will be completed as per the guidance issued by the Procurement Manager.
- 9.5 The original opening record shall be retained by the Head of Legal and Democratic Services in respect of tenders, and the relevant Manager in respect of quotations. A copy of the opening record shall be provided to the Internal Audit Manager.
- 9.6 Any tenders or quotations received after the specified time **may in exceptional circumstances be accepted by Head of Legal and Democratic Services** otherwise they shall be returned promptly to the contractor by the Head of Legal and Democratic Services or his nominated officer in respect of tenders, or by the appropriate Manager or his nominated officer in respect of a quotation.
- 9.7 Late tenders shall be rejected once any other tender/quotation has been opened. The tender or quotation may be opened to ascertain the name of the contractor but no details of the tender or quotation shall be disclosed.
- 10. ACCEPTANCE OF TENDERS AND QUOTATIONS**
- 10.1 The appropriate Manager shall evaluate all the tenders or quotations received in accordance with the award criteria set out in the bid documentation and shall accept, subject to the provisos set out in this paragraph, either -
- ◆ the lowest priced tender or quotation; or

- ◆ the most economically advantageous tender or quotation, as evaluated against the award criteria.
- 10.2 Tenders or quotations exceeding the approved estimate may only be accepted once approval to further expenditure is obtained.
- 10.3 If the lowest priced, or most economically advantageous quotation exceeds £50,000 but -
- ◆ is within 15% of the original estimate, the appropriate Manager may accept the quotation without seeking further competition; or
 - ◆ is in excess of 15% of the original estimate then a competitive tender exercise in accordance with paragraph 6.1 above shall be carried out, unless the appropriate Manager has consulted and obtained the approval of the Head of Legal and Democratic Services, the Procurement Manager and relevant Executive Councillor that the quotation can be accepted.
- 10.4 A tender or quotation shall not be accepted -
- (a) where payment is to be made by the Council and –
 - ◆ it is not the lowest priced tender or quotation, or
 - ◆ the most economically advantageous tender or quotation in accordance with the award criteria set out in the tender or quotation documentation; or
 - (b) if payment is to be received by the Council and the tender or quotation is not the highest price or value;
 - (c) unless –
 - ◆ the Cabinet have considered a written report from the appropriate Head of Service/Service Manager, or
 - ◆ in cases of urgency, the Head of Legal and Democratic Services has consulted and obtained the approval of the relevant executive councillor. Tenders or quotations accepted in this way shall be reported by the appropriate Manager to the next meeting of the Cabinet.
- 10.5 Where post-tender negotiations have been undertaken in accordance with paragraph 10.6 below, the appropriate Manager shall only accept the lowest priced tender received. A tender other than the lowest shall not be accepted until the Cabinet have considered a written report from the appropriate Head of Service/Service Manager, and recommended acceptance of a tender other than the lowest.
- 10.6 **Arithmetical Errors and Post-Tender Negotiations**
- (a) Contractors can alter their tenders or quotations after the date specified for their receipt but before the acceptance of the tender or quotation, where examination of the tender or quotation documents reveals arithmetical errors or discrepancies which affect the tender or quotation figure. The contractor shall be given details of all such errors or discrepancies and afforded an opportunity of confirming, amending or withdrawing his offer.

- (b) Post-tender negotiations shall not be used to degrade the original specification unless:
- ◆ the capital or revenue budget is exceeded; or
 - ◆ other special circumstances exist;
- in which case the Head of Legal and Democratic Services and Procurement Manager shall decide which of those contractors who originally submitted a tender or quotation shall be given the opportunity to submit a further bid based upon a degraded specification. This decision shall be recorded in writing.
- (c) In evaluating tenders, the appropriate Manager may invite one or more contractors who have submitted a tender to submit a revised offer following post-tender negotiations.
- (d) All post-tender negotiations shall:
- ◆ only be undertaken where permitted by law and where the appropriate Manager and Head of Legal and Democratic Services and **Corporate Director (Services)** consider additional financial or other benefits may be obtained which over the period of the contract shall exceed the cost of the post-tender negotiation process;
 - ◆ be conducted by a team of officers approved in writing by the Head of Legal and Democratic Services and **Corporate Director (Services)**;
 - ◆ be conducted in accordance with guidance issued by the Head of Legal and Democratic Services; and
 - ◆ not disclose commercially sensitive information supplied by other bidders for the contract.
- (e) The appropriate Manager shall ensure that all post-tender negotiation meetings are properly minuted with all savings and benefits offered clearly costed. Following negotiations but before the letting of the contract, amendments to the original tender submitted shall be put in writing by the contractor(s) and shall be signed by him.

11. TERMS OF BUSINESS AND THE FORM OF CONTRACTS

11.1 All orders placed by the Council shall be on the Council's Terms and Conditions (T&Cs). Managers shall not use Contractor's documentation to order, acknowledge, instruct to proceed or make any other commitment where the documentation makes any reference to the Contractor's T&Cs. Where a contractor formally insists on trading on T&Cs other than the Council's T&Cs, the Procurement Manager shall be informed, except for -

- ◆ Any contract where the estimated total value is likely to exceed £50,000, paragraph 11.2 shall apply.
- ◆ Any framework or contract formally adopted by the Council.
- ◆ Purchasing Agency (e.g. ESPO, Crown Commercial Service) arranged contracts and orders.
- ◆ Orders of a total value of less than £ ~~105~~100,000 where the goods or service are purchased on a 'retail' basis on terms available to the general public.

- ◆ Orders for software where the licence is for 'standard' product but not where customisation, development or on-site service is required for the 'standard' product.
- 11.2 Every contract that exceeds £50,000 in value shall be in writing in a form approved by the Head of Legal and Democratic Services who shall also determine the format of any contract for a lesser value. Managers shall ensure that advice of the Head of Legal and Democratic Services is sought at a stage as early as practicable (normally before the issue of an Invitation to Tender).
- 11.3 In the case of any contract for the execution of works or for the supply of goods, services or materials, the Manager after consulting with the **Corporate Director (Services)** and the Head of Legal and Democratic Services shall consider whether the Council should require security for its due performance and shall either certify that no such security is necessary or shall specify in the specification of tender the nature and amount of the security to be given. In the latter event, the Council shall require and take a bond or other sufficient security for the due performance of the contract.
- 11.4 Managers shall produce the final version of all contracts in 2 copies and present both to the Authorised Officer for signature. Once signed by the contractor, the signed contract, all original documents, including specifications, drawings, tender documents and correspondence relating to a contract exceeding a total value of £50,000 shall be forwarded by the Head of Legal and Democratic Services. Where the total value of the contract is less than £50,000 the relevant Manager shall make arrangements for the retention of all the original documentation.
- 11.5 Managers shall maintain a record (in the form detailed in the Procurement Protocols & Guidance) for their area of each contract or agreement (both written and verbal agreements).
- 11.6 Managers shall include the specific T&Cs listed in the Procurement Protocols & Guidance in all contracts. Where a Manager considers a term or condition inappropriate they shall seek advice of the Head of Legal and Democratic Services on the modification or deletion of the term or condition.

12. LETTERS OF INTENT

- 12.1 Letters of intent provide a contractor with the authority to proceed prior to the award of a contract. However, letters of intent have two main disadvantages:-
- (a) if the contract is not awarded the contractor is entitled to payment regardless as to whether the work was actually needed;
 - (b) the Council's negotiating position is weakened as the contractor may believe actual award of contract is a formality and therefore, the contractor may refuse to accept conditions that are seen as disadvantageous.
- 12.2 Managers shall ensure that:-
- (a) all letters of intent are in a form approved by Head of Legal and Democratic Services; and

- (b) all letters of intent are signed by an Authorised Officer with sufficient authority for either the value of the intended contract or the estimated value of any 'extension' period defined in the letter of intent.

13. POST-COMPETITION DEBRIEFS

- 13.1 For all contracts greater than £105,000 Managers shall maintain records of selection and evaluation scoring and where requested by participating suppliers, provide a suitable post-tender debrief **in writing**. For contracts greater than £50,000, the advice of the Procurement Manager shall be sought on the format and scope of the debrief.

14. LOCAL GOVERNMENT ACT – COMMUNITY RIGHT TO CHALLENGE

14.1 The Local Government act permits relevant bodies (charities, community bodies, town & parish councils and staff) to submit Expressions of Interest to provide Council services. The Procurement Manager shall maintain and publish a timetable for the submission of Expressions of Interest. All Expressions of Interest received from relevant bodies should be forwarded to the Information and Research Officer.

15. RETENTION OF DOCUMENTS

15.1 Managers shall ensure that every contract or quotation is assigned the Unique Reference Number (URN) from the Contract Register, which is to be used in all correspondence. Any Division or reference may be included in addition to the URN shall comprise abbreviation for the Division and year. Formal amendments to a contract or order should also be given unique numbers showing the order in Which the amendments were made.

15.2 Documentation retention periods are dictated by the Statute of Limitations and (where applicable) EU requirements. The following rules apply:-

(a) retention for 12 years from the date of completion of the contract for contracts made under deed;

(b) retention for 6 years from the date of completion of the contract:-

- ◆ Contract Documents
- ◆ Hire/Rental Agreements
- ◆ Successful Tenders
- ◆ Summary of Tender Opening
- ◆ Disposal Board papers
- ◆ All selection and evaluation scoring and reports
- ◆ Goods Received Notes
- ◆ HM Customs and Excise Import documentation
- ◆ Invitations to Tender/Quotation Requests
- ◆ Maintenance/Software licence agreements
- ◆ Specifications
- ◆ Successful Quotations
- ◆ Suppliers' Advice Notes;

(c) retention for 3 years after the last entry:-

- ◆ Stock and Purchase Record Cards or Registers

(d) retention for 2 years after the financial year to which the document relates:-

- ◆ Unsuccessful Quotations.
- ◆ Unsuccessful Tenders.

16. FREEDOM OF INFORMATION ACT 2000 (FOIA)

16.1 Managers shall ensure that the handling of requests for procurement information complies with the detailed guidance published as Procurement Protocols & Procedures and the general FOIA guidance published by the Council's Freedom of Information Officer.

17. CONSULTANTS

17.1 It shall be a condition of the engagement of any consultant, agent or professional adviser who is to be responsible to the Council for the management or supervision of a contract on its behalf, that in relation to that contract he shall -

- ◆ comply with this Code as though he were an employee of the Council;
- ◆ at any time during the carrying out of the contract produce to the appropriate Manager, on request, all the records maintained by him in relation to the contract; and
- ◆ on completion of the contract transmit all records that he has produced or received that relate to the contract to the appropriate Manager.
- ◆ **that the terms and conditions of their contract indemnifies the Council against any costs arising from the consultant being classified an 'employee' under Inland Revenue rules.**

17.2 The Manager responsible for appointing any consultant, agent or professional adviser under paragraph 17.1 shall provide them with a copy of this Code.

18. PROCUREMENT TRAINING

18.1 The Procurement Manger shall create, maintain and arrange the delivery of training for Officers undertaking procurement duties.

18.2 Managers shall ensure that all Officers routinely undertaking purchasing or procurement duties where the gross value of the procurement is £105,000 or more shall have undertaken appropriate training.

18.3 LGSS HR and Payroll Services shall arrange to record the details of staff that have completed suitable procurement training.

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1. FINANCIAL RESPONSIBILITIES

1.1 General

Before any proposal that affects the Council's financial position is made the body or person(s) responsible for making that decision, or for making a recommendation to that body or person(s), shall consider a written report, approved by the Chief Financial Officer, detailing the financial implications.

1.2 The Council

Will:

- ◆ determine the Council's Financial Strategy and Medium Term Financial Plan (MTP), approve the annual budget and set the level of the council tax.
- ◆ approve the Council's Treasury Management Strategy and Prudential Indicators.
- ◆ approve changes to this Code.

1.3 The Corporate Governance Panel

Will:

- ◆ ensure that the financial management of the Council is adequate and effective.
- ◆ ensure that the Council has a sound system of internal control including arrangements for the management of risk.
- ◆ consider the Council's Code of Corporate Governance and approve the annual statement.
- ◆ approve the internal audit charter and the annual internal audit plan and comment on the external audit plan.
- ◆ approve the Council's final accounts before publication.
- ◆ consider reports from the external auditor.
- ◆ recommend changes to this Code to the Council.

1.4 The Cabinet

Will:

- ◆ propose to the Council:
 - the Financial Strategy
 - the MTP
 - the annual budget and council tax level
 - a combined annual report including the Treasury Management Strategy, Treasury Management Policy and Prudential Indicators,

after considering the views of the appropriate Overview and Scrutiny Panel and representatives of the business community.
- ◆ set financial priorities, allocate and re-allocate resources in accordance with the limits in this Code, monitor and review financial performance.

1.5 **Overview and Scrutiny Panels**

Will contribute to the development of, and review the effectiveness of, the Council's Financial Strategy, MTP, Treasury Management and annual budget.

1.6 **Cabinet, Panels and Working Groups**

Will ensure that all decisions within their remit are made within the resources allocated within relevant budgets and are consistent with achieving the Council's objectives. If they wish to make proposals that will require additional resources, these will need to be subject to Officers, the Cabinet or the Council making these available in accordance with this Code.

1.7 **Members and Employees**

Will contribute to the general stewardship, integrity and confidence in the Council's financial affairs and comply with this Code and any systems, procedures, or policies relating to the financial management of the Council.

Specifically, they shall bring to the attention of the **Chief Financial Officer** any act or omission that is contrary to the provisions of this Code or the maintenance of high standards of financial probity, and provide information or explanation on matters within their responsibility to him/her, the Monitoring Officer, Internal Audit Service or the Council's external auditors.

Any member or employee who is involved in a transaction with the Council, or who has an **interest** in a transaction between a third party and the Council, shall declare the nature and amount to the Council's Monitoring Officer before any decision on the matter is made by the Council. The Monitoring Officer will advise the member or employee of any actions they should or must take.

*For the purpose of this section an **interest** also includes any interest of a member of your family or a close associate or acquaintance. This shall be interpreted as anyone whom a reasonable member of the public might think you would be prepared to favour or disadvantage.*

1.8 **The Monitoring Officer** or, in his/her absence, the Deputy Monitoring Officer

Will report to the Council on any proposal, decision or omission that in his/her view is likely to result in the contravention of the law or any code of practice enacted under it, fails to comply with a legal duty, represents maladministration or is unjust, in accordance with section 5 of the Local Government and Housing Act 1989.

For these purposes he/she shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.

1.10 The **Chief Financial Officer** or, in his/her absence, the **Deputy Chief Financial Officer**.

Will be responsible for the proper administration of the Council's financial affairs, prescribe appropriate financial systems, protocols, procedures and policies, maintain an internal audit service and report to the Council in the event of a decision or action leading to unlawful expenditure, a loss or deficiency or an unlawful accounting entry (in accordance with section 151 of the Local Government Act 1972, section 114 of the Local Government Act 1988 and the Accounts and Audit Regulations).

Will be responsible for ensuring the final accounts are completed and published by the statutory dates and reporting the details of any material amendments specified by the external auditor to the Corporate Governance Panel.

For these purposes he/she shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.

1.11 **The Deputy Chief Financial Officer** will be responsible for detailed and operational aspects of the administration of the Council's financial affairs on behalf of the **Chief Financial Officer**, approving new financial systems and undertaking such duties as are set out in this Code.

1.12 **Budget Managers (Corporate Office Manager, Service Managers, Heads of Service, Assistant Directors and Managing Director)**

The Council's management structure is based on Service Managers, Heads of Service, the Managing Director and the Corporate Office Manager taking responsibility for a service and its related budget. For the purpose of this Code they are referred to as Budget Managers. Whilst they retain ultimate responsibility they will often delegate appropriate tasks to their employees.

The Budget Manager responsible for a budget:

- ◆ will be responsible for proper financial and resource management and the prevention of fraud and corruption within the services and functions under their control.
- ◆ will be responsible for informing the Internal Audit & Risk Manager of all suspected or notified cases of fraud, corruption or impropriety
- ◆ may incur financial commitments and liabilities in accordance with this Code, the Council's Scheme of Delegation and resources allocated in budgets that have been released subject to Annex B. In particular they may make purchases of goods and services, subject to the requirements of the Code of Procurement, and employ staff, in accordance with HR policies and any COMT requirements. Annex B deals with the implications of the turnover contingency and includes the requirement that, when an employee leaves, they will determine whether:
 - the post is kept vacant for a period before a decision is made,
 - the post can be deleted,
 - a restructuring should be proposed,
 - joint working with another body should be considered
 - the post should be filled at the end of a defined period,
 - it should be filled as soon as possible,
 - it should be filled as soon as possible and temporary employees or consultants are engaged to provide cover in the meantime.
- ◆ will be responsible for regular and effective monitoring and forecasting of the financial position relating to their services.
- ◆ will determine the inherent risks, within their services, to the achievement of the Council's priorities and establish, maintain and document adequate systems of risk management and internal control, in consultation with the Internal Audit Service, and ensure that relevant employees or Members are familiar with such systems.

- ◆ will be responsible for providing in a timely manner, the information necessary to ensure that the final accounts can be completed by the statutory deadlines.
- ◆ will be responsible for annually reviewing their services to identify any aspects where surplus capacity could be utilised to reduce the net cost of the Council's services. All identified opportunities shall be introduced unless Cabinet or both the Executive Councillor for Finance and of the relevant service consider it would not be appropriate.
- ◆ will be responsible for seeking improvements in the efficiency of their services.
- ◆ will be responsible for identifying opportunities and then bidding for grants or contributions from other bodies to support the achievement of the Council objectives through their services.
- ◆ will be responsible for maximising the income from fees and charges relating to their service in accordance with Annex C.

1.13 **Internal Audit**

Will be responsible for providing an independent and objective opinion on internal control, risk management and governance systems. It will act in accordance with the internal audit charter and undertake reviews that focus on areas of greatest risk to the Council's control environment as contained within a programme agreed annually by the Corporate Governance Panel after consultation with the **Chief Financial Officer** and Budget Managers.

For these purposes internal audit shall have free, full and unrestricted access to services and functions and all Council assets, systems, documents, information, employees and Members. All employees are required to assist internal audit to carry out its role.

2. **FINANCIAL AND SERVICE PLANNING**

2.1 **In the Summer - Overall Review**

The Cabinet shall review the financial performance of the Council in the previous year, compared with the annual budget, on the basis of a report prepared by the **Deputy Chief Financial Officer** in conjunction with Budget Managers.

2.2 **In the Autumn - Financial Strategy**

The Cabinet, after consultation with the relevant Overview and Scrutiny Panel and any appropriate organisations or bodies, shall recommend to the Council a Financial Strategy which will be used to determine the overall financial limits within which the annual budget and MTP will be prepared.

2.3 **In the Winter - Annual Budget and MTP**

The Cabinet shall, after consultation with the relevant Overview and Scrutiny Panel, recommend to the Council an annual budget for the next financial year and a MTP for the succeeding four years, incorporating both capital and revenue expenditure, which is consistent with corporate and service strategies and the Financial Strategy. This budget will include the allocation of resources to individual services and capital projects.

2.4 In the Spring - Service Financial Plans

Following approval of the annual budget each Budget Manager shall update their Service Plan(s) to reflect the approved budget and how the resources allocated will be used to meet service objectives in the forthcoming year.

3. CONTROLLING FINANCIAL PLANS

3.1 Financial Monitoring

Budget Managers will be responsible for regular and effective monitoring and forecasting of the financial position relating to their services. Where it is identified that there will be a significant overspend, this will be promptly reported to the Chief Financial Officer by the Budget Manager. If it is considered necessary by the Chief Financial Officer, the Budget Manager may have to report directly to the Chief Officers' Management Team.

The Chief Officers' Management Team will review, on a monthly basis, the Financial Performance Monitoring Suite (FPMS). The FPMS will include the following:

- ◆ Headline summary of financial performance.
- ◆ Financial Performance Summary (including impact on reserves).
- ◆ Head of Service Corporate Budget Monitoring report for the current year.
- ◆ MTP Savings Forecast for the current year.
- ◆ Pre-achievement of future years savings target report.
- ◆ Financial Dashboard

The FPMS will:

- ◆ be prepared by the Deputy Chief Financial Officer, in consultation with each Budget Manager.
- ◆ Be reported to Cabinet on a monthly basis, starting from July each financial year.

Heads of Service will ensure that relevant Executive Councillors are regularly informed of the progress in delivering approved MTP schemes.

The Deputy Chief Financial Officer will produce and circulate to all members, starting in July of each financial year, a Financial Dashboard. The Financial Dashboard is a high-level financial reporting tool and will include the following for the current financial year:

- ◆ Forecast Revenue Income and Expenditure analysis, including a subjective analysis of gross expenditure.
- ◆ Forecast Capital gross and net income and expenditure, including how the budget has changed from month-to-month and how the capital programme is to be financed.
- ◆ Analysis of Sundry Debtors, including an indication of changes in the Bad Debt Provision.
- ◆ Forecast on the net cost of the Council Tax Support Scheme.
- ◆ Forecast collection of Non-Domestic Rates and Council Tax.
- ◆ Achievement of New Homes Bonus.

3.2 Commitments to Expenditure in Future Years

No new commitment to expenditure beyond the current budget year may be made unless it;

- ◆ is consistent with the achievement of the Council's objectives and other relevant Strategies, **and**
- ◆ is compatible with the Council's MTP and Financial Strategy, **and, either**
- ◆ can be met from within currently approved and released resources. This includes budget transfers in accordance with section 3.6 below, **or**
- ◆ is funded from savings. These must be defined, permanent and not already earmarked for the achievement of the Council's savings targets. This includes any savings identified in accordance with section 3.5 below.

If the Budget Manager has any concerns about their proposal meeting these requirements they must consult the **Deputy Chief Financial Officer**.

3.3 Grants, Cost Sharing and S106/CIL agreements

Where a Budget Manager proposes to take advantage of grants from other organisations, or some other form of cost sharing, whereby they will be able to deliver additional or improved services, consistent with their Service Plan, without creating any current or future commitment to additional net expenditure they may do so subject to:

- ◆ the funds being dependent upon a particular project or service being provided but, in the case of S106/CIL agreements, the location or some other aspect is at the Council's discretion.
- ◆ informing the **Deputy Chief Financial Officer** of the details
- ◆ consulting the relevant Executive Councillor(s) if the proposal exceeds £30,000 revenue or £50,000 capital in any one year or on any discretionary element of a S106/CIL sum.

A Budget Manager may utilise sums of money received under S106/CIL, or equivalent, agreements where there is no discretion. The **Deputy Chief Financial Officer** should be informed of the details. The Budget Manager must also supply the **Deputy Chief Financial Officer** with:

- ◆ A copy of all information that supports the grants received (grant letter etc) so a decision can be made in respect of the correct accounting treatment.
- ◆ Documentation confirming how they plan to meet any grant conditions.

3.4 Approvals for additional spending with a net impact

The Managing Director, or in his absence, the **Chief Financial Officer**, may incur expenditure for the immediate alleviation of hardship or suffering in the case of peacetime emergency in the District. Any exercise of this power must be reported to the Cabinet (under £350,000) or the Council (over £350,000) at the first opportunity.

The Managing Director, or in his absence, the **Chief Financial Officer**, may incur expenditure of up to £350,000 for any purpose which is urgent and demonstrably in the Council's best interests to do so following consultation

with the Executive Leader or Deputy Executive Leader. Any exercise of this power must be reported to the Cabinet at the first opportunity.

Proposals for increases to the total allocated to a budget in the current year (Supplementary Estimates) and their impact in future years may be approved by the Cabinet subject to the revenue impact not exceeding £350,000 in aggregate in any financial year. Once such approvals have been reported to Council the Cabinet's limit will be re-set. A transfer of a sum from capital to revenue will have a revenue impact and so will count as a request for additional spending.

In all other cases the approval of the Council will be required.

3.5 Approvals for additional spending with compensating savings

Proposals that require initial funding but will then result in net surpluses or savings that are at least sufficient to produce a break-even position will be supported in principle if they are:

- ◆ consistent with increasing the achievement of the Council's objectives and compatible with relevant Strategies.
- ◆ achievable within the Council's Financial Strategy.
- ◆ supported by a robust business case which includes a risk assessment.
- ◆ supported by the Chief Officers' Management Team.

The Chief Financial Officer may approve such a scheme following consultation with the relevant Executive Councillor for the service and the Executive Councillor for Resources. The relevant budget(s) and MTP will be appropriately adjusted.

3.6 Budget Transfers

Each Budget Manager will have responsibility for some or all of the following types of budget which are defined by the grey highlighted lines in the "Controllable Budget" Annex to the approved budget and MTP.

- ◆ Service Revenue Budgets
These budgets include the direct controllable costs of providing the particular service to the public and are shown in the controllable budget annex when the budget is approved. They do not include any revenue impact of capital funding or recharges from any Management Units or Overhead Budgets.
- ◆ Capital Scheme Budgets
These provide the funding to complete a defined capital project and may include provision for some recharges from Management Units and Overhead Budgets to cover project management and design fees where these are carried out internally.
- ◆ Management Unit Budgets
Management Unit budgets collect together the employment and ancillary costs of those employees who carry out or support the Council's services. In some cases, where the employees are only involved in providing a single service they may be included under the relevant Service Revenue budget.
- ◆ Overhead Budgets
Overhead budgets collect together the direct costs of certain overheads which support the delivery of services. e.g. office costs.
- ◆ Technical Budgets

These budgets will be the responsibility of the Deputy Responsible Finance Officer. These include items such as borrowing and investment interest, unallocated contingencies and the Minimum Revenue Provision. They will not be available for transfer to other budgets except in meeting the specific purpose for which they were established.

Whilst most budgets will reflect a net cost, some will identify an expected surplus.

The transfer of resources within, or between, any of the types of budgets is supported in principle when it will make it more likely that the Council will achieve its service objectives and targets or enhance value for money. There do, however, need to be some limitations for effective financial management and to ensure that Executive Councillors, Cabinet and Council are aware of, and involved in, the more significant changes or where there is a financial implication.

The limitations fall into three categories. The first relates to Technical Budgets and recharges and Annex A details the budget transfers that will not be permitted in relation to them. The second relates to budgets for pay, national insurance and pension contributions and Annex B explains why and how budget transfers relating to these items are limited. Finally, the required involvement of Members is defined below.

The Budget Manager may approve a budget transfer within and between the budgets they are responsible for providing it is:

- ◆ Consistent with increasing, or at least maintaining the achievement of service objectives and compatible with the Council's Financial and other relevant Strategies.
- ◆ Not to or from a Technical Budget or from a pay, NI or pension contributions budget unless permitted by Annexes A or B.
- ◆ Not from capital to revenue.
- ◆ Notified to the Deputy Chief Financial Officer
- ◆ Within the following limits if between budgets (there shall be no financial limits within a budget):
 - Revenue to revenue £75k
 - Revenue to capital £75k
 - Capital to capital £75k

The **Chief Officers' Management Team** may, subject to the same criteria, except for the enhanced limits shown below, approve budget transfers between any budgets:

- Revenue to revenue £150k
- Revenue to capital £150k
- Capital to capital £150k

Cabinet may approve budget transfers of up to:

- Revenue to revenue £350k
- Revenue to capital £350k
- Capital to capital £350k

In all cases, any previous transfers in the same financial year relating to those budgets shall be aggregated for determining whether the limit has been

exceeded, however once the impact of any approval has been included in a relevant financial report to Council, the relevant limit will be re-set.

In all other cases the approval of the Council will be required.

3.7 Re-phasing of Expenditure

The re-phasing of expenditure and consequent transfer of budget between years may be made by the **Chief Financial Officer** following a request from a Budget Manager, providing that it is consistent with service objectives and compatible with the Council's Financial and other relevant Strategies. Revenue expenditure will only, normally, be rephased to later years if it relates to a specific project with identified funding in the current year that has been delayed for reasons outside of the control of the relevant Budget Manager. The amount is further limited by the net under spending on that Budget Manager's relevant budget(s) in the current year.

3.8 Price Base Changes

Allocation to individual Budgets of any provision for inflation or other purposes will be determined by the **Deputy Chief Financial Officer**.

3.9 Project Appraisals

All proposals for changes to the MTP will require an explanatory appraisal, unless the **Deputy Chief Financial Officer** considers that the item is of a technical nature. Appraisals for new and modified schemes will be made available to Members, via the Council's intranet, by the date on which the related reports are circulated.

4. CASH AND CREDIT MANAGEMENT

4.1 Banking

The **Chief Financial Officer** is responsible for all Council banking arrangements and shall maintain an account(s) with an appropriate bank(s) as defined in the Treasury Management Strategy. All transactions involving income or expenditure shall be dealt with through the Council's bank account(s).

4.2 Income

All employees receiving money (including cash, cheques, credit card payments etc.) must comply with the relevant procedures issued by the Head of Customer Services to ensure that the sums are properly recorded, receipted and banked.

No cash payment in excess of £1,000 will be accepted.

The **Head of Customer Services** will manage the Council Tax and Non-Domestic Rating collection service on behalf of the Council; including the billing and debt recovery procedures.

The **Deputy Chief Financial Officer** shall manage a sundry debt collection service on behalf of the Council and all sums due must be registered by raising an invoice on the Council's Financial Management System or some other system or procedure approved by the **Deputy Chief Financial Officer**.

All Budget Holders are required to ensure that:

- ◆ Invoices are raised promptly
- ◆ The income team are advised promptly of any required invoice adjustments
- ◆ Invoice queries are answered promptly
- ◆ The income team are informed of any information that may affect the recovery of any invoiced sums
- ◆ They periodically consider, in liaison with the income team, whether there would be a more effective or efficient way of collecting sums due (e.g. cash in advance).

4.3 Treasury Management

All Treasury Management activities will be undertaken in accordance with the Council's annual Treasury Management Strategy, which includes its policies, objectives, approach to risk management and its prudential indicators. The Strategy will comply with the Code of Practice for Treasury Management and the Prudential Code for Capital Finance, both published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and reflect any published Government advice.

The Council shall have overall responsibility for Treasury Management and will formally approve the annual Treasury Management Strategy and receive an annual and mid-year report on treasury management activities.

The Cabinet will be responsible for the implementation and regular monitoring of treasury management activity. **The Treasury Management Advisory Group will include:**

- ◆ the Executive and Deputy Leaders, the Executive Councillor responsible for resources and the Chairman of the Overview and Scrutiny (Economic Well-being) Panel. Other members can be co-opted onto the group at the discretion of the Executive Leader.
- ◆ The Managing Director, the Chief Financial Officer and the Deputy Chief Financial Officer. Other officers can be co-opted onto the group at the discretion of the Managing Director or the Chief Financial Officer.

The Overview and Scrutiny (Economic Well-being) Panel will be responsible for the scrutiny of treasury management.

The execution and administration of treasury management is delegated to the **Deputy Chief Financial Officer** who will establish treasury management practices for the operation of the function which will ensure compliance with the Strategy and create appropriate systems of monitoring and control.

4.4 Payments

All payments must be made either:

- ◆ through the Council's purchase ledger system, with payments being made direct to the supplier's bank account wherever this is practicable.
- ◆ by corporate card or procurement card
- ◆ by direct debits or standing orders

- ◆ by some other system specifically approved by the Deputy Chief Financial Officer.

in each case complying fully with the relevant procedures for that system (e.g. appropriate authorisation), particularly the requirement to obtain official VAT receipts, as determined by the Deputy Chief Financial Officer.

5. ACCOUNTING PROCEDURES

5.1 The Council will follow the best practice guidance contained in the Accounting Code of Practice and other relevant publications produced by CIPFA in the preparation and maintenance of its accounts.

5.2 Annual Financial Report

The Annual Financial Report (formerly the Statement of Accounts) shall be presented to the Corporate Governance Panel for approval within the prescribed statutory timescale.

5.3 Records

Each Budget Manager is responsible for maintaining records of financial transactions and commitments and employee time, in forms agreed with the Deputy Chief Financial Officer, and for ensuring that all financial transactions are properly recorded in the appropriate financial period and to an appropriate account within the Council's Financial Management System. Each Budget Manager is responsible for ensuring that the Financial Management System is used only by authorised individuals and for proper council purposes.

In respect of all contractual payments where the contract was required to be recorded on the Contracts Register in accordance with paragraph 3.1 of the Code of Procurement, the Budget Manager shall ensure that all invoices or payment records authorised for payment shall include in the 'Our Reference' field in Council's Financial Management System (efinancials), the unique Contract Register reference. This number shall be in the same format/style as allocated by the Contract Register.

5.4 Retention of Documents

Documents required for the verification of accounts, including invoices, shall be retained in a retrievable format for any statutory period, or otherwise for six years or such other time that is specified by the Deputy Chief Financial Officer.

5.5 Contingent Assets and Liabilities

Any Officer who is aware of a material and outstanding contingent asset or liability shall notify the Deputy Chief Financial Officer, who shall include details in the Council's accounts or in a Letter of Representation to be presented to the Council's external auditors in respect of those accounts.

5.6 Stock

The Deputy Chief Financial Officer shall determine, after consultation with the relevant Budget Manager, when Stock accounts shall be maintained. This will normally be where the value of the items are significant or the items are considered to be vulnerable to loss or theft.

In such cases the relevant Budget Manager shall ensure that a certified stock-take is carried out in the last week of March each year, and that records of receipt and issue of all stock are maintained throughout the year in a manner agreed with the Deputy Chief Financial Officer.

5.7 Insurance

The Internal Audit Manager shall obtain insurance to protect the Council or minimise its potential losses from risks including those to employees, property, equipment and cash. Any decision not to insure significant risks must be based on a detailed risk assessment.

5.8 Write-off of Irrecoverable Debts

The Head of Customer Services, or in his/her absence the Deputy Chief Financial Officer, is authorised to write-off debts with an individual value of up to £5,000, or of a greater amount after consultation with the Executive Councillor responsible for resources, having taken appropriate steps to satisfy himself/herself that the debts are irrecoverable or cannot be recovered without incurring disproportionate costs.

A summary report of debts written-off shall be submitted to the Cabinet quarterly.

5.9 Accounts Closure, Accounting Accruals and Estimates

The Annual Financial Report will be produced in line with both statutory regulations and relevant Codes of Practice.

The Deputy Chief Financial Officer will ensure that there is appropriate liaison with service teams prior to closure, including the hosting of relevant training and the issue of closure guidance and timetables. The accruals de-minimis limits will be adhered to by all services, and where estimated accruals are to be issued they are to be supported by accurate calculation. Other accounting estimates will be calculated by accountancy staff in line with professional advice.

Provisions, either for Bad Debts or other purposes will be calculated in line with the guidelines approved by the Deputy Chief Financial Officer. Earmarked reserves can only be established with the agreement of the Chief Financial Officer.

6. ASSETS (Capital)

6.1 Definition

An asset is an item of land, building, road or other infrastructure, vehicle or plant, equipment, furniture and fittings or information and communications technology, (hardware and software) with a life exceeding one year.

6.2 Control of Assets

Each Budget Manager is responsible for ensuring that the assets relating to their services are properly safeguarded, managed and maintained, and used only to achieve the Council's objectives. This will include establishing and maintaining appropriate security, control systems and records. They will need to consult relevant officers in relation to specialist items and, where vehicles

are concerned, the officer holding the Council's Operating Certificate who has specific statutory responsibilities.

Heads of Service must keep up to date records so a physical verification of all capital assets, and their condition, is possible.

6.3 Acquisition

The purchase of assets has to be in line with the requirements of "Best Value" and should be acquired in a similar way as goods and services are acquired (see the Code of Procurement). Heads of Service:

- ◆ should follow advice from relevant specialist colleagues in appropriate cases e.g. IMD, vehicle management, legal, procurement,
- ◆ must have received approval from the Capital and Treasury Strategy Group that the disposal of the asset is agreed.

The relevant Budget Manager shall inform the Deputy Chief Financial Officer within 10 working days of the acquisition of an asset which meets the definition for capital expenditure:

- ◆ Plant and vehicles over £10k
- ◆ other individual items over £10k
- ◆ aggregations of similar articles amounting to £10k e.g. wheelie bins

6.4 Disposal

The disposal of assets has to be in line with the requirements of "Best Value" and should be disposed of in a similar way as goods and services are acquired (see the Code of Procurement). Heads of Service:

- ◆ should follow advice from relevant specialist colleagues in appropriate cases e.g. IMD, vehicle management, legal, procurement,
- ◆ must have received approval from the Capital and Treasury Strategy Group that the disposal of the asset is agreed.

Once the asset is disposed of, the relevant Budget Manager will inform the Deputy Chief Financial Officer within 10 working days of any disposal of an asset included in the Asset Register.

6.5 Capital Expenditure

The purchase or improvement of any asset will normally be treated as capital expenditure. However, expenditure of less than £10,000 will not normally be treated as capital expenditure unless the Deputy Chief Financial Officer considers it is in the Council's interests to do so.

6.6 Leases

Finance and operating leases are to be used only if they are in the Council's financial interest and with the prior formal approval of the Deputy Chief Financial Officer.

6.7 Valuations

In order to comply with accounting requirements assets will need to be revalued at regular intervals. A three year “phased” revaluation programme will be followed, other than for:

- ◆ those assets that are categorised as “investment” properties (e.g. industrial units), which must be revalued every year, or
- ◆ where, following significant capital investment or disinvestment in an asset within an asset group, whereby the whole asset group will be revalued.

All capital asset revaluations for the Annual Financial Report will be obtained by the Deputy Chief Financial Officer.

TECHNICAL BUDGETS

The following budgets cannot be reduced by officers in order to permit extra expenditure on another budget except where this is part of the specific purpose for which they were established.

- ◆ Any contingency, unless it complies with the approved rules for the use of that contingency or is an adjustment to reflect the technical application of the contingency (e.g. allocation of inflation from an inflation contingency)
- ◆ Capital charges
- ◆ Minimum Revenue Provision
- ◆ Pension Liabilities (as opposed to pension contributions)
- ◆ Interest paid
- ◆ Interest received
- ◆ Recharges

BUDGETS FOR PAY
(Pay is deemed to include NI and
Pension Contributions for the purpose of this annex)

1. The Councils pay budget represents the approved establishment of the Council. For each given year, the pay budget will be net of approved pay savings.
2. In any given year it is unlikely that the Council will exactly meet its pay budget; this could be due to a range of reasons; including delayed recruitment, new starters starting on lower spinal points or natural gaps in the recruitment process.
3. Obviously it is unlikely that each pay budget will be equally affected in any particular year and therefore, to simplify budget monitoring, each pay budget includes 100% of employee costs. Through ongoing budget monitoring, where savings are identified that are in excess of previously approved MTP savings, pay budgets will be reduced and the saving transferred to meet any MTP approved unallocated savings. It is expected that Budget Managers will be robust in their approach to staff budgets and where savings are identified, they will be expected to be given up.
4. Therefore the use of savings, virements or rephasing relating to a pay budgets, whether temporary or permanent, will not be permitted.

Employees Leaving

5. In order to maximise the likelihood of achieving this saving a Budget Manager must, whenever an employee gives their notice, determine whether:
 - a. the post is kept vacant for a period before a decision is made,
 - b. the post can be deleted,
 - c. a restructuring should be proposed,
 - d. joint working with another body should be considered
 - e. the post should be filled at the end of a defined period,
 - f. it should be filled as soon as possible,
 - g. it should be filled as soon as possible and temporary employees or consultants are engaged to provide cover in the meantime.
6. In deciding on which option to take the Budget Manager should take appropriate HR and financial advice. The decision must include consideration of any need for temporary or permanent regradings, acting up allowances, honoraria, employees or consultants.
7. Budget Managers will also need to liaise with HR to arrange recruitment advertising and ensure that the recruitment arrangements comply with the process agreed by the Employment Panel.

Exceptions

8. If the Budget Manager can demonstrate the **critical** nature of maintaining immediate service cover in certain key work areas then the requirements of paragraph 4 above will not apply and the saving/budget reduction may be reduced or nil. Examples where this might apply would be if vacancies would result in insufficient employees with the necessary abilities or skills to run refuse rounds or to safely open swimming pools. This is conditional upon agency, or equivalent employees, being available with the necessary skills and/or abilities.

9. If the Budget Manager can demonstrate that a critical backlog of work has developed from continuing vacancies such that the service to the public is seriously compromised or net additional costs would become unavoidable the saving/budget reduction may be reduced. Examples where this might apply would be dealing with benefit applications or collecting council tax income. This is conditional upon agency, or equivalent employees, being available with the necessary skills and/or abilities.

MAXIMISING INCOME FROM FEES AND CHARGES**The Budget Manager responsible for a budget shall:**

- ◆ annually review their services to identify any aspects that are not currently, but could be charged for. Charges for such aspects shall be introduced unless Cabinet **or** both the Executive Councillor for Resources and of the relevant service consider it would not be appropriate.
- ◆ review fees and charges and introduce any resulting changes at least annually, after consultation with the relevant Executive Councillor(s) unless there is a formal requirement for the charges to be determined by Cabinet or a Panel. In doing so, they:
 - shall ensure that relevant legislation that specifies the charges to be made or constrains them in any way is complied with.
 - shall, after having regard to the charges of any alternative service providers with whom the Council is competing, seek to maximise income, net of applicable costs, unless it will have a clearly detrimental impact on the achievement of the Council objectives.
 - may introduce differential pricing to particular client groups where these are expected to stimulate demand and generate additional net income which would otherwise not be obtained.
 - may set prices lower than could be reasonably achieved if this is demonstrably the most cost effective way of achieving Council objectives and the necessary funding is available. Use of this option requires approval of Cabinet **or** both the Executive Councillor for Finance and of the relevant service.
 - may set fees and charges that allow an element of discretion if it can be demonstrated that this will lead to an overall benefit to the Council. It is important that any use of discretion is recorded so that it can be clearly shown that decisions have been made fairly and consistently.
 - shall keep appropriate records to demonstrate that the required actions have been undertaken and how the decisions were reached.

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	External Audit Plan 2013/14
Meeting/Date:	Corporate Governance Panel 26 March 2014
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Accountancy Manager
Ward(s) affected:	All Wards

Executive Summary:

PricewaterhouseCoopers are appointed by the Audit Commission as the Councils auditors and have been with the authority since 2010/11. In preparation for the 2013/14 audit, the auditors are required to inform “those charged with governance” what their plans are in respect of the forthcoming audit. The external audit plan (see Annex) shows:

- how the auditors intend to undertake the 2013/14 audit.
- the risks that they have to consider.
- considerations in respect of fraud.
- the external audit team, and
- the Audit Fee in respect of the 2013/14 audit.

Recommendation(s):

It is recommended that the Panel notes the External Audit Plan for 2013/14 (attached) and:

- comments on the plan in general, and
- gives the auditors its views in respect of the £90,000 triviality threshold.

1. PURPOSE

1.1 PricewaterhouseCoopers are appointed as the Council's external auditors by the Audit Commission. As part of this appointment they are required to audit the accounts of the Council. To achieve this they issue an External Audit Plan, which is Annexed to this report. The plan shows:

- how the auditors intend to undertake the 2013/14 audit.
- the risks that they have to consider.
- considerations in respect of fraud.
- the external audit team, and
- the Audit Fee in respect of the 2013/14 audit.

2. BACKGROUND

2.1 The Audit Commission, as part of their responsibility of audit of local government, have appointed PricewaterhouseCoopers as the Councils external auditor.

2.2 Part of their responsibility is the audit of the Councils accounts, the Annual Financial Report and as part of achieving this responsibility they issue an Audit Plan. The key auditor's responsibilities of the audit plan are:

- Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing.
- Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.
- Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.
- Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.
- Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.
- Determine whether any other action should be taken in relation to our other responsibilities under the Audit Commission Act.
- Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission

2.3 As the Corporate Governance Panel has responsibility for approving the Councils Annual Financial Report and the Annual Governance Statement, the Panel is asked to note the report and comment where it considers necessary.

3. AUDIT APPROACH FOR 2013/4

3.1 The audit is undertaken on a risk based approach and the auditors determine if the risks are significant, elevated or normal and whether there is a concern in respect of fraud, error or judgement.

The two main categories in respect of the audit of the accounts are those relating to significant or elevated risks and the definitions of each are as follows:

- **Significant**
Those risks with the highest potential for material misstatement due to a combination of their size, nature and likelihood and which, in our judgement, require specific audit consideration.

- **Elevated**
Although not considered significant, the nature of the balance/area requires specific consideration

3.2 A summary of those risks that are significant, elevated or otherwise worthy of audit review are noted below:

3.2.1 Significant

i. **Management override of controls**

Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.

For example: accounting policies; estimation bases; journal entries; key controls in respect of bank reconciliation, purchasing and loans.

ii. **Revenue recognition**

When identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

For example: key controls in respect of revenue income and expenditure; application of the Code of Practice on Local Authority Accounting; detailed testing of areas considered to be of greatest risk.

3.2.2 Elevated

i. **Valuation of non-current assets (Leisure Centres)**

As Leisure Centres are a significant element of the Councils estate and as there has been a major enhancement within the asset category (One Leisure St Ives) during the year, this will be reviewed for 2013/14.

ii. **Council Tax Benefit Reform**

A new scheme for Council Tax Benefit has been introduced since April 2013; the Council Tax Support Scheme. As this is a material item of expenditure (in excess of £7.0m) and a new scheme this will require additional audit testing.

iii. **Other Code responsibilities**

Members will recall that the auditors highlighted four areas of note in respect of the 2012/13 Value for Money work (Financial position, Project management, Procurement & Contracting and Culture of control and compliance). The auditors are aware that a number of significant activities have been undertaken in the last year, but the auditors will:

- review the Council's financial planning and budget setting/monitoring processes to identify any areas of concern;
- consider significant contracts let during the year and review compliance with key fraud controls, as well as considering regularity and value for money of the contracts; and
- review the Council's progress against the recommendations we raised in 2012/13.

3.2.3 Other areas for audit review

The auditors will review the following areas as they are considered areas that may affect the financial statements but are not considered significant or elevated:

i. National Non-Domestic Rates

As a consequence of the changes to “localisation” of National Non-Domestic Rates, assurance will be needed that the accounting is correct and that the risks in respect of appeals are appropriate. The auditors, at this time, do not consider that the additional provision will be material.

ii. Council Restructuring

As a consequence of the senior management review a number of officers are “at risk of redundancy”. Although the auditors are not anticipating that the cost of such service change will be material, attention will be given to the disclosures relating to exit packages and senior manager remuneration.

3.3 Materiality

Materiality for 2013/14 has been set at £1.828m, which is based on 2% of 2012/13 expenditure.

Further, the auditors have set the “triviality” level as £90,000 i.e. those items of expenditure that do not have a material effect on the financial statements, even if accumulated. The auditors have requested that the views of the Panel in respect of the Triviality threshold are sought.

3.4 Main areas of work

As well as the review of the Annual Financial Report, the other main areas of audit work include:

i. Value for Money

To conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

ii. Annual Governance Statement (AGS)

To consider if the Councils AGS complies with the CIPFA/SOLACE “Delivering Good Governance in Local Government” framework and whether it is misleading or inconsistent with other information known to the auditors us from their audit work.

iii. Whole of Government Accounts (WGA)

To issue an opinion on the WGA that was submitted to the Department of Communities and Local Government, in that whether it is consistent or inconsistent with the Annual Financial Report.

3.5 Fraud

The auditors will review the Councils management responsibility in respect of fraud and whether this is being discharged appropriately.

As part of the audit of the Annual Financial Report the auditors will enquire of the Panel:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistleblower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

4. The PricewaterhouseCoopers Audit Team

The three principal audit team members are:

- **Engagement Leader;** Clive Everest.
It is Clive's third year as engagement leader with the Council.
- **Engagement Manager;** Jacqui Dudley.
Jacqui has taken over from Hayley Clark and is an experience audit manager within the local government sector.
- **Team Leader;** James Yanni.
James has worked previously at the Council and will lead the audit field team.

5. Audit Fee

- 5.1 The total audit "scale fee" for 2013/14, as set by the Audit Commission, is £87,481; this represents a significant reduction of 45.1% since 2011/12. A summary breakdown of audit fees is shown below:

Audit Fee				
	2011/12	2012/13	2013/14	Change since 2011/12
	£	£	£	%
Audit work performed under the Code of Audit Practice (*)	124,301	77,768	70,081	43.6
Certification of Claims and Returns	35,000	26,978	17,400	50.3
Total	159,301	104,746	87,481	45.1
*1 This includes audit work relating to the Annual Financial Report, Value for Money and Whole of Government Accounts				

- 5.2 The Panel will note that there is a significant reduction in the fees relating to the Certification of Claims and Return for 2013/14 when compared to the 2012/13. This is because of the changes during 2013/14 in respect of the Council Tax Support Scheme and the localisation of Business Rates in that there is expected to be less certification work relating to these grant schemes.

- 5.3 However, the auditors will be required to test the controls around each of the new schemes which may mean that there may be an increase in the fee for the audit work required in respect of the Annual Financial Report. The estimated maximum cost of this testing will be £19,000 and is made-up as follows:

- Additional "one-off" testing relating to the new arrangements for the Council Tax Support Scheme to ensure that the controls within the system are appropriate. It is estimated that the cost of this work will range between £7,000 and £9,000.
- "On-going" controls testing on both the Council Tax Support Scheme and Business Rates. It is estimated that the cost of this work will range between £8,000 and £10,000.

5.4 The auditors will update those charged with governance regarding the impact of this additional testing on the proposed audit fees in due course. The auditors have based the fee level on the following assumptions:

- Officers meeting the timetable of deliverables, which we will agree in writing;
- We do not review more than three iterations of the statement of accounts and accounting statements;
- We are able to obtain assurance from your management controls;
- No '40+' testing is required for the certification of the Housing Benefit return;
- No significant changes being made by the Audit Commission to the local value for money work requirements; and
- Our value for money conclusion and accounts opinion being unqualified.

If the above prove to be unfounded, the auditors will seek a variation order to the agreed fee, to be discussed and agreed in advance with you and the Audit Commission.

6. LEGAL IMPLICATIONS

6.1 There are no direct legal implications arising from this report.

7. RESOURCE IMPLICATIONS

7.1 There may be additional audit fees as a consequence of the additional testing relating to the new Council Tax Support Scheme and the localisation of Business Rates. Such costs can be met from within existing resources.

LIST OF APPENDICES INCLUDED


Annex – Huntingdonshire District Council “External Audit Plan 2013/14”

BACKGROUND PAPERS


Working papers in Financial Services.

CONTACT OFFICER

Steve Couper, Assistant Director (Finance and Resources).

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Clive Mason, Accountancy Manager

 01480 388157

Huntingdonshire District Council

External Audit Plan 2013/14

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Government and
Public Sector

March 2014

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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Executive summary

Background

We have prepared this audit plan to provide the Corporate Governance Panel of Huntingdonshire District Council (the 'Authority') with information about our responsibilities as external auditors and how we plan to discharge them for the audit of the financial year ended 31 March 2014.

Framework for our audit

We are appointed as your auditors by the Audit Commission as part of a national framework contract and consequently we are required to incorporate the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for local government bodies (the 'Audit Code') as well as the requirements of International Standards on Auditing (UK & Ireland) ('ISAs').

The remainder of this document sets out how we will discharge these responsibilities and we welcome any feedback or comments that you may have on our approach.

We look forward to discussing our report with you on 26 March 2014.

Our Responsibilities

Our responsibilities are as follows:

Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).

Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.

Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.

Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.

Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.

Determine whether any other action should be taken in relation to our other responsibilities under the Audit Commission Act.

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Our audit engagement begins with an evaluation of the Authority on our 'acceptance & continuance database' which highlights an overall engagement risk score and highlights areas of heightened risk.

Audit approach

Our audit is risk based which means that we focus on the areas that matter. We have carried out a risk assessment for 2013/14 prior to considering the impact of controls, as required by auditing standards, which also draws on our understanding of your business.

We determine if risks are significant, elevated or normal and whether we are concerned with fraud, error or judgement as this helps to drive the design of our testing procedures:

- | | |
|----------------------|---|
| ● Significant | Those risks with the highest potential for material misstatement due to a combination of their size, nature and likelihood and which, in our judgement, require specific audit consideration. |
| ● Elevated | Although not considered significant, the nature of the balance/area requires specific consideration. |

The table below highlights all risks which we consider to be either significant or elevated in relation to our audit for the year ended 31 March 2014.

Auditing Standards require us to include two fraud risks as Significant:

- **Management override of controls:**

“Management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.” ISA 240 paragraph 31; and

- **Revenue recognition:**

“When identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.” ISA 240 paragraph 26.

Both are considered as part of our risk assessment, as detailed below.

Financial Statements risks

Risk	Categorisation	Audit approach
<p>Management override of controls</p> <p>ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation, management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.</p>	<p>Significant ●</p>	<p>As part of our assessment of your control environment we will consider those areas where management could use discretion outside of the financial controls in place to misstate the financial statements.</p> <p>We will perform procedures to:</p> <ul style="list-style-type: none"> • Review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; • Test the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affect the reported deficit/surplus; • Review accounting estimates for bias and evaluate whether judgment and estimates used are reasonable (for example pension scheme assumptions, valuation and impairment assumptions); • Understand and evaluate key controls over material theft of assets, such as bank reconciliations and dual signatories for large payments/ purchases, and independently circularise banks and loan providers; • Evaluate the business rationale underlying any significant transactions outside the normal course of business; and • Perform unpredictable procedures targeted on fraud risks. <p>We may perform other audit procedures if necessary.</p>

Risk	Categorisation	Audit approach
<p>Risk of fraud in revenue and expenditure recognition</p> <p>Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition.</p> <p>We extend this presumption to the recognition of expenditure in local government.</p>	<p>Significant ●</p>	<p>We will obtain an understanding of and evaluate key controls over the recognition of revenue and expenditure.</p> <p>We will evaluate and test the accounting policies for income and expenditure recognition to ensure that these are consistent with the requirements of the Code of Practice on Local Authority Accounting.</p> <p>We will also perform detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk.</p> <p>We will consider journals affecting revenue and expenditure recognition within our work on management override above.</p>

Risk**Valuation of non-current assets – Leisure centres**

The Council's measurement of its properties at fair value involves a range of assumptions and the use of external valuation expertise. ISAs (UK&I) 500 and 540 require us, respectively, to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.

Leisure Centres represent the largest element of the Council's estate, and in accordance with the three-year rolling valuation programme will all be revalued this year. As reported in our 2012/13 report to those charged with governance, improvements have been made regarding property valuation and impairment, and we had no significant matters to report in this context. As such we judge the audit risk in 2013/14 is isolated to the valuation of Leisure Centres.

Specific areas of risk include:

- The accuracy and completeness of detailed information on Leisure Centre assets;
- Whether the Council's assumptions underlying the classification of Leisure Centres are appropriate; and
- The valuer's methodology, assumptions and underlying data, and our access to these.

Categorisation

Elevated ●

Audit approach

We will understand and evaluate the processes the Council has put in place regarding accounting for valuations of Leisure Centres.

For the Leisure Centre valuations undertaken in-year we will:

- agree the source data used by your valuer to supporting records;
- assess the work of your valuer through use of our own internal specialists where required; and
- agree the outputs to your Fixed Asset Register and accounts to ensure these are properly accounted for, focusing in particular on the accounting treatment of any impairments.

Where any changes to valuation bases are proposed we will work with you to understand and evaluate the rationale you are using on a timely basis.

We will test the accounting entries made in relation to revaluations and impairments for Leisure Centres.

Risk	Categorisation	Audit approach
<p>Council Tax Benefit reform</p> <p>From 1 April 2013/14, Council Tax Benefit (CTB) was replaced by local authorities' own council tax support and reduction schemes.</p> <p>Prior to the CTB reforms, national rules were set by the Government and therefore standard calculations and system parameters would have applied to the assessment and processing of all claims. Following the abolition of CTB, the Council has introduced a Council Tax Support (CTS) scheme having set their own rules (subject to a number of restrictions imposed by the Government). Changes have therefore been made to eligibility criteria and processes for assessment, and then to the underlying calculations and parameters within the Northgate system (which the Council uses to process claims). Previously such system amendments have been part of a national system upgrade, but this year have been undertaken by the Council reflecting their local rules. This has also involved increased manual processes to apply these parameters and updates from Northgate.</p> <p>There is a risk that the new scheme rules have not been appropriately implemented within the Council's controls for assessing eligibility, or have not been effectively applied within Northgate, which would impact the accuracy of the CTS calculation.</p>	<p>Elevated ●</p>	<p>As a new scheme has been introduced we will need to perform additional audit procedures this year to:</p> <ul style="list-style-type: none"> • Understand the criteria the Council has set and the initial modelling performed to estimate the cost of the scheme; • Test how this has been translated into new controls over eligibility assessment; • Review the accuracy of budget monitoring and reporting of CTS; • Understand and evaluate the change processes and access to the Northgate system; and • Review the parameters now used within the Northgate system. <p>We envisage this work will be undertaken by procedures involving the core audit team and IT specialists. Assuming these processes have been well controlled and implemented, the majority of this work is expected to be non-recurrent in FY15.</p> <p>We also need to undertake focused testing on a sample of transactions under the new arrangements. Council Tax Benefit was previously subsidised by the Department for Work and Pensions (DWP) and we undertook certification work on behalf of the Audit Commission as part of the Housing and Council Tax Benefit Return (BEN01). This work was also leveraged to support our work on the audit opinion.</p> <p>However, due to the localisation of schemes it is anticipated that the Audit Commission will revise their certification instructions (as DWP involvement ceases with the new CTS schemes) and we will therefore need to perform additional detailed testing procedures as part of the financial statements' audit to gain assurance over the accuracy, completeness, cut-off and existence of a sample of Council Tax Support claims.</p> <p>We have assessed this as an elevated rather than significant risk due to the level of Council Tax Support within the accounts, and that this is not expected to show material variance or sensitivity, nor to be overly reliant on management judgements.</p>

Other matters affecting the financial statements audit which do not lead to Significant or Elevated risks

National Non-Domestic Rates

We note that there have also been changes within National Non-Domestic Rates (NNDR). The Council is responsible for the collection of NNDR and previously passed this in full to the Government. From 1 April 2013, the amount collected is split between the Government (50%), Cambridgeshire County Council (9%), Cambridgeshire Fire and Rescue Authority (1%), with 40% retained by the Council.

The Council will therefore have to allow for the fact that a proportion of their receipts in 2013/14 will ultimately be repaid to ratepayers following successful appeals, through an appeals provision (as these sums should not be recognised as income). The Council should make a reasonable estimate of lost income following successful appeals, whether the appeal decisions are in 2013/14 or later years. In addition, estimated repayments that have to be made to ratepayers in respect of overpayments in respect of the years before 2013/14, this will create a further liability. Authorities will be able to choose whether to recognise the estimated liability in full in 2013/14, or spread the cost over five years (2013/14 to 2017/18).

We understand that there is a back-log at the Valuation Office in reviewing these appeals, and as a result there could be further appeals which would reduce the amount to be collected by the Council for which the Council is yet to receive notification. We further understand that the level of appeals in year has already substantially utilised the budgeted appeals provision, and hence additional provisions may be required.

The Council's budgeted share of NNDR is £4.0m and the Government will guarantee that the Council will receive a minimum of £3.7m. Amounts collected above the expected levels are shared between the parties in accordance with the percentages above. If further appeals are received before year end, or expected post year end relating to FY14, the Council's revenue may decrease, but the maximum exposure to the Council is therefore only £0.3m. This would not be material to the accounts and as such we do not determine that this represents a significant or elevated risk for the purposes of the audit. We will however review management's estimates re the NNDR appeals provision.

Council restructuring

During the financial year, the Council has undergone a senior management review. As a result, several employees have been put at risk of redundancy and at the year-end a provision and/or accrual is likely to be required. Any potential provision is not expected to be material to the financial statements and therefore this does not represent a significant or elevated risk for the purposes of the audit. However, we will review the appropriateness of any disclosures relating to exit packages and senior manager remuneration.

Other Code responsibilities risks

Risk	Categorisation	Audit approach
<p>In our 2012/13 report to those charged with governance, we highlighted four areas of note to report in respect of our Value for Money work:</p> <ol style="list-style-type: none"> 1. Financial position; 2. Project management; 3. Procurement and contracting; and 4. Culture of control and compliance. <p>Based on our findings in 2012/13, we have identified these as areas of heightened risk with regard to the value for money work and opinion in 2013/14.</p>	<p>Elevated ●</p>	<p>We are aware that the Council has been undertaking a number of significant activities in relation to these areas, many of which are ongoing at the present time.</p> <p>We will:</p> <ul style="list-style-type: none"> • review the Council's financial planning and budget setting/monitoring processes to identify any areas of concern; • consider significant contracts let during the year and review compliance with key fraud controls, as well as considering regularity and value for money of the contracts; and • review the Council's progress against the recommendations we raised in 2012/13.

We noted also that the Authority is heavily dependent on key individuals for its financial reporting, without whom the improvements made in the last two years could be lost. This position continues in 2013/14.

**Overall
Materiality:
£1,828,000**

**Triviality:
£90,000**

*Intelligent scoping
Materiality*

	£
Overall materiality	£1,828,000
Clearly trivial reporting de minimis	£90,000

We set overall materiality to assist our planning of the overall audit strategy and to assess the impact of any adjustments identified.

Overall materiality has initially been set at 2% of 2012/13 expenditure for the year ended 31 March 2014. We will update this assessment as necessary in light of the Authority's actual results.

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are "clearly trivial" i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. As part of our audit planning procedures we have identified that all misstatements less than £90,000 could be classed as clearly trivial and we would like to seek the Corporate Governance Panel's views on this de minimis threshold.

Robust Testing

Where we do our work

As previously mentioned our audit is risk based which means we focus our work on those areas which, in our judgement, are most likely to lead to a material misstatement. In summary, we will:

- Consider the key risks arising from internal developments and external factors such as policy, regulatory or accounting changes;
- Consider the robustness of the control environment, including the governance structure, the operating environment, the information systems and processes and the financial reporting procedures in operation;
- Understand the control activities operating over key financial cycles which affect the production of the year-end financial statements;
- Validate key controls relevant to the audit approach; and
- Perform substantive testing on transactions and balances as required.

When we do our work

Our audit is designed to quickly consider and evaluate the impact of issues arising to ensure that we deliver a no surprises audit at year-end. This involves early testing at an interim stage and open and timely communication with management to ensure that we meet all statutory reporting deadlines. We engage early, enabling us to debate issues with you. We have summarised our formal communications plan in Appendix B.

Value for Money Work

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Audit Commission guidance includes two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: “Delivering Good Governance in Local Government”. The AGS is required to be presented by the Authority with the Statement of Accounts.

We will review the AGS to consider whether it complies with the CIPFA / SOLACE “Delivering Good Governance in Local Government” framework and whether it is misleading or inconsistent with other information known to us from our audit work.

Whole of Government Accounts

We are required to examine the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and issue an opinion stating in our view if they are consistent or inconsistent with the Statement of Accounts.

Meaningful conclusions

We believe fundamentally in the value of the audit and that audits need to be designed to be valuable to our clients to properly fulfil our role as auditors.

In designing the Authority audit, our primary objective is to form an independent audit opinion on the financial statements; however, we also aim to provide insight.

Audit value comes from the same source as audit quality so the work that we do in support of our audit opinion also means that we should be giving you value through our observations, recommendations and insights. We have set out some recent developments in Appendix C and we will provide other insights and observations to you in our audit reports throughout the year.

We have also developed a Local Government Centre of Excellence which supports your audit team in all aspects of the audit, including sharing insight and observations gained from audit teams across the country.

There is a risk of fraud in any organisation. Here we set out the responsibilities of the relevant parties in relation to fraud.

Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility	Management's responsibility	Responsibility of the Corporate Governance Panel
<p>Our objectives are:</p> <ul style="list-style-type: none"> To identify and assess the risks of material misstatement of the financial statements due to fraud; To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and To respond appropriately to fraud or suspected fraud identified during the audit. 	<p>Management's responsibilities in relation to fraud are:</p> <ul style="list-style-type: none"> To design and implement programmes and controls to prevent, deter and detect fraud; To ensure that the entity's culture and environment promote ethical behaviour; and To perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation. 	<p>Your responsibility as part of your governance role is:</p> <ul style="list-style-type: none"> To evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate 'tone at the top'; and To ensure any alleged or suspected instances of fraud brought to your attention are investigated appropriately.

Conditions under which fraud may occur



Your views on fraud

We enquire of the Corporate Governance Panel:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistleblower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

Your PwC team

The individuals in your PwC team have been selected to bring you extensive audit experience from working with Local Authorities, the wider public sector. We also recognise that continuity in the audit team is important to you and the

senior members of our team are committed to developing longer term relationships with you.

The core members of your audit team are:

Audit Team	Responsibilities
<p><i>Engagement Leader</i> Clive Everest clive.m.everest@uk.pwc.com 0207 213 5497</p>	<p>Engagement Leader responsible for independently delivering the audit in line with the Audit Code (including agreeing the Audit Plan, ISA 260 Report to Those Charged with Governance and the Annual Audit Letter), quality of outputs and signing of opinions and conclusions. This is Clive's 3rd year as engagement leader at the Authority.</p>
<p><i>Engagement Manager</i> Jacqui Dudley jacqui.dudley@uk.pwc.com 01223 552340</p>	<p>Manager on the assignment responsible for overall control of the audit engagement, ensuring delivery to timetable, delivery and management of targeted work and overall review of audit outputs. Completion of the Audit Plan, ISA 260 Report and Annual Audit Letter. Jacqui is an experienced audit manager on Local Authorities, and joins the team this year, taking over from Hayley Clark.</p>
<p><i>Team Leader</i> James Yianni james.yianni@uk.pwc.com 0114 259 8378</p>	<p>Responsible for leading the field team, including the audit of the statement of accounts, and governance aspects of our work. Regular liaison with the finance team. James was part of our audit team in 2012/13 at the Authority.</p>

Your audit fees

The Audit Commission has provided indicative scale fees for Local Authorities for the year ended 31 March 2014. No changes to the work programme have been proposed therefore scale audit fees have been set at the same level as the fees applicable for 2012/13.

Our indicative audit fee, as agreed in our audit fee letter dated April 2013, compared to the actual fee for 2011/12 and 2012/13 is as follows:

Audit fee	Actual fee 2011/12 £	Actual fee 2012/13 £	Scale fee 2013/14 £
Audit work performed under the Code of Audit Practice	124,301	77,768	70,081
- Statement of Accounts			
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources			
- Whole of Government Accounts			
Certification of Claims and Returns	35,000	26,978*	17,400**
Total Audit Code work	159,301	104,746	87,481

Note the fee for 2011/12 is not directly comparable with the 2012/13 and 2013/14 fees as it included a mandatory recharge payable to the Audit Commission that is no longer required to be made. Adjusting for this gives a comparable fee for 2011/12 of c.£96k.

*items marked with an asterisk represent fees over and above the scale fee published by the Audit Commission (as amended). Members may be aware that we are required to agree this fee level with the Audit Commission and these discussions remain in progress at the time of writing this report.

As set out in our section on audit risks on page 7, we will also need to undertake additional non-recurrent work to respond to additional audit risks this year related to the new arrangements and system changes on Council Tax Support. We estimate that an additional fee of approximately £7,000 - £9,000 in relation to audit work to review the design and establishment of new assessment procedures and amendments to the Northgate system. It does not however cover related work on transaction testing, which is discussed below.

**We anticipate that the Audit Commission will reduce the certification fee for the Housing and Council Tax Benefit Grant Claim to reflect the fact that arrangements for Council Tax Benefits have been localised in 2013/14. We also anticipate that the LA01 (National Non Domestic Rates) claim will no longer require certification given the localisation of Business Rates. The indicative certification fee figure has therefore been reduced significantly compared to the prior year, but is subject to change depending on the final certification requirements. We will liaise with management as guidance is issued and report back to the Panel with the final position.

Because of these expected certification changes, it is uncertain therefore the extent to which we will be able to obtain assurance over Council Tax Support expenditure and Business Rates income in the statement of accounts from our certification testing (as we have in prior years). We anticipate

that this may not be possible or may be significantly reduced due to timing or scope of certification work. If this is the case we will perform additional audit procedures over these items, which we broadly estimate would result in an increase in our fee for the financial statements of approximately £8,000-£10,000. We will update those charged with governance regarding the impact of this on our proposed audit fees in due course.

We have based the fee level on the following assumptions:

- Officers meeting the timetable of deliverables, which we will agree in writing;
- We do not review more than three iterations of the statement of accounts and accounting statements;
- We are able to obtain assurance from your management controls;
- No '40+' testing is required for the certification of the Housing Benefit return;
- No significant changes being made by the Audit Commission to the local value for money work requirements; and
- Our value for money conclusion and accounts opinion being unqualified.

If these prove to be unfounded, we will seek a variation order to the agreed fee, to be discussed and agreed in advance with you and the Audit Commission.

Appendices

Appendix A: Independence threats and safeguards

At the beginning of our audit process we are required to assess our independence as your external auditor. We have made enquiries of all PwC teams providing services to you and of those responsible in the UK Firm for compliance matters and we have set out below the relationships that, in our professional judgement, may be perceived to impact upon our independence and the objectivity of our audit team, together with the related safeguards.

Other services

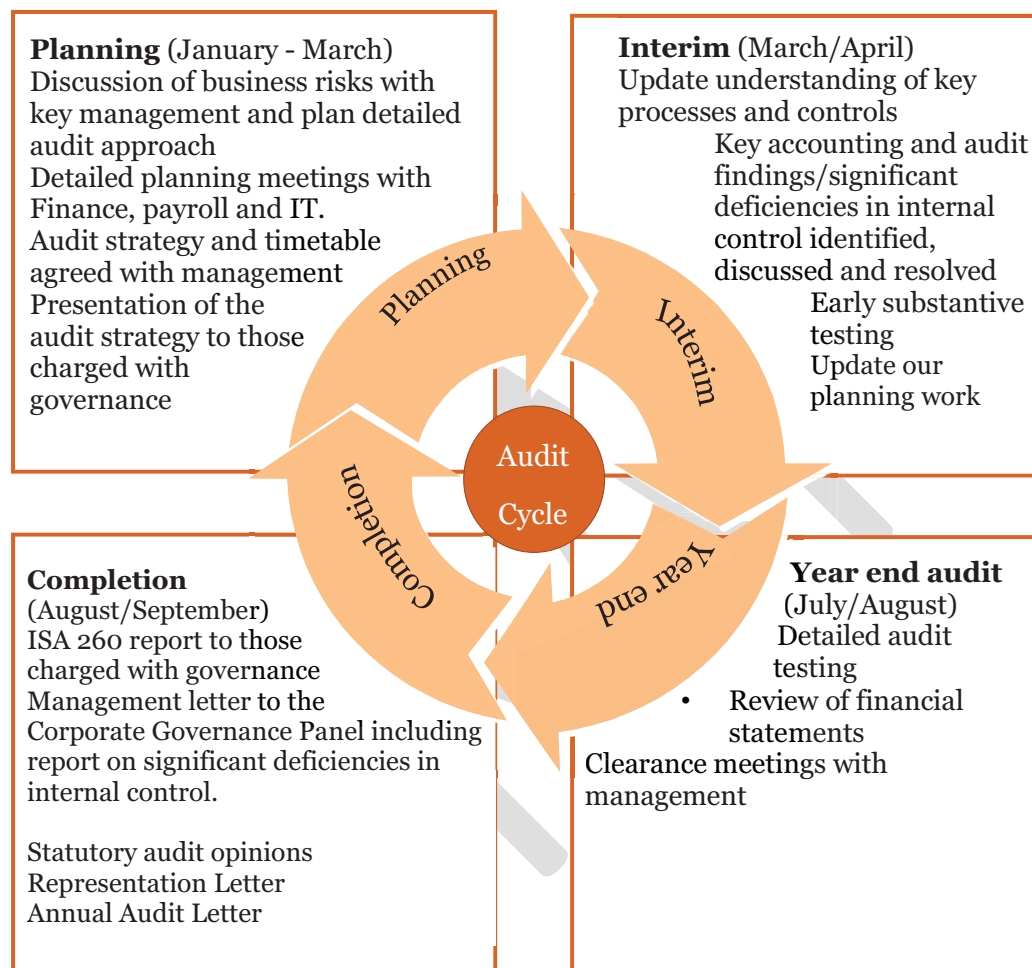
Support provided by PwC	Value	Threats to independence and safeguards in place
Certification of claims and returns	£17,400	<p>Self Review Threat: The audit team will conduct the certification of claims and returns and this has arisen due to our appointment as external auditors. There is no self review threat as we are certifying management completed grant returns and claims.</p> <p>Self Interest Threat: As a firm, we have no financial or other interest in the results of the Council. We have concluded that this work does not pose a self interest threat.</p> <p>Management Threat: PwC is not required to take any decisions on behalf of management as part of this work.</p> <p>Advocacy Threat: We will not be acting for, or alongside, management and we have therefore concluded that this work does not pose an advocacy threat.</p> <p>Familiarity Threat: Work complements our external audit appointment and does not present a familiarity threat.</p> <p>Intimidation Threat: We have concluded that this work does not pose an intimidation threat as all officers and members have conducted themselves with utmost integrity and professionalism.</p>

Relationships and Investments

Senior officers should not seek or receive personal financial or tax advice from PwC. Non-executives who receive such advice from us (perhaps in connection with employment by a client of the firm) or who also act as director for another audit or advisory client of the firm should notify us, so that we can put appropriate conflict management arrangements in place.

Therefore at the date of this plan we confirm that in our professional judgement, we are independent accountants with respect to the Authority, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

Appendix B: Communications Plan



Continuous Communication

- Continuous proactive discussion of issues as and when they arise, 'no surprises';
- Continuous evaluation and improvement of the audit; and
- Bringing you experience of sector and best practice.

Appendix C: Recent developments

The Future of Government



Delivering on the Citizen Promise

In the face of recurrent budget cuts to reduce fiscal deficits in many countries, affordable government has become the watchword. This means doing more for less – meeting rising citizens' expectations by doing things differently to deliver services more effectively and efficiently.

Where Next for public services?

Public sector organisations need to re-evaluate their purpose and role and decide if current visions and missions, and ways of operating to achieve them, are relevant enough to ride the waves of these shifts, or be overwhelmed by them. Government and public sector organisations will also need to respond to these shifts proactively and pre-emptively, to avoid falling one or more steps behind.

What guides and shapes the future public body?

As such, tomorrow's public bodies need to navigate themselves by first formulating a strong and clear vision and mission. Together, these will capture the organisation's

strategic ambition and purpose and serve to influence decisions and behaviour within the organisation.

The Local State We're In



Over the past few years, local government has demonstrated its ability to deliver ambitious and far reaching savings programmes. While council Chief Executives are still holding on to their confidence in meeting savings targets for 2013/14, our third annual local government survey shows that confidence in being able to protect services as well has fallen by 40% over the past year. Beyond 2013/14, confidence in meeting savings targets falls further.

Tough choices are ahead as the cracks begin to show and decisions get closer to the frontline. Councils need to act urgently to transform themselves into agile organisations and shape a role for themselves through a future of continued austerity.

Appendix D: Audit quality

Quality is built into every aspect of the way that we deliver the Authority audit. We take great pride in being your auditors and in the value of assurance that the audit opinion provides. A timely, independent and rigorous audit is fundamental. This in turn necessitates getting the basics right – clarity on audit risks, scope, resource, timetables, deliverables and areas of judgement – which is supported by our team that has extensive experience and relevant training.

The table below sets out some of the key ways in which we ensure we deliver a high quality audit.

Procedure	Description
People	Quality begins with our people. To ensure that every engagement team provides quality, we use carefully designed protocols for recruiting, training, promoting, assigning responsibility and managing and overseeing the work of our people. We invest significant amounts of time and money for the training and development of our audit professionals. Every new team member is carefully selected to ensure they have the right blend of technical expertise and industry experience to support the Authority audit.
Client acceptance and retention	Our client acceptance and retention standards and procedures are designed to identify risks of a client or prospective client to determine whether the risks are manageable.
Audit methodology	The same audit methodology is used for all Local Authority audit engagements, thereby ensuring uniformity and consistency in approach. Compliance with this methodology is regularly reviewed and evaluated. Comprehensive policies and procedures governing our accounting and auditing practice – covering professional and regulatory standards as well as implementation issues – are constantly updated for new professional developments and emerging issues, needs and concerns of the practice.
Technical consultation	Consultations by engagement teams, typically with senior technical partners unaffiliated with the audit engagement, are required in particular circumstances involving auditing, accounting or reporting matters including matters such as going concern and clinical quality issues. In addition, we regularly consult with our industry specialists in the Local Government Centre of Excellence and our accounting technical experts that sit on the Audit Commission Auditors' Group.

Procedure	Description
Technical updates	<p>PwC prepares numerous publications to keep both PwC staff and our clients abreast of the latest technical guidance.</p> <p>These include:</p> <ul style="list-style-type: none"> • A weekly publication covering the week's accounting and business developments; • A periodic publication providing in-depth analysis of significant accounting developments; and • A publication issued shortly after meetings of standard setters, including IFRIC and the EITF, to provide timely feedback on issues discussed at the meeting. <p>We also provide Local Government specific technical updates through regular publications issued by our Local Government Centre of Excellence and weekly conference calls for all Local Authority engagement teams during the final audit period. We will share our technical updates with you throughout the year.</p>
Independence standards	<p>PwC has policies and systems designed to comply with relevant independence and client retention standards. Before a piece of non-audit work can begin for the Authority, it must first be authorised by the engagement leader who evaluates the project against our own internal policies and safeguards and against your policy on non-audit services. Above a certain fee threshold, we then seek approval from the Audit Commission before proceeding with any work.</p>
Ethics	<p>Our Ethics and Business Conduct Programme includes confidential communication channels to voice questions and concerns 24 hours a day, seven days a week. Confidentiality helps us to ensure that we receive the candid information and that we respond with the appropriate technical and risk management resources.</p>
Independent review	<p>Our audits are subject to ongoing review and evaluation by review teams within PwC and also by the Audit Quality Review Team (AQRT, formerly the Audit Inspection Unit). The most recent report on PwC was issued in May 2013 and although there are some areas for development identified the general theme was that audit quality has continued to improve. The firm has developed action plans for all areas for development identified by the AQRT.</p> <p>As auditors appointed by the Audit Commission we are also required to comply with their annual Regulatory Compliance and Quality Review programme. The results for our 2012/13 audits are expected in early 2014 and will be publicly available on the Audit Commission's website should you wish to take a look.</p>

Smart People

We deploy quality people on your audit, supported by a substantial investment in training and in our industry programme. The members of staff deployed on your audit have been primarily taken from our dedicated Government and Public Sector team. These staff members have a wide and deep knowledge both of the Authority and the local government sector.

Key members of the audit team including the engagement manager and team leader have been involved in the audit of the Authority for a number of years. This ensures continuity which is beneficial both for our people and your audit through ensuring that accumulated knowledge remains within the audit team, improving the quality of the audit we deliver.

We use dedicated IT specialists on the audit and share their insight and experience of best practices with you.

Smart Approach

Data auditing

We use technology-enabled audit techniques to drive quality, efficiency and insight.

In 2013/2014 we anticipate the work will include:

- Testing manual journals using data analytics, ensuring we consider the complete population of manual journals and target our detailed testing on the items with the highest inherent risk; and
- The production of a journals 'insight report' which shows the comparable use of journals across the organisation and explores some of the root causes. We use the data gathered as part of our journals testing to share our findings and observations with management.

Centre of Excellence

We have a Centre of Excellence in the UK for Local Government which is a dedicated team of specialists which advises, assists and shares best practice with our audit teams in more complex areas of the audit.

Your audit manager and engagement leader are directly part of this Centre of Excellence and can therefore bring real time thought leadership to you quickly and ensure we are executing the best possible audit approach.

Delivery centres

We use dedicated delivery centres to deliver parts of our audit work that are routine and can be done by teams dedicated to specific tasks; for example these include confirmation procedures, preliminary independence checks and consistency and casting checks of the financial statements.

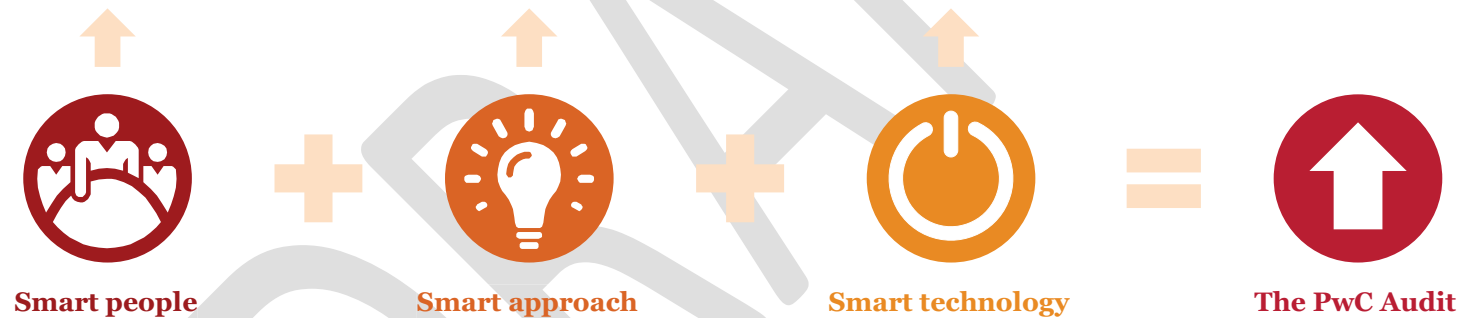
The use of our delivery centres frees up your audit team to focus on other areas of the audit.

We have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service delivery Centres in Poland and Germany for the facilitation of basic audit tasks, as highlighted earlier. We have also agreed with the Audit Commission how this will be regulated, together with their independent review of our internal processes to ensure compliance, with the Audit Commission requirements for off-shoring. Further information is included in Appendix E.

Smart Technology

We have designed processes that automate and simplify audit activity wherever possible. Central to this is PwC's Aura software, which has set the standard for audit technology. It is a powerful tool, enabling us to direct and oversee audit activities.

Aura's risk-based approach and workflow technology results in a higher quality, more effective audit and the tailored testing libraries allow us to build standard work programmes for key Authority audit cycles.



Our 'smart' approach underpins your audit

Appendix E: Other engagement information

The Audit Commission appoint us as auditors to Huntingdonshire District Council and the terms of our appointment are governed by:

- The Code of Audit Practice; and
- The Standing Guidance for Auditors.

There are five further matters which are not currently included within the guidance, but which our firm's practice requires that we raise with you.

Electronic communication

During the engagement we may from time to time communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure, virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use.

PwC partners and staff may also need to access PwC electronic information and resources during the engagement. You agree that there are benefits to each of us in their being able to access the PwC network via your internet connection and that they may do this by connecting their PwC laptop computers to your network. We each understand that there are risks to each of us associated with such access, including in relation to security and the transmission of viruses.

We each recognise that systems and procedures cannot be a guarantee that transmissions, our respective networks and the devices connected to these networks will be unaffected by risks such as those identified in the previous two paragraphs. We each agree to accept the risks of and authorise (a) electronic communications between us and (b) the use of your network and internet connection as set out above. We each agree to use commercially reasonable procedures (i) to check for the then most commonly known viruses before either of us sends information electronically or we connect to your network and (ii) to prevent unauthorised access to each other's systems.

We shall each be responsible for protecting our own systems and interests and you and PwC (in each case including our respective directors, members, partners, employees, agents or servants) shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or

in connection with the electronic communication of information between us and our reliance on such information or our use of your network and internet connection.

The exclusion of liability in the previous paragraph shall not apply to the extent that such liability cannot by law be excluded.

Access to audit working papers

We may be required to give access to our audit working papers to the Audit Commission or the National Audit Office for quality assurance purposes.

Overseas processing of information

Recently, as with other firms, we have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service Delivery Centres in Poland and Germany for the facilitation of basic audit tasks. Please refer to the letter at the end of this Appendix for further information on the types of tasks we may off-shore. We confirm that:

- When work is off-shored the firm delivering the audit remains entirely responsible for the conduct of the audit. As such the data will be subject to similar data quality control procedures as if the work had not been off-shored, maintaining the security of your data;
- All firms within the PricewaterhouseCoopers network, including the PwC Service Delivery Centres, have signed an intra-group data protection agreement which includes data protection obligations equivalent to those set out in the EU model contract for the transfer of personal data to data processors outside of the European Economic Area;
- We shall comply at all times with the seventh principle in Part 1 of Schedule 1 to the Data Protection Act 1998;
- Your audit team members will remain your key audit contacts, you will not need to communicate with our overseas delivery teams;
- The audit team members are responsible for reviewing all of the work performed by the overseas delivery teams;
- We already successfully use a UK based delivery centre for financial statements quality checks and that this service will remain in the UK.

If you have any questions regarding this process or if you require further information then please contact Jacqui Dudley.

Quality arrangements

We want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the partner responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss

these matters with someone other than that partner, please contact Richard Bacon, our Government & Public Sector Assurance Lead Partner at our office at Cornwall Court, Birmingham, B3 2DT, or James Chalmers, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6NN. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

Events arising between signature of accounts and their publication

ISA (UK&I) 560 places a number of requirements on us in the event of material events arising between the signing of the accounts and their publication. You need to inform us of any such matters that arise so we can fulfil our responsibilities.

If you have any queries on the above, please let us know before approving the Audit Plan or, if arising subsequently, at any point during the year.



Private & Confidential

Steve Couper, Section 151 Officer
Huntingdonshire District Council
Pathfinder House
St Marys Street
Huntingdon
Cambridgeshire
PE29 3TN

March 2014

Dear Steve

Working more efficiently

As you know the Audit Commission recently tendered the audit work previously delivered by the District Audit service. This realised significant savings which have been passed on to your organisation in a reduction to your scale fee of around 40%.

As a result of this tender, suppliers have sought for opportunities to increase efficiency, whilst maintaining the level of quality. One principle which has recently been established is that certain basic parts of the audit can be off-shored. This is common practice in the private sector. When work is off-shored the firm delivering the audit and thus your audit team, remains entirely responsible for the conduct of the audit. As such the data would be subject to similar data quality control procedures as if the work had not been off-shored, maintaining the security of your data.

Examples of the work that can be off-shored are:

- Request for confirmations (Receivables, Bank or Payables);
- Verification/vouching of information to source documentation (e.g. agreeing a payable balance to invoice);
- Financial statements review;
- Mathematical accuracy checks of data;
- Research; and
- Preparation of lead schedules.

Huntingdonshire District Council

PwC • 29

Recently, as with other firms, we have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service delivery Centres, for example, in Poland and Germany for the facilitation of basic audit tasks, as highlighted above. We have agreed with the Audit Commission how this will be regulated, together with their independent review of our internal processes to ensure compliance, with the Audit Commission requirements for off-shoring.

If you have any questions regarding the above, please do not hesitate to get in touch.

Yours sincerely

Clive Everest

Engagement Leader

DRAFT

DRAFT



In the event that, pursuant to a request which Huntingdonshire District Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Huntingdonshire District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Huntingdonshire District Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Huntingdonshire District Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Huntingdonshire District Council and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

© 2014 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: Accounting Policies
for the Annual Financial Report 2013/14

Meeting/Date: Corporate Governance Panel
26 March 2014

Executive Portfolio: Resources: Councillor J A Gray

Report by: Accountancy Manager

Ward(s) affected: All Wards

Executive Summary:

Accounting Policies are the principles, bases, conventions, rules and practices applied by an authority that specify how the effects of transactions and other events are to be reflected in its financial statements.

Best practice requires the council to regularly review the adopted accounting policies to ensure that they remain appropriate and give due weight to the impact of a change in accounting policy to ensure comparability between accounting periods. Such review and approval should occur prior to the financial year-end, thus allowing officers to produce the statement of accounts based on the approved accounting policies.

As noted in paragraph 3.1, there are only two minor and two significant changes in accounting policies; none of which will have an impact on the Councils general fund balance.

Recommendation(s):

It is recommended that the Panel approves the amendments to the accounting policies noted within Annex A.

1. PURPOSE

- 1.1 Each year the council is required to produce a statement of account, the Annual Financial Report, which has to be approved by the Council's Chief Financial Officer by the 30th June and then approved by members and published by the 30th September. The accounts are required to be produced based on regulations prescribed by statute and relevant accounting standards.

2. BACKGROUND

- 2.1 Accounting policies are the principles, bases, conventions, rules and practices applied by an authority that specify how the effects of transactions and other events are to be reflected in its financial statements.
- 2.2 Except where specified in the "Code of Practice on Local Authority Accounting in the United Kingdom 2013/14" or in specific legislative requirements, it is for an authority to select the accounting policies that are most appropriate to its particular circumstances.
- 2.3 Best practice requires the council to regularly review the adopted accounting policies to ensure that they remain appropriate and give due weight to the impact of a change in accounting policy to ensure comparability between accounting periods. Such review and approval should occur prior to the financial year-end, thus allowing officers to produce the Annual Financial Report based on the approved accounting policies.
- 2.4 Consequently, the Panel are asked to approve the accounting policies for 2013/14; taking the 2012/13 accounting policies as the base.

3. ACCOUNTING POLICIES FOR 2013/14

- 3.1 Of the 27 accounting policies that were approved for 2012/13 (please refer to the final copy of the Annual Financial Report approved by the Panel last September), Table 1 below shows that for 2013/14 four policies require amendment with two of these being considered significant.

Reason for change in the accounting policy	Number of Accounting Policies categorised under the reason for change	Accounting Policy Affected	Cross Reference to Annex A
No change	23	n/a	n/a
Minor update for formatting or a change that does not have a significant impact e.g. change in references to financial year	2	<ul style="list-style-type: none">• General Principles• Changes in Accounting Policies, Prior Period Adjustments, Estimates and Errors	<ul style="list-style-type: none">• CP1• CP5
Significant change in accounting policy e.g. change in amounts (£)	2	<ul style="list-style-type: none">• Depreciation and other Charges to Revenue for Non-Current Assets• Post Employment Benefits	<ul style="list-style-type: none">• NCA 1• EB 1

		(Pensions)	
New accounting policy	0	n/a	n/a

3.2 With regard to:

- Depreciation and other Charges to Revenue for Non-Current Assets, although the Council has to account for depreciation, revaluation costs and impairment losses, under local government financial regulations, these are non-cash items so there is no direct impact on the general fund. However, the Council is required to make an annual provision from revenue, known as the minimum revenue provision (MRP) which is a direct contribution towards the reduction in its overall borrowing requirement. The Council has to have in place an approved MRP policy and currently the policy provided for MRP is on an annuity basis.

However, members will recall that in February 2013 the Council approved the 2013/14 Treasury Management Strategy and this included the giving of loans to local organisations and/or businesses. Those organisations who receive such loans are required to repay the loan on an annual basis and each repayment will include an element of Principal. The Council is permitted to approve an MRP policy that uses the Principal element of the repayment as a proxy for MRP and it is approval for this amendment to the Accounting Policies that is being sought.

- Post Employment Benefits (Pensions), this is a sub-section of International Accounting Standard 19 (IAS 19: Employee Benefits). The change required is a “technical accounting” adjustment in respect of the recategorisation of actuarial adjustments on the Councils pension fund liabilities and it is approval for this amendment to the Accounting Policies that is being sought.

It anticipated, at this time, that the implementation of the IAS 19 changes will require a restatement of the 2012/13 balance sheet (comparative figures). However, this will be subject to confirmation following:

- The receipt of the report from the Councils actuary (Hymans Robertson LLP).
- Closure training that key accounts closure staff will be undertaking during February and March 2014 (provided by the CIPFA “Financial Advisory Network)

3.3 It is envisaged that the changes to the accounting policies that are proposed will not have any direct financial implications; the changes are for clarification, transparency and to ensure compliance with IFRS accounting arrangements. If during the closure process it transpires that further changes to the accounting policies are required; where the change:

- Does result in a movement in the council’s “cash reserves” or balances, then this will be brought to the attention of the Chief Financial Officer and the Chair of this Panel at the earliest opportunity and then presented to members when the accounts are presented for approval in September 2013.
- Does not result in a movement in the council’s “cash” reserves or balances, this will be reported to the Chief Financial Officer and then to members when the accounts are presented for approval in September 2013.

4. LEGAL IMPLICATIONS

4.1 There are no direct legal implications arising from this report.

5. RESOURCE IMPLICATIONS

5.1 There are no direct financial implications arising from this report.

LIST OF APPENDICES INCLUDED


Annex A – Changes to accounting policies

BACKGROUND PAPERS


Working papers in Financial Services.

CONTACT OFFICER

Steve Couper, Assistant Director (Finance and Resources).

 01480 388103

Clive Mason, Accountancy Manager

 01480 388157

	Accounting Policies Used within 2012/13 Annual Financial Report <i>Based on the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13</i>	Proposed Accounting Policies for 2013/14 Annual Financial Report <i>Code of Practice on Local Authority Accounting in the United Kingdom 2013/14</i>	Reasons for change in accounting policy (see key at the end of annex)
CONCEPTS AND PRINCIPLES			
CP 1	General Principles The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS). The underlying concepts of the accounts include the: <ul style="list-style-type: none"> • Council being a 'going concern' – all operations continuing • Accrual of income and expenditure – placing items in the year they relate to rather than the year they take place • Primacy of legislative requirements – legislation overrides standard accounting practice 	General Principles The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014 . The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14 , supported by International Financial Reporting Standards (IFRS). The underlying concepts of the accounts include the: <ul style="list-style-type: none"> • Council being a 'going concern' – all operations continuing • Accrual of income and expenditure – placing items in the year they relate to rather than the year they take place • Primacy of legislative requirements – legislation overrides standard accounting practice 	B

	<p>The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the Council.</p> <p>The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.</p> <p>The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.</p>	<p>The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the Council.</p> <p>The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.</p> <p>The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.</p>	
CP 5	<p>Changes in Accounting Policies, Prior Period Adjustments and Estimates and Errors</p> <p>Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, if material, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. For 2012/13, there are no new accounting policies in respect of statutory requirements or to ensure local circumstances are better reflected within the Annual Report.</p> <p>Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.</p>	<p>Changes in Accounting Policies, Prior Period Adjustments and Estimates and Errors</p> <p>Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, if material, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. For 2013/14, there are no new accounting policies in respect of statutory requirements or to ensure local circumstances are better reflected within the Annual Report.</p> <p>Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.</p>	B

	Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.	Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.	
Non-Current Assets			
NCA 1	<p>Depreciation and other Charges to Revenue for Non-Current Assets</p> <p>Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment during the year:</p> <ul style="list-style-type: none"> • depreciation attributable to the assets used by the relevant service • revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off • amortisation (annual charge) of intangible assets attributable to the service. <p>The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue, known as the minimum revenue provision (MRP), to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by MRP in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement to reflect the difference between the two.</p>	<p>Depreciation and other Charges to Revenue for Non-Current Assets</p> <p>Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment during the year:</p> <ul style="list-style-type: none"> • depreciation attributable to the assets used by the relevant service • revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off • amortisation (annual charge) of intangible assets attributable to the service. <p>The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue, known as the minimum revenue provision (MRP), to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by MRP in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement to reflect the difference between the two.</p>	C

The basis for calculating MRP is restricted by legislation and the policy has to be approved by the Council. The policy for 2012/13 is that MRP is on an annuity basis. This results in the MRP increasing over the life of the asset to match the fall in the interest cost as the debt is “notionally” repaid. The net result is a consistent charge to the Council’s accounts over the assumed life of the asset.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal; receipts from disposals are credited to the same line. Any accumulated revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The basis for calculating MRP is restricted by legislation and the policy has to be approved by the Council. **For 2013/14, the Council will have two policies:**

MRP Policy in respect of Loans to Organisations or Loans with Security (as defined within the Treasury Management Strategy)

Where the Council has provided:

- **loans to local organisations or businesses, and/or**
 - **loans with security**
- and these loans are repaid on, at least an annual basis, that the principal repayments received can replace the need to make a minimum revenue provision.**

MRP Policy in respect of Debt no relating to Loans to Organisations

MRP for this category will be on an annuity basis.

This results in the MRP increasing over the life of the asset to match the fall in the interest cost as the debt is “notionally” repaid. The net result is a consistent charge to the Council’s accounts over the assumed life of the asset.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal; receipts from disposals are credited to the same line. Any accumulated revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Employee Benefits

EB 1	<p>Post Employment Benefits (Pensions)</p> <p>Employees of the Council are members of the Local Government Pensions Scheme (LGPS), administered by Cambridgeshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.</p> <ul style="list-style-type: none"> • The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. • Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bonds as identified by the actuary). • The assets of the Cambridgeshire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value: <ul style="list-style-type: none"> ○ quoted securities – current bid price ○ unquoted securities – professional estimate ○ unitised securities – current bid price ○ property – market value 	<p>Post Employment Benefits (Pensions)</p> <p>Employees of the Council are members of the Local Government Pensions Scheme (LGPS), administered by Cambridgeshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.</p> <ul style="list-style-type: none"> • The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. • Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bonds as identified by the actuary). • The assets of the Cambridgeshire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value: <ul style="list-style-type: none"> ○ quoted securities – current bid price ○ unquoted securities – professional estimate ○ unitised securities – current bid price ○ property – market value 	C
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	<p>The change in the net pensions liability is analysed into seven components</p> <ul style="list-style-type: none"> ○ current service cost – the increase in liabilities as a result of years of service earned this year – debited in the Comprehensive Income and Expenditure Statement to the services for which the employees worked. ○ past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs. ○ interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. ○ expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. ○ gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual 	<p>The change in the net pensions liability is analysed into seven components</p> <ul style="list-style-type: none"> ○ current service cost - the increase in liabilities as a result of years of service earned this year – debited in the Comprehensive Income and Expenditure Statement to the services for which the employees worked. ○ past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs. ○ net interest on the net defined liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. ○ the return on plan assets – excluding amounts charged in net interest on the 	
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	<p>of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.</p> <ul style="list-style-type: none"> ○ actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve. ○ contributions paid to the Cambridgeshire Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense. <p>Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, rather than the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The balance (currently negative) that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.</p>	<p>net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.</p> <ul style="list-style-type: none"> ○ actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve. ○ contributions paid to the Cambridgeshire Pension Fund - cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense. <p>Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, rather than the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The balance (currently negative) that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.</p>	
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Clarifications for Reasons for Changes to/New Accounting Policies

Key:

A: No change.

B: Minor update for dates, formatting or changes in accounting policy that do not have a significant impact on financial reporting.

C: Significant change in accounting policy.

D: New accounting policy.

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Employee Handbook
Meeting/Date:	Corporate Governance Panel – 26 March 2014
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Internal Audit Manager
Ward(s) affected:	All Wards

Executive Summary

Whilst the Local Government Act 2000 made provision for a statutory Code of Conduct for local government employees, no such Code has been issued. The Council has adopted a local Code.

An employee handbook - Do It Right - has been written as a replacement for the Employees' Code of Conduct. A draft copy of the handbook has been circulated to all Panel members.

The handbook, which also includes an employee code of ethics, details the core values and standards of ethical behaviour required to be exhibited by all employees of the Council.

Included in the handbook are all the requirements of the previously agreed local Code. The Code is primarily principal based.

Whilst handbooks of this type are common in the private sector they are uncommon in local government. Identifying good public sector practice was particularly challenging. Research identified three particularly good and useful information sources - the *Institute of Business Ethics*, the *Code of Ethics for the South Australian Public Sector* and *Swindon Borough Council*. All of these organisations have allowed extracts from their publications to be included in the handbook.

At the time of writing this report the consultation process (with Staff Council, the Culture & Compliance Board, HR and others) had not been completed. It is likely that the consultation process will result in changes being made to the draft handbook.

All employees will be required to 'sign up' to the handbook annually. As the handbook is different, in both content and format than previous versions, training is to be provided through LGSS HR, for employees on the core values and standards.

Approval of the Employee Handbook

Chief Officers' Management Team wish to see the handbook introduced as soon as possible. The current employee's Code of Conduct is included in the Constitution and the handbook, once approved, will replace it.

The Panel are responsible for recommending to Council changes to the Constitution although a report elsewhere on the agenda, includes a suggestion that constitutional matters become the responsibility of the Standards Committee.

Proposed amendments to the Code of Conduct have previously been reviewed by the Employment Panel, who are next due to meet on 25 June. If the Panel were to receive and consider the formal views of Employment Panel prior to making any recommendation to Council on the introduction of the employee handbook, then it is likely (after taking into account the meeting dates of this Panel, the Employment Panel and Standards Committee), that the proposed adoption of the employee handbook by Council would not occur until 30 July at the earliest.

It is proposed that the Panel retain responsible for recommending the adoption of the employee handbook to the 30 April Council meeting. This to be done by delegating responsibility for approval of the handbook to the Panel Chairman. This process will allow the Employment Panel to be consulted informally on the contents of the employee handbook prior to the Chairman being asked to approve it.

Financial implications

There are no direct financial implications arising from the report. The training costs associated with the introduction of the handbook will be met from existing budgets.

Recommendations:

It is recommended that the Panel

1. Consider the Draft Handbook
2. Request the Employment Panel to consider the Handbook together with any changes proposed by this Panel, and
3. Delegate responsibility to the Managing Director for approving the final version of the Employee Handbook following consultation with the Chairmen of the Employment Panel and the Corporate Governance Panel.

Background Papers

Institute of Business Ethics – Illustrative Code of Business Ethics
The Code of Ethics for the South Australian Public Sector
Swindon Borough Council – Code of Conduct

Contact Officer

David Harwood. Internal Audit & Risk Manager
Tel No. 01480 388115

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Audit Committee Guidance
Meeting/Date:	Corporate Governance Panel – 26 March 2014
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Internal Audit & Risk Manager
Ward(s) affected:	All Wards

Executive Summary

In December 2013, the Chartered Institute of Public Finance & Accountancy (CIPFA) issued the document 'Audit Committees. Practical Guidance for Local Authorities and Police, 2013'. The guidance supersedes that issued in 2005.

The guidance includes a revised Position Statement on Audit Committees in Local Authorities. The Position Statement sets out CIPFA's view on the role and functions of an audit committee. The Panel's current terms of reference and the approach it takes to fulfilling these, match the updated Position Statement's role and functions in many areas.

A report elsewhere on the agenda considers proposals for transferring a number of the Panel's current areas of responsibility to the Standards Committee. It is recommended that once Panel have considered these changes, their amended terms of reference are reviewed against the roles and functions as set out in the Position Statement.

The guidance also contains two checklists against which the Panel can review itself against recommended practice and allow it to consider its own effectiveness. The Panel undertake effectiveness reviews regularly and the checklists will be used to update the content of the effectiveness questionnaire currently being used.

Financial & Legal implications

There are no financial or legal implications arising from this report.

Recommendation:

It is recommended that the Panel in noting the report, agree to

1. Review their Terms of Reference during the annual effectiveness review.

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1. Background information

- 1.1 CIPFA has previously issued a number of documents setting out their views on the role and functions of an audit committee. These include the 2005 Audit Committee guidance and Position Statement on Audit Committees in Local Government; and the 2006 Toolkit for Local Authority audit committees.

The new guidance, 'Audit Committees. Practical Guidance for Local Authorities and Police, 2013' effectively replaces these documents.

- 1.2 The 2013 guidance includes a revised Position Statement that states:

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

- 1.3 Whilst the language of the guidance is different than its predecessors, its overall intent remains similar. The scope of the Panel's work and the approach that it takes to fulfilling its terms of reference appears to match much of the best practice contained in the guidance.

2. Core Functions

- 2.1 The Position Statement includes a list of seven core functions of an audit committee. These are to:

1. Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the authority's objectives.
2. In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and professionalism
 - support the effectiveness of the internal audit process
 - promote the effective use of internal audit within the assurance framework.
3. Consider the effectiveness of the authority's risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations.
4. Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risks of fraud and corruption.

5. Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control.
 6. Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
 7. Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
- 2.2 The majority of the core functions are currently undertaken by the Panel. With regard to core function 4, the Panel monitor the effectiveness of the control environment, but currently receive little information that aids their understanding of value for money.

3. **Terms of reference**

- 3.1 The guidance includes a model set of terms of reference for an audit committee.
- 3.2 The Panels current terms of reference have been reviewed against the model terms. They remain appropriate and there does not seem to be an immediate need to change them. It is suggested that the Panel take the opportunity that will be available during their annual effectiveness review, to consider the model terms of reference in more detail.

This approach will allow the Panel to consider any possible changes knowing which of its functions, if any, have become the responsibility of the Standards Committee.

- 3.3 The guidance also refers to issues that whilst not core functions of an audit committee, could be undertaken by them as an aid to supporting wider governance initiatives, these include:
- Considering governance, risk or control matters at the request of other committees or statutory officers.
 - Working with local standards committees to support ethical values and reviewing the arrangements to achieve those values.
 - Providing oversight of other public reports, such as the annual report.
- 3.4 Panel have already had some experience in the non-core function areas, i.e. effectiveness reviews of other Committees and Panels. In addition, the 2012/13 Annual Governance Statement noted that an annual report would be introduced for the 2013/14 financial year. Whilst no decision has yet been taken as to how Member oversight will be exercised, there exists the opportunity for the Panel to become involved in the annual report process.

4. Effectiveness reviews

- 4.1 The guidance includes two checklists; the first is intended to be used as a self-assessment against recommended practice; the second is intended to allow the Panel to consider where it is most effective and where there may be scope to do more.
- 4.2 The content of the two checklists is similar to the comprehensive effectiveness review checklist that the Chairman and Vice-Chairman of the Panel have previously used when evaluating the Panel's effectiveness.
- 4.3 It is proposed that the current checklist be retained, but the opportunity is taken to review it against the two checklists within the guidance to identify areas for further improving the effectiveness review process.

5. Training

- 5.1 The guidance includes a knowledge and skills framework for audit committee members. The framework was adopted by the Panel in January as the basis for a formal training programme, which is currently being developed.

Background information

Audit Committees. Practical Guidance for Local Authorities and Police, 2013.
Published by the Chartered Institute of Public Finance & Accountancy.

Contact officer

David Harwood. Internal Audit & Risk Manager
Tel No. 01480 388115

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: Risk Register Update

Meeting/Date: Corporate Governance Panel – 26 March 2014

Executive Portfolio: Resources: Councillor J A Gray

Report by: Internal Audit & Risk Manager

Ward(s) affected: All Wards

Executive Summary:

The risk register is regularly reviewed. This report updates the Panel on the changes that have been made to the register in the period, 3 September 2013 to 11 March 2014.

Six risks have been added, and five risks removed from the risk register (See Appendix 3).

415 controls are recorded in the register in respect of 155 individual risk entries.

90% of the controls have been assessed by management to be either at the substantial or adequate level.

33% of the controls have been reviewed and updated in the previous six months.

The risk management system is working effectively. Panel need to take this into account when considering the annual governance statement.

Financial implications

There are no financial implications.

Recommendation:

It is recommended that the Panel note the report.

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1. BACKGROUND TO THE REPORT

- 1.1 The Panel receive regular reports on the changes that have been made to the risk register. In preparing the annual governance statement, Panel are able to take assurance from the reports that the risk management process is working effectively and contributing to the effective management and delivery of services.
- 1.2 Panel last received a report on this matter at its September 2013 meeting. Since then, the risk register has been reviewed and updated by both Chief Officer's and Heads of Service. The full risk register is available on the risk management intranet site.
- 1.3 All significant changes to the register (additions/deletions/risk scores) are reviewed by the Audit & Risk Manager. This allows general over-sight and challenge of the risk entries and the consistency of the inherent and residual scoring.

2. CURRENT REGISTER

- 2.1 There are seven appendices to the report that show the current status of risks. The reduction in risk achieved due to the controls that managers have in place for both corporate and operational risks are shown in appendix 1 and 2. Risks with a 'very high' residual risk are listed separately.
- 2.2 There are currently nine 'very high' residual risks in the register.
- 2.3 The risk management strategy requires the Cabinet to consider each of the very high residual risks to identify whether they should be further mitigated by cost-effective and affordable actions. Risk option forms have already been considered by Cabinet in respect of five of the risks. Cabinet accepted the residual risk levels. Risk option forms are not yet ready to be presented to the April Cabinet meeting. Due to the District Council elections, Cabinet will not be meeting in May. It is anticipated that the risk option forms in respect of all nine 'very high' risks will be presented to Cabinet in June together with an updated risk management strategy.
- 2.4 As the risk register has become more robust, the Internal Audit Service have been able to place greater reliance on its content. This in turn has led to them reviewing and challenging both the controls listed and the controls assurance ratings. If the work carried out by internal audit suggests that either the controls listed in the register or the assurance opinions are not appropriate then Heads of Service are requested to re-evaluate the risk register entries. This process helps to maintain a register that is both relevant and reliable and gives the Panel assurance that information presented to it is a fair reflection of the current management of risk.

3. CONTROLS ASSURANCE

- 3.1 415 controls were recorded in the register as at 11 March 2014 in respect of 155 individual risk entries.

The levels of assurance are as follows:

No of Controls	Assurance Level			
	Substantial	Adequate	Limited	None
415	245	127	39	4
	58%	32%	9%	1%

- 3.2 33% of the assurances have been updated in the past six months (96% at September 2013). 1% of assurances are more than twelve months old (1% at September 2013).

4. LIST OF APPENDICES INCLUDED

Appendix

- 1 Risk matrix – inherent to residual scoring: Corporate risks
- 2 : Operational risks
- 3 Risk register amendments
- 4 Assurance on controls for very high inherent risks
- 5 Risks with no controls
- 6 Risks with controls that are not working effectively
- 7 Risk assessment model from risk management strategy

BACKGROUND PAPERS

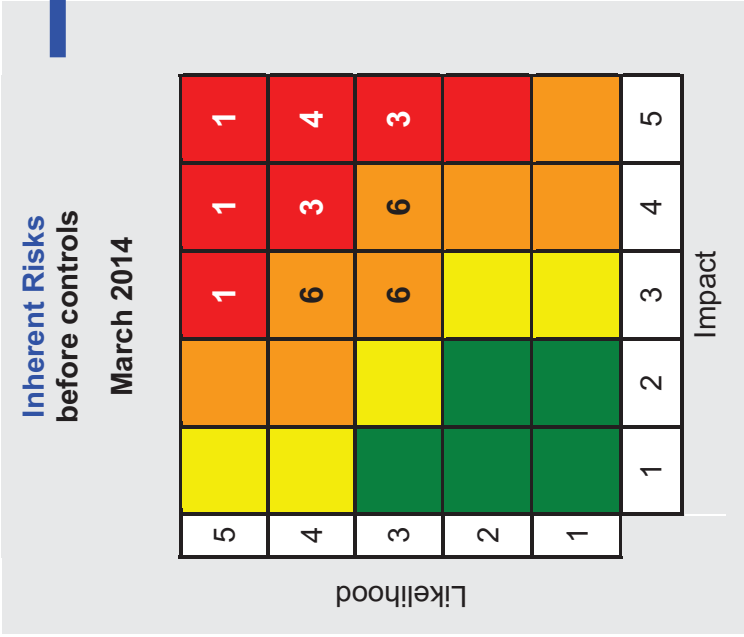
Risk register

CONTACT OFFICER

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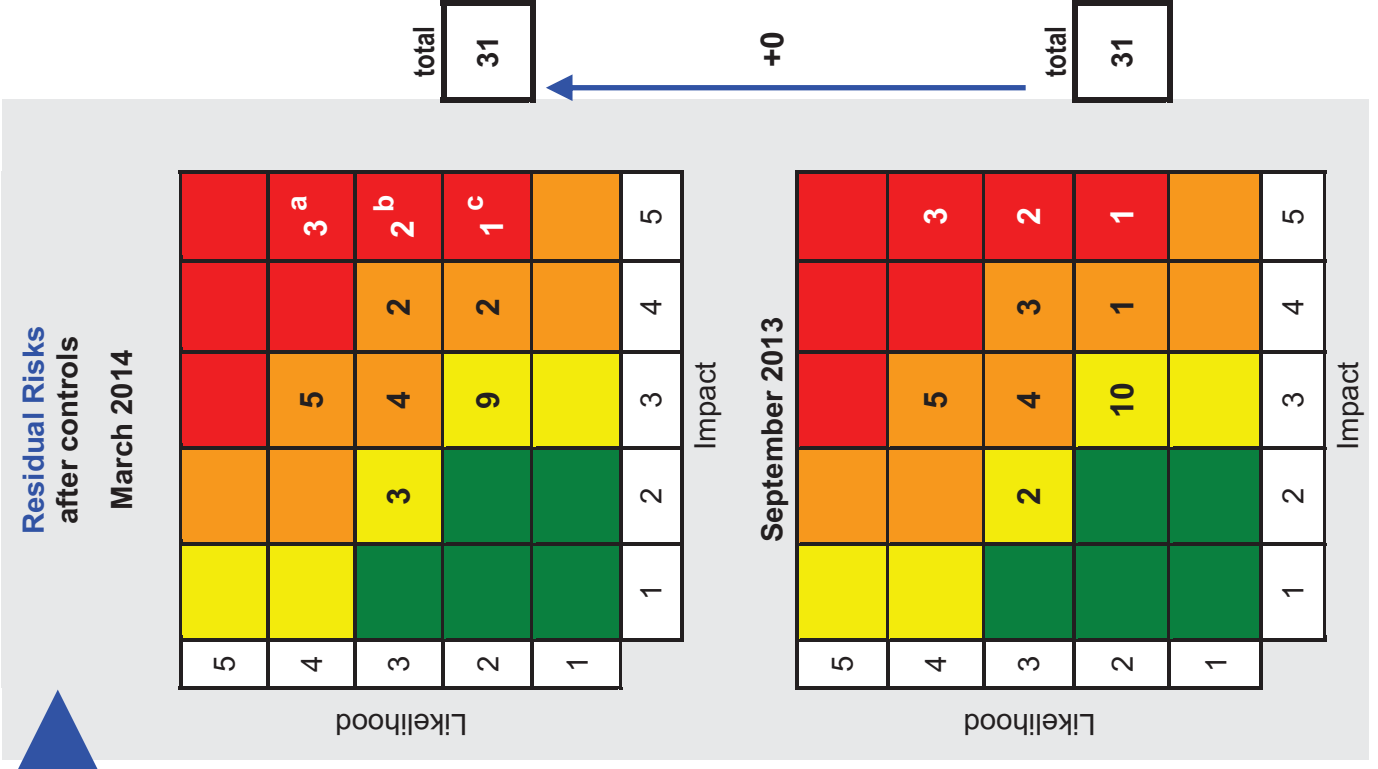
Corporate Risks

Appendix 1



Residual risk scores rely on the identified controls working effectively.

CGP and COMT rely on internal audit and managers' 'assurance' statements to judge whether this is the case.



	'Very High' Residual Risks	Likelihood X Impact			Accepted by Cabinet
		Sept 2013	Mar 2014	July 2012	
130 a	Reducing Govt. financial support	4 / 5	4 / 5	4 / 5	July 2012
237 a	Affordable new homes	4 / 5	4 / 5	4 / 5	Dec 2012
248 a	Failure to achieve financial savings	4 / 5	4 / 5	4 / 5	----
239 b	Town Centre redevelopment	3 / 5	3 / 5	3 / 5	----
246 b	Not realising land values	3 / 5	3 / 5	3 / 5	----
47 c	Investment decisions not appropriate	2 / 5	2 / 5	2 / 5	July 2012

Corporate

Operational Risks

Appendix 2

Inherent Risks before controls March 2014

5	3	6	3	2
4	6	19	10	3
3	7	26	19	5
2	4	4	3	2
1	1			
	1	2	3	4
				5

Likelihood

Impact

Residual risk scores rely on the identified controls working effectively.

CGP and COMT rely on internal audit and managers' 'assurance' statements to judge whether this is the case.

Residual Risks after controls March 2014

5				
4	1	4	9	
3	3	12	11	1 ^a
2	1	22	35	2 ^b
1		2	5	1
	1	2	3	4
				5

Likelihood

Impact

total **124**

September 2013

5				
4	1	5	8	1
3	3	13	11	1
2	1	21	34	2
1		2	4	1
	1	2	3	4
				5

Likelihood

Impact

Total **123**

+1

	Sept 2013	Mar 2014	Accepted by Cabinet
Likelihood X Impact			
241 a	3 / 5	3 / 5	----
15 b	2 / 5	2 / 5	July 2012
58 b	2 / 5	2 / 5	July 2012

Operational

Summary of Risk Register Amendments
3 September 2013 – 11 March 2014

Appendix 3

Operational Additions Deletions Category Change Net result
 + 3 - 2 0 + 1

Operational

Risk	Risk Title	Addition	Deleted	Inherent Risk Priority	Residual Risk Priority	Reason for deletion
163	Government Connect Code of Connection rules restrict flexibility of ICT provision. (Risk re-opened).	10/09/13	----	Very High	High	
252	Failure to implement the Pay Review project in April 2014.	08/10/13	----	High	Medium	
254	Changes to the way Government contribution to DFG is allocated to HDC, potentially puts allocation at risk.	22/01/14	----	Very High	High	
143	Economic downturn and welfare reform leads to increases in arrears leading to the reduction in income and cash flow problems.	28/02/12	21/01/14	Very High	High	DWP funding no longer applies, but efficiencies have led to greater ability to manage increased workload.
153	Competition and economic downturn affecting volume of land charge searches, leading to reduction in Council income.	10/06/09	26/02/14	High	High	Volumes up and stable.

Assurance Details

Appendix 4

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level				Area of Panel Assurance ¹	Assurance shortfall	Risk Type	
					Substantial	Adequate	Limited	None			Corporate	Operational
Enable sustainable growth												
Failure to deliver environmental policy/strategy	30	Red	5	Yellow			5		a		✓	
Partnerships are not effective	74	Red	1	Yellow			1		j	X	✓	
Increasing insurance premiums	126	Red	3	Yellow	1	1	1		f			✓
Climate change strategy	146	Red	2	Yellow				2	a	X	✓	
Reducing number of affordable homes built	237	Red	3	Red	3				a		✓	
Not realising land values	246	Red	1	Red		1			a			
Improve the quality of life in Huntingdonshire												
Reduced CCTV service	230	Red	1	Yellow	1				a			✓
Delays to Huntingdon town centre development	239	Red	1	Red		1			a		✓	
Reduction in Govt DFG funding	254	Red	1	Yellow	1				a			✓
Improve communications (internal)												
Service recovery/business continuity ineffective	6	Red	5	Yellow	4	1			g			✓
Unencrypted data is sent externally	122	Red	4	Orange	2	2			g			✓
Assets not properly maintained	186	Red	3	Yellow	1	2			g			✓
The Council (internal)												
ICT security breached	15	Red	8	Red	8				g			✓
Reliance on key IT staff	25	Red	5	Yellow	1	3	1		g			✓
Ineffective site security	32	Red	3	Yellow	1	1	1		g			✓
Staffing capacity: deadlines not met	49	Red	4	Yellow	4				a			✓
Information or data is lost	58	Red	4	Red	4		4		g			✓
Fraud occurs	75	Red	6	Yellow	1	4	1		g			✓
Theft	140	Red	4	Orange	4				g			✓
Loss of access/structure: Pathfinder House	145	Red	3	Yellow	2	1			g			✓
Government Connect secure network	163	Red	1	Orange	1	1			c			✓

¹ The areas that Panel require specific assurance upon are listed at the end of this section.

Assurance Details

Appendix 4

Corporate Objective	Risk No	Inherent Risk	No of Controls	Residual Risk	Assurance Level				Area of Panel Assurance ¹	Assurance shortfall	Risk Type	
					Substantial	Adequate	Limited	None			Corporate	Operational
Power loss to main IT servers	177	Red	6	Orange	4	1	1	f			✓	
Sensitive HB info e-sent via insecurely means	191	Red	1	Yellow	1			g			✓	
Loss of vehicle fleet operating licence	192	Red	3	Orange	2	1		a			✓	
Breach of Data Protection Act	217	Red	5	Yellow	5			c			✓	
Loss of use of admin buildings	229	Red	3	Yellow	3			g			✓	
IT staff capacity issues	244	Red	2	Orange		2		g			✓	
Desktop PC's are not supported	250	Red	1	Orange		1		g		✓		
Inappropriate social media activity	251	Red	2	Orange	2			g		✓		
Individual electoral registration	256	Red	1	Orange		1		c		✓		
To learn and develop (internal)												
Council does not invest in or develop staff	2	Red	4	Yellow	2	1	1	a		✓		
Staff absence through injury	14	Red	6	Orange		4	2	g			✓	
Serious injury or death of customers or staff	16	Red	5	Yellow		3	2	g			✓	
Bailiff contract (Health & Safety)	31	Red	3	Yellow		3		f			✓	
To maintain sound finances (internal)												
Budget estimates are inaccurate	24	Red	5	Orange		3	2	d			✓	
Investment decisions not appropriate	47	Red	4	Red	2	2		d		✓		
Project management ineffective	48	Red	3	Orange	2	1		e			✓	
Failure to achieve financial savings	130	Red	2	Red		1	1	d		✓		
S106 Agreements are not monitored	208	Red	3	Orange		2	1	e			✓	
MMI liabilities	223	Red	1	Green		1		d			✓	
CIL liabilities not collected	236	Red	1	Yellow		1		g			✓	
Reduced retained business rates	241	Red	1	Red			1	d			✓	
Failure to deliver Making Assets Count	243	Red	1	Orange			1	j	X		✓	
Failure to achieve financial savings	248	Red	1	Red			1	d	X		✓	

a. Delivery of the Council's corporate objectives

b. The effectiveness of the Constitution

c. Meeting statutory obligations

d. Effectiveness of financial management arrangements

e. Robustness of performance management system

f. The effectiveness of the risk management strategy

g. Internal control & the effectiveness of key controls

h. Adequacy of the internal audit service

j. Partnerships working effectively

Risk Register entries : No Controls

Appendix 5

Risk Ref	Risk Title	Inherent Risk Priority	Residual Risk Priority	Actions being considered	Date to be introduced
Head of Environmental Management					
214	Warmer, wetter winters and hotter summers with reduced rainfall resulting in an increased likelihood of subsidence and ground heave.	Low	Low	Develop a tree policy to consider the trees we currently own and how they will be managed in future. Is there a programme in place to identify buildings susceptible to subsidence risk? Is there a schedule of regular maintenance checks to identify any damage? Is preventative work carried out where required? All trees selected for any planting site, be it a paved street, grass verge, park, or open space is carefully chosen with regard given to its suitability to the area, based on growth habits, nutritional requirements, resistance to disease, the local landscape, future management requirements, potential for damage to adjacent properties and ultimate tree height and spread.	June 2011 May 2011 June 2011
215	Warmer summer weather and outdoor lifestyle increases the scope for outdoor activity leading to an increase in tourism and increased opportunity for leisure	Low	Low	None	
Head of Planning Services					
152	Economic downturn and the related potential shortfall in anticipated developer activity due to reduced market liquidity and availability of credit undermines the delivery of new homes, new employment opportunities and community facilities.	High	High	None	


Risk Assurance Shortfall

Appendix 6

Risk Ref	Risk Title	Inherent Risk Priority	Residual Risk Priority	Control Assurance level	Controls not considered effective
Head of Environmental Management					
74	Robust Partnerships agreement are not effectively secured with relevant organisation and as a consequence the delivery of key objectives is not achieved.	Very High	Medium	Limited	Partnership Manager role to ensure effective performance management and accountability of partnerships. This is primarily for the HSP.
146	Failure to prepare for and adapt to climate change already occurring, resulting in wasted investment , costs of emergency action and retrofitting buildings with adaptation measures.	Very High	High	None	Local Climate Impact Programme on services and wider District being developed. Adaptation to climate change.
243	Failure to deliver potential savings and partnership opportunities through the Making Assets Count programme	Very High	High	Limited	County and District level boards exist.
Chief Officers' Management Team					
248	Non achievement of savings leading to other savings needing to be found at short notice	Very High	Very High	Limited	The savings plan (which is required to be a realistic expectation of savings to be achieved or exceeded) has not yet been agreed.

Risk Assessment Model

Likelihood / Frequency

Likelihood / Frequency		Alternatively this could be expressed as likely to happen within the next:	
5 = Almost Certain	Will definitely occur, possibly frequently.	Month	
4 = Likely	Is likely to occur, but not persistently.	Year	
3 = Occasional	May occur only occasionally.	3 years	
2 = Unlikely	Do not expect it to happen but it is possible.	10 years	
1 = Improbable	Can't believe that this will ever happen, but it may occur in exceptional circumstances.	20 years	

When considering Health & Safety related risks, the likelihood should be expressed as being likely to happen within the next:

4 = Likely	Monthly	Further advice on assessing Health & Safety risks* can be obtained from the Health & Safety Advisor.
3 = Occasional	Year	
2 = Unlikely	5 years	

Impact

Risks will be evaluated against the following scale. If a risk meets conditions for more than one category, a judgement will need to be made as to which level is the most appropriate. For example, if a particular health and safety risk was significant, could result in minor short-term adverse publicity in the local media but had only a trivial financial impact, it might still be categorised as significant.

1 = trivial event or loss, which is likely to:

- cause minor disruption to service delivery on one or two consecutive days, not noticeable to customers
- increase the Council's net cost over the 5 year MTP period by £50,000 or less.
- be managed with no reporting in the local media
- cause localised (one or two streets) environmental or social impact

2 = minor event or loss, which is likely to:

- cause minor, noticeable disruption to service delivery on one or two consecutive days
- increase the Council's net cost over the 5 year MTP period by more than £50,000 but less than £100,000.
- result in minor short-term (up to a fortnight) adverse publicity in the local media
- * be a Health and Safety concern that results in an injury but little lost time (e.g. less than 3 days off work)
- have a short term effect on the environment i.e. noise, fumes, odour, dust emissions etc., but with no lasting detrimental impact

Risk Assessment Model

3 = significant event or loss, which is likely to:

- cause disruption for between one and four weeks to the delivery of a specific service which can be managed under normal circumstances
- affect service delivery in the longer term
- increase the Council's net cost over the 5 year MTP period by more than £100,000 but less than £250,000.
- result in significant adverse publicity in the national or local media
- * be a Health and Safety concern that results in more than 3 days off work or is a major injury, dangerous occurrence or disease that is required to be reported to the H&S Executive in accordance with RIDDOR.
- has a short term local effect on the environment, or a social impact, that requires remedial action.

4 = major event or loss, which is likely to:

- have an immediate impact on the majority of services provided or a specific service within one area, so that it requires Managing Director involvement.
- increase the Council's net cost over the 5 year MTP period by more than £250,000 but less than £500,000.
- raise concerns about the corporate governance of the authority and / or the achievement of the Corporate Plan
- cause sustained adverse publicity in the national media
- significantly affect the local reputation of the Council both in the long and short term
- * results in the fatality of an employee or any other person
- have a long term detrimental environmental or social impact e.g. chronic and / or significant discharge of pollutant

5 = critical event or loss, which is likely to:

- have an immediate impact on the Council's established routines and its ability to provide any services, and cause a total shutdown of operations.
- increase the Council's net cost over the 5 year MTP period by more than £500,000.
- have an adverse impact on the national reputation of the Council both in the long and short term
- have a detrimental impact on the environment and the community in the long term e.g. catastrophic and / or extensive discharge of persistent hazardous pollutant

Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Work Programme & Training
Meeting/Date: Corporate Governance Panel – 26 March 2014
Executive Portfolio: Resources: Councillor J A Gray
Report by: Internal Audit & Risk Manager
Ward(s) affected: All Wards

Executive Summary

The anticipated work programme for the Panel for the next year is shown at Appendix 1. This is based upon the Panel's current terms of reference.

Panel are asked to consider the work programme and decide what training they would like in preparation for the next or future agendas. Normally this training would be for 30-45 minutes immediately prior to the formal meeting but there may be occasions when a separate longer session would be more appropriate.

Training can be provided by appropriate officers, external audit or external trainers (subject to budgetary constraints).

The Internal Audit & Risk Manager is currently contacting 'expert' speakers with the intention of putting together a formal training day for Panel members.

Financial implications

There are no financial implications.

Recommendation

It is recommended that the Panel consider what training is to be provided prior to the May meeting.

Background papers

None

Contact Officer

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Anticipated Work Programme

May 2014

Review of the internal audit service
Internal audit annual report & opinion
Progress on issues raised in the Annual Governance Statement
Corporate Fraud Team investigation activity

July 2014

* Annual report - Feedback
Preparing the Annual Governance Statement
Effectiveness review of Licensing Committee
Internal Audit Plan
Corporate Board and assurance mapping

September 2014

Approval of the statement of accounts
Approval of the Annual Governance Statement
External audit – ISA 260 report
Effectiveness of the Panel
Risk register review

November 2014

Whistleblowing : policy review & investigations
Annual reports – Freedom of Information
– Business Continuity Planning
Internal Audit interim progress report

January 2015

Progress on introducing external audit recommendations
Review of the anti-fraud & corruption strategy
Whistleblowing concerns received
National Fraud Initiative
Corporate Board and assurance mapping

March 2015

* Review of Council constitution incl.
* Code of financial management
* Code of procurement
* Employee code of conduct
Internal Audit Plan
External Audit: Audit plan and grant claims
Risk register review

In addition to the items listed above, reports may be submitted on an ad-hoc basis on

Awards of compensation	Employee's code of conduct
Ombudsman reviews	Money laundering and bribery
Accounting policies	National Fraud Initiative
External audit recommendations	Effectiveness reviews of Panels/Committees
Constitutional matters	Other governance matters (e.g. equality)

Note.

If the proposed changes to the terms of reference of the Panel are agreed, the items marked *, would become the responsibility of the Standards Committee.

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